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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 2022**

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations of the Group for the year ended 31 December 2022 amounted to RMB41,631 million, representing a decrease of RMB25,500 million or 37.99% from 2021.
- Profit attributable to equity shareholders of the Company for the year ended 31 December 2022 amounted to RMB2,347 million, representing a decrease of RMB3,956 million or 62.76% from 2021.
- Basic earnings per share for the year ended 31 December 2022 amounted to RMB27.80 cents, representing a decrease of RMB47.98 cents compared with basic earnings per share of RMB75.78 cents in 2021. Diluted earnings per share for the year ended 31 December 2022 amounted to RMB27.68 cents, representing a decrease of RMB47.61 cents compared with diluted earnings per share of RMB75.29 cents in 2021.
- The Board proposed a final dividend of RMB0.32 per share for the year ended 31 December 2022.

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 2022 (the “**Reporting Period**”) together with the comparative figures for 2021:

FINANCIAL RESULTS

Financial information extracted from the audited financial statements for 2022 prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”):

Consolidated statement of comprehensive income

For the year ended 31 December 2022

(Expressed in RMB)

	<i>Note</i>	2022 RMB millions	2021 RMB <i>millions</i>
Revenue	<i>3</i>	41,631	67,131
Cost of sales and services		(32,543)	(51,280)
Gross profit		9,088	15,851
Other income		982	1,413
Sales and marketing expenses		(2,635)	(3,473)
General and administrative expenses		(2,400)	(1,983)
Impairment loss on trade and other receivables and receivables under finance lease	<i>4(c)</i>	(446)	(746)
Research and development expenses		(2,507)	(3,865)
Profit from operations		2,082	7,197
Net finance income	<i>4(a)</i>	300	6
Share of profits less losses of associates	<i>8</i>	130	154
Profit before taxation	<i>4</i>	2,512	7,357
Income tax	<i>5</i>	(86)	(938)
Profit for the year		2,426	6,419

	<i>Note</i>	2022 RMB millions	2021 RMB millions
Profit attributable to:			
Equity shareholders of the Company		2,347	6,303
Non-controlling interests		79	116
		<u>2,426</u>	<u>6,419</u>
Profit for the year		<u>2,426</u>	<u>6,419</u>
Earnings per share (cents)			
Basic	7	<u>27.80</u>	<u>75.78</u>
Diluted	7	<u>27.68</u>	<u>75.29</u>

	2022 <i>RMB</i> <i>millions</i>	2021 <i>RMB</i> <i>millions</i>
Profit for the year	2,426	6,419
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)	(93)	(52)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside mainland PRC	(71)	(172)
Total other comprehensive income for the year	(164)	(224)
Total comprehensive income for the year	2,262	6,195
Total comprehensive income attributable to:		
Equity shareholders of the Company	2,183	6,079
Non-controlling interests	79	116
Total comprehensive income for the year	2,262	6,195

Consolidated statement of financial position*At 31 December 2022**(Expressed in RMB)*

	<i>Note</i>	2022 RMB millions	2021 RMB <i>millions</i>
Non-current assets			
Property, plant and equipment		13,903	9,740
Right-of-use assets		3,995	4,113
Investment properties		161	—
Intangible assets		1,926	1,850
Goodwill		2,562	1,908
Interests in associates	<i>8</i>	4,476	4,190
Other financial assets	<i>9</i>	2,263	2,418
Trade and other receivables	<i>11</i>	11,829	16,353
Receivables under finance lease	<i>12</i>	6,456	7,206
Loans and advances		277	140
Pledged bank deposits		160	202
Deferred tax assets	<i>15(b)</i>	1,907	1,148
Total non-current assets		49,915	49,268
Current assets			
Inventories		14,203	13,501
Other current assets		1,040	1,156
Financial assets at fair value through profit or loss	<i>10</i>	4,011	6,408
Trade and other receivables	<i>11</i>	33,962	32,108
Receivables under finance lease	<i>12</i>	4,717	4,496
Loans and advances		170	80
Pledged bank deposits		1,708	1,775
Cash and cash equivalents		13,791	13,190
Total current assets		73,602	72,714
Total assets		123,517	121,982
Current liabilities			
Loans and borrowings		11,018	11,011
Trade and other payables	<i>13</i>	35,259	36,600
Contract liabilities		1,892	1,874
Lease liabilities		117	93
Income tax payable	<i>15(a)</i>	101	97
Total current liabilities		48,393	49,675
Net current assets		25,209	23,039
Total assets less current liabilities		75,124	72,307

	<i>Note</i>	2022 RMB millions	2021 RMB <i>millions</i>
Non-current liabilities			
Loans and borrowings		10,962	7,894
Lease liabilities		355	320
Deferred tax liabilities	<i>15(b)</i>	842	405
Other non-current liabilities		6,026	5,428
		<hr/>	<hr/>
Total non-current liabilities		18,185	14,047
		<hr/>	<hr/>
NET ASSETS		56,939	58,260
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital		8,678	8,678
Reserves		46,027	48,153
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		54,705	56,831
		<hr/>	<hr/>
Non-controlling interests		2,234	1,429
		<hr/>	<hr/>
TOTAL EQUITY		56,939	58,260
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Consolidated statement of changes in equity

For the year ended 31 December 2022

(Expressed in RMB)

	Attributable to equity shareholders of the Company									Total equity <i>RMB</i> <i>millions</i>
	Share capital <i>RMB</i> <i>millions</i>	Capital reserve <i>RMB</i> <i>millions</i>	Statutory surplus reserve <i>RMB</i> <i>millions</i>	Exchange reserve <i>RMB</i> <i>millions</i>	Fair value reserve (non-recycling) <i>RMB</i> <i>millions</i>	Other reserves <i>RMB</i> <i>millions</i>	Retained earnings <i>RMB</i> <i>millions</i>	Total <i>RMB</i> <i>millions</i>	Non-controlling interests <i>RMB</i> <i>millions</i>	
Balance at 31 December 2020 and 1 January 2021	7,938	13,517	3,924	(1,300)	12	59	22,556	46,706	1,144	47,850
Changes in equity for 2021										
Profit for the year	–	–	–	–	–	–	6,303	6,303	116	6,419
Other comprehensive income	–	–	–	(172)	(1)	–	(51)	(224)	–	(224)
Total comprehensive income	–	–	–	(172)	(1)	–	6,252	6,079	116	6,195
Appropriation for surplus reserve	–	–	460	–	–	–	(460)	–	–	–
Issue of ordinary shares	705	5,383	–	–	–	–	–	6,088	–	6,088
Cash dividends	–	–	–	–	–	–	(2,778)	(2,778)	–	(2,778)
Share incentive scheme										
– Share option scheme	35	137	–	–	–	–	–	172	–	172
– Restricted share scheme	–	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	–	–	–	–	–	1	195	196
Appropriation for general risk reserve	–	–	–	–	–	169	(169)	–	–	–
Safety production fund	–	–	–	–	–	32	(32)	–	–	–
Balance at 31 December 2021	8,678	19,601	4,384	(1,472)	11	260	25,369	56,831	1,429	58,260

Consolidated statement of changes in equity
For the year ended 31 December 2022 (continued)
(Expressed in RMB)

Attributable to equity shareholders of the Company										
Note	Share capital	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve (non-recycling)	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions
Balance at 31 December 2021 and 1 January 2022	8,678	19,601	4,384	(1,472)	11	260	25,369	56,831	1,429	58,260
Changes in equity for 2022										
Profit for the year	-	-	-	-	-	-	2,347	2,347	79	2,426
Other comprehensive income	-	-	-	(71)	(61)	-	(32)	(164)	-	(164)
Total comprehensive income	-	-	-	(71)	(61)	-	2,315	2,183	79	2,262
Repurchase of ordinary shares	-	(1,556)	-	-	-	-	-	(1,556)	-	(1,556)
Cash dividends	6	-	-	-	-	-	(2,777)	(2,777)	-	(2,777)
Share incentive scheme										
– Restricted share scheme	14	-	164	-	-	-	-	164	-	164
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	383	383
Acquisition of non-controlling interests in subsidiaries	-	(626)	-	-	-	-	-	(626)	(256)	(882)
Contribution from non-controlling shareholders in a subsidiary	-	486	-	-	-	-	-	486	625	1,111
Dividends declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(26)	(26)
Safety production fund	-	-	-	-	-	42	(42)	-	-	-
Balance at 31 December 2022	8,678	18,069	4,384	(1,543)	(50)	302	24,865	54,705	2,234	56,939

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. Significant accounting policies adopted by the Group are disclosed below.

2 CHANGES IN ACCOUNTING POLICIES

The Group has adopted Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37) from 1 January 2022. This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Group has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy – i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.

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:

	2022 RMB millions	2021 RMB <i>millions</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
Construction machinery		
– Concrete machinery	8,432	16,379
– Crane machinery	18,859	36,308
– Aerial machinery	4,593	3,351
– Earth working machinery	3,511	3,236
– Others	3,415	4,058
Agricultural machinery	2,133	2,907
	40,943	66,239
Revenue from other sources		
Rental income from construction machinery		
– Concrete machinery	28	1
– Crane machinery	120	185
– Aerial machinery	4	–
– Others	29	5
– Agricultural machinery	5	–
	186	191
Financial services	502	701
	688	892
	41,631	67,131

(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.

Aerial machinery sub-segment primarily researches, develops, manufactures and sells a variety of aerial work vehicles.

Earth working machinery sub-segment primarily researches, develops, manufactures and sells a variety of earth working machineries, including loaders, bulldozer and various types of excavators.

Others primarily research, develop, manufacture and sell of other machinery products, including road construction and pile foundation 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 2022 and 2021.

- 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 2022 and 2021 is set out below:

	2022			2021		
	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	8,432	28	8,460	16,379	1	16,380
– Crane machinery	18,859	120	18,979	36,308	185	36,493
– Aerial machinery	4,593	4	4,597	3,351	–	3,351
– Earthworking machinery	3,511	–	3,511	3,236	–	3,236
– Others	3,415	29	3,444	4,058	5	4,063
Agricultural machinery	2,133	5	2,138	2,907	–	2,907
Financial services	–	502	502	–	701	701
	40,943	688	41,631	66,239	892	67,131

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

(ii) Information about profit or loss

	2022 RMB millions	2021 RMB millions
Reportable segment profit:		
Construction machinery		
– Concrete machinery	1,779	3,968
– Crane machinery	4,348	8,501
– Aerial machinery	957	696
– Earth working machinery	824	614
– Others	594	987
Agricultural machinery	95	405
Financial services	491	680
	9,088	15,851

(iii) Reconciliations of segment profit

	2022 RMB millions	2021 RMB millions
Reconciliation of segment profit:		
Total reportable segment profit	9,088	15,851
Gross profit	9,088	15,851
Other income	982	1,413
Sales and marketing expenses	(2,635)	(3,473)
General and administrative expenses	(2,400)	(1,983)
Impairment loss on trade and other receivables and receivables under finance lease	(446)	(746)
Research and development expenses	(2,507)	(3,865)
Net finance costs	300	6
Share of profits less losses of associates	130	154
Profit before taxation	2,512	7,357

(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.

	2022 RMB millions	2021 RMB millions
Revenue from external customers		
– Mainland PRC	31,639	61,342
– Outside PRC	9,992	5,789
Total	41,631	67,131
	2022 RMB millions	2021 RMB millions
Specified non-current assets		
– Mainland PRC	16,961	12,951
– Outside PRC	937	902
Total	17,898	13,853

4 PROFIT BEFORE TAXATION

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

(a) Net finance costs/(income):

	2022 RMB millions	2021 RMB millions
Interest income	(989)	(970)
Interest on loans and borrowings	914	916
Interest on lease liabilities	23	7
Net exchange (gain)/loss	(248)	41
	<u>(300)</u>	<u>(6)</u>

(b) Staff costs:

	2022 RMB millions	2021 RMB millions
Salaries, wages and other benefits	3,794	3,913
Share incentive scheme expenses	170	427
Contributions to retirement schemes	574	628
	<u>4,538</u>	<u>4,968</u>

(c) Other items:

	2022 RMB millions	2021 RMB millions
Cost of inventories sold	32,543	51,280
Depreciation charge		
– owned property, plant and equipment	794	665
– right-of-use assets, land use rights	79	74
– right-of-use assets, plant, machinery and equipment	122	102
Amortisation of intangible assets	161	160
(Loss)/gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	(8)	186
Auditors' remuneration:		
– audit services	11	10
Product warranty costs	198	245
Impairment losses:		
– trade receivables	259	496
– bills receivables	4	–
– receivables under finance lease	157	178
– other receivables	21	66
– loan and advance	5	6
– inventories	590	9

5 INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

(a) Taxation charged to profit or loss:

	2022 RMB <i>millions</i>	2021 <i>RMB</i> <i>millions</i>
Current tax – PRC income tax	374	670
Current tax – Income tax in other tax jurisdictions	18	26
Deferred taxation	<u>(306)</u>	<u>242</u>
Tax expenses	<u>86</u>	<u>938</u>

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

	2022 RMB <i>millions</i>	2021 <i>RMB</i> <i>millions</i>
Profit before taxation	<u>2,512</u>	<u>7,357</u>
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (<i>Note (i)</i>)	628	1,839
Tax effect of non-deductible expenses	37	55
Current year loss for which no deferred tax assets was recognised	109	45
Tax effect of non-taxable income (<i>Note (i)</i>)	(51)	(115)
Tax effect of tax concessions (<i>Note (ii)</i>)	232	(481)
Additional deduction for qualified research and development expenses (<i>Note (iii)</i>)	(265)	(405)
Additional deduction for qualified machineries and equipment acquired (<i>Note (iv)</i>)	<u>(604)</u>	<u>–</u>
Actual income tax expenses	<u>86</u>	<u>938</u>

Notes:

- (i) The PRC statutory income tax rate is 25% (2021: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2021: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. In 2022 and 2021, the Group did not derive any income chargeable to Hong Kong Profits Tax on the basis that all the income was offshore sourced, all the expenses incurred by the subsidiaries in Hong Kong have been disallowed.

The Company's overseas subsidiaries are subject to income tax at rates ranging from 15.0% to 28.4% (2021: 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 2022 and accordingly are subject to income tax at 15% for the years from 2022 to 2024.
- (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 2022 (2021: 100%). Besides, a 100% additional tax deduction is allowed for qualified research and development expenditure incurred in the fourth quarter of 2022 (2021: Nil).
- (iv) Under the income tax law and its relevant regulations, a 100% tax deduction and a 100% additional tax deduction is allowed for qualified machineries and equipment acquired in the fourth quarter of 2022 for high-technology enterprises.

6 CASH DIVIDENDS

(i) Dividends paid during year

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

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.

(ii) Dividends proposed after the balance sheet date

Pursuant to a resolution passed at the directors' meeting on 30 March 2023, a final dividend in respect of the year ended 31 December 2022 of RMB0.32 per share totaling RMB2,694 million (2021: RMB0.32 per share totaling RMB2,777 million) was proposed for shareholders' approval at the forthcoming Annual General Meeting, and repurchased shares are not included in the profit distribution. 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 RMB2,347 million (2021: RMB6,303 million) and the weighted average of 8,443 million ordinary shares (2021: 8,317 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022 <i>millions</i>	2021 <i>millions</i>
Issued ordinary shares at 1 January	8,444	7,547
Effect of issue of ordinary H shares	–	178
Effect of issue of ordinary A shares	–	460
Effect of repurchase of ordinary A shares	(81)	–
Effect of restricted A shares unlocked	80	107
Effect of share options exercised	–	25
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	8,443	8,317
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(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 RMB2,347 million (2021: RMB6,303 million) and the weighted average number of ordinary shares of 8,480 million shares (2021: 8,372 million shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2021 <i>millions</i>	2021 <i>millions</i>
Weighted average number of ordinary shares at 31 December	8,443	8,317
Effect of deemed issue of restricted A shares	37	49
Effect of exercisable options	–	6
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	8,480	8,372
	<hr/> <hr/>	<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

	2022 RMB <i>millions</i>	2021 <i>RMB</i> <i>millions</i>
Infore Environment Technology Group Co., Ltd. (“Infore Environment”)	<u>3,132</u>	<u>3,110</u>
Aggregate carrying amount of individually material associates in the consolidated financial statements	<u>3,132</u>	<u>3,110</u>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<u>1,344</u>	<u>1,080</u>
Total	<u>4,476</u>	<u>4,190</u>

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

The following list contains only the particulars of a material associate, which is a listed corporate entity whose quoted market price is available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital (<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 2022, the quoted market price of Infore Environment was RMB4.51 (2021: RMB7.33) per share and the fair value of the investment in Infore Environment was RMB1,800 million (2021: RMB2,926 million).

	2022 RMB <i>millions</i>	2021 <i>RMB</i> <i>millions</i>
Amounts of the Group’s share of Infore Environment		
Profit from operations	61	118
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income	<u>61</u>	<u>118</u>

During the year ended 31 December 2022, Infore Environment distributed dividends of RMB40 million (2021: RMB48 million) to the Group.

	2022 RMB millions	2021 RMB millions
Aggregate amounts of the Group's share of individually immaterial associates		
Profit from operations	69	36
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income	<u>69</u>	<u>36</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 was recognised in profit or loss during the year ended 31 December 2021, 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.

9 OTHER FINANCIAL ASSETS

	<i>Note</i>	2022 RMB millions	2021 RMB millions
Financial assets at FVOCI			
Equity securities	<i>(i)</i>	2,186	2,307
Financial assets at FVPL			
Listed equity securities	<i>(ii)</i>	<u>77</u>	<u>111</u>
Total		<u>2,263</u>	<u>2,418</u>

Notes:

- (i) The equity securities comprise equity funds and other unlisted equity securities. The aggregate fair value of equity funds, listed equity securities and unlisted equity securities was RMB1,567 million, RMB12 million and RMB607 million respectively at 31 December 2022 (2021: RMB1,690 million, RMB14 million and RMB603 million). The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of RMB32 million (2021: RMB66 million) were received on investments in equity securities during the year ended 31 December 2022 (see Note 4). An accumulated loss in the fair value reserve (non-recycling) of RMB32 million in relation to partial disposal of equity securities was transferred to retained earnings during the year ended 31 December 2022 (2021: accumulated loss of RMB51 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 RMB77 million, based on their quoted market prices as at 31 December 2022 (2021: RMB111 million).

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Note</i>	2022 RMB millions	2021 RMB millions
Financial assets carried at fair value through profit or loss:			
– Wealth management products	(i)	2,806	5,430
– Securities investment funds	(ii)	1,205	978
		4,011	6,408

Notes:

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

11 TRADE AND OTHER RECEIVABLES

	2022 RMB millions	2021 RMB millions
Trade receivables	44,764	47,823
Less: loss allowance	(5,260)	(4,937)
	39,504	42,886
Less: trade receivables due after one year	(11,829)	(16,353)
	27,675	26,533
Bills receivable	1,239	1,882
	28,914	28,415
Amounts due from related parties	240	265
Prepayments for purchase of raw materials	735	639
Prepaid expenses	215	408
Prepayments for land use right	1,703	–
VAT recoverable	1,458	1,070
Deposits	99	91
Financial assets at amortised cost	–	200
Others	598	1,020
	33,962	32,108

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 generally over a period of 6 to 60 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 2022, the weighted average discount rate was approximately 4.45% (2021: 4.75%) per annum. As at 31 December 2022, trade receivables due after one year of RMB11,952 million (31 December 2021: RMB16,353 million) were presented net of unearned interest of RMB814 million (31 December 2021: RMB1,089 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:

	2022 RMB millions	2021 RMB millions
Within 1 year	28,233	34,721
Over 1 year but less than 2 years	6,730	3,768
Over 2 years but less than 3 years	1,279	1,448
Over 3 years but less than 5 years	1,391	1,308
Over 5 years	1,871	1,641
	39,504	42,886

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2021: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 30% to 50% (2021: 40% to 50%) of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 60 months (2021: 6 to 42 months), customers are normally required to make an upfront payment ranging from 20% to 50% (2021: 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:

	2022 RMB millions	2021 RMB millions
Balance at 1 January	4,937	4,943
Impairment losses recognised	292	496
Reclassification from loss allowance of receivables under finance lease (<i>Note 12</i>)	284	554
Uncollectible amounts written off	(244)	(1,037)
Written off upon sale of trade receivables (<i>Note</i>)	(9)	(19)
Balance at 31 December	5,260	4,937

Note: During the year ended 31 December 2022, RMB9 million of loss allowance for trade receivables were written off due to disposal of certain receivables in a bulk sale (2021: RMB19 million).

As at 31 December 2022, bills receivable of RMB952 million (2021: RMB1,523 million), including bank acceptance bills and digital bills receivable, 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.

Other bills receivable of RMB287 million (2021: RMB359 million) are measured at amortised cost, including bank and commercial acceptance bills.

Bills receivable mainly 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 2022, 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 2022, 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 RMB658 million (31 December 2021: RMB740 million).

As at 31 December 2022, bills receivable of RMB1,362 million (31 December 2021: RMB730 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

	2022 RMB millions	2021 RMB millions
Gross investment	12,587	13,344
Unearned finance income	(615)	(688)
	11,972	12,656
Less: loss allowance	(799)	(954)
	11,173	11,702
Less: receivables under finance lease due after one year	(6,456)	(7,206)
Receivables under finance lease due within one year	4,717	4,496

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 periods ranging from 1 to 6 years (2021: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 50% of the product price (2021: 5% to 50%) and pay a security deposit ranging from 1% to 20% of the product price (2021: 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:

	2022 RMB millions	2021 RMB <i>millions</i>
<i>Present value of the minimum lease payments</i>		
Within 1 year	5,043	4,782
Over 1 year but less than 2 years	3,001	3,191
Over 2 years but less than 3 years	1,968	2,217
Over 3 years	1,960	2,466
	<hr/> 11,972 <hr/>	<hr/> 12,656 <hr/>

Unearned finance income

Within 1 year	270	280
Over 1 year but less than 2 years	140	160
Over 2 years but less than 3 years	98	109
Over 3 years	107	139
	<hr/> 615 <hr/>	<hr/> 688 <hr/>

Gross investment

Within 1 year	5,313	5,062
Over 1 year but less than 2 years	3,141	3,351
Over 2 years but less than 3 years	2,066	2,326
Over 3 years	2,067	2,605
	<hr/> 12,587 <hr/>	<hr/> 13,344 <hr/>

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

	2022 RMB millions	2021 RMB <i>millions</i>
Not yet due	10,841	11,299
Within 1 year past due	929	478
Over 1 year but less than 2 years past due	176	145
Over 2 years past due	26	734
	<hr/>	<hr/>
Total past due	1,131	1,357
	<hr/>	<hr/>
	11,972	12,656
Less: loss allowance	(799)	(954)
	<hr/>	<hr/>
	11,173	11,702
	<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:

	2022 RMB millions	2021 RMB <i>millions</i>
Balance at 1 January	954	1,604
Impairment losses recognised	157	178
Written off upon sale of receivables under finance lease	(19)	(54)
Reclassification to loss allowance of trade receivables (<i>Note 11</i>)	(284)	(554)
Written off upon repossession of sold machinery	(9)	(28)
Disposal of a subsidiary	–	(192)
	<hr/>	<hr/>
Balance at 31 December	799	954
	<hr/> <hr/>	<hr/> <hr/>

13 TRADE AND OTHER PAYABLES

	2022 <i>RMB</i> <i>millions</i>	2021 <i>RMB</i> <i>millions</i>
Trade creditors	13,075	14,709
Digital bills payable	5,260	5,695
Bills payable	8,159	9,528
	<hr/>	<hr/>
Trade creditors and bills payable	26,494	29,932
Accrued staff costs	834	954
VAT payable	1,120	925
Sundry taxes payable	66	108
Security deposits	774	787
Payable for acquisition of property, plant and equipment	2,314	618
Product warranty provision	126	137
Financial guarantees issued	68	94
Amounts due to related parties	1	1
Other accrued expenses and payables	3,462	3,044
	<hr/>	<hr/>
	35,259	36,600
	<hr/> <hr/>	<hr/> <hr/>

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:

	2022 <i>RMB</i> <i>millions</i>	2021 <i>RMB</i> <i>millions</i>
Due within 1 month or on demand	2,386	6,078
Due after 1 month but within 3 months	14,624	10,188
Due after 3 months but within 6 months	6,026	8,040
Due after 6 months but less than 12 months	3,458	5,626
	<hr/>	<hr/>
	26,494	29,932
	<hr/> <hr/>	<hr/> <hr/>

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 1200 selected current employees (the "**Participants**") of the Group. On 3 April 2020, related resolutions were considered and passed at the First Meeting of Participants, pursuant to which the date of grant for the ESOP has been set for 3 April 2020. The Participants are entitled to purchase Zoomlion restricted A shares at RMB2.75 each. The Participants of the ESOP included directors, senior executives and core technical employees. As a result, 390,449,924 restricted shares were granted to the ESOP 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) Restricted shares

The number of restricted shares are as follows:

	2022 Number of restricted shares	2021 Number of restricted shares
Outstanding at the beginning of the year	234,269,954	390,449,924
Vested during the year	(117,134,977)	(156,179,970)
Outstanding at the end of the year	117,134,977	234,269,954
Weighted average remaining contractual life	0.33 years	0.83 years

The fair value of restricted share granted on 3 April 2020 were RMB3.00 per share, 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.

(b) 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 2022, 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 2022, share incentive scheme expenses of RMB170 million (2021: RMB427 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:

	2022 RMB millions	2021 RMB millions
Provision for PRC income tax	99	88
Provision for income tax in other tax jurisdictions	8	9
	107	97

(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 2022

	Balance at 31 December 2021 <i>RMB millions</i>	Credited/ (charged) to profit or loss <i>RMB millions</i>	Credited/ (charged) to reserves <i>RMB millions</i>	Balance at 31 December 2022 <i>RMB millions</i>
Deferred tax assets arising from:				
Receivables	731	121	–	852
Inventories	82	43	–	125
Accrued expenses	94	(21)	–	73
Tax losses	166	412	–	578
Others	75	207	(3)	279
Total	<u>1,148</u>	<u>762</u>	<u>(3)</u>	<u>1,907</u>
Deferred tax liabilities arising from:				
Property, plant and equipment	(26)	(28)	–	(54)
Intangible assets	(292)	25	–	(267)
Right-of-use assets	(40)	(3)	–	(43)
Others	(47)	(450)	19	(478)
Total	<u>(405)</u>	<u>(456)</u>	<u>19</u>	<u>(842)</u>

Year ended 31 December 2021

	Balance at 31 December 2020 <i>RMB millions</i>	Credited/ (charged) to profit or loss <i>RMB millions</i>	Credited/ (charged) to reserves <i>RMB millions</i>	Balance at 31 December 2021 <i>RMB 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
Total	<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)
Total	<u>(490)</u>	<u>31</u>	<u>54</u>	<u>(405)</u>

As at 31 December 2022, deferred tax assets in respect of tax losses totalling RMB422 million (31 December 2021: RMB270 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 2022 <i>RMB</i> <i>millions</i>	As at 31 December 2021 <i>RMB</i> <i>millions</i>
Total equity reported under PRC GAAP	56,976	58,297
– Acquisition-related costs incurred on prior year business combination	(37)	(37)
Total equity reported under IFRSs	<u>56,939</u>	<u>58,260</u>

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

	2022 <i>RMB</i> <i>millions</i>	2021 <i>RMB</i> <i>millions</i>
Total comprehensive income for the year reported under PRC GAAP	2,220	6,163
– Safety production fund (<i>Note</i>)	42	32
Total comprehensive income for the year reported under IFRSs	<u>2,262</u>	<u>6,195</u>

Note: Under PRC GAAP, safety production fund should be accrued and recognised in profit or loss with a corresponding credit in reserve according to relevant PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related equipment are purchased, is reduced by the 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 with IFRSs.

Revenue

Our revenue decreased by 37.99% from RMB67,131 million for the year ended 31 December 2021 to RMB41,631 million for the year ended 31 December 2022.

Cost of Sales and Services

Due to the decline in sales volume, our cost of sales and services decreased by 36.54% from RMB51,280 million for the year ended 31 December 2021 to RMB32,543 million for the year ended 31 December 2022.

Gross profit

Our gross profit decreased by 42.67% from RMB15,851 million for the year ended 31 December 2021 to RMB9,088 million for the year ended 31 December 2022. Our gross profit margin decreased from 23.61% for the year ended 31 December 2021 to 21.83% for the year ended 31 December 2022, which is mainly due to the decline in sales volume and rise of raw materials prices.

Other income

Our other income decreased from the net gain of RMB1,413 million for the year ended 31 December 2021 to a net gain of RMB982 million for the year ended 31 December 2022, which is mainly due to the decrease in government grants received.

Sales and marketing expenses

Our sales and marketing expenses decreased by 24.13% from RMB3,473 million for the year ended 31 December 2021 to RMB2,635 million for the year ended 31 December 2022 primarily due to the decline in sales volume resulting in the decrease in sales expenses.

General and administrative expenses

Our general and administrative expenses increased from RMB1,983 million for the year ended 31 December 2021 to RMB2,400 million for the year ended 31 December 2022 primarily due to increase of impairment losses from inventories based on NRV test.

Net finance income

Our net finance income for the year ended 31 December 2021 was RMB6 million and our net finance income for the year ended 31 December 2022 was RMB300 million. The fluctuation was due to the fluctuation in foreign exchange rate.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 62.21% from a profit of RMB6,419 million for the year ended 31 December 2021 to a profit of RMB2,426 million for the year ended 31 December 2022.

Operating activities

In 2022, net cash generated from operating activities was RMB1,951 million derived primarily from the profit before taxation of RMB2,512 million in total, adjusted to reflect interest expense of RMB937 million, depreciation and amortisation of RMB1,153 million, net realized and unrealised gains on financial assets at fair value through profit or loss (“**FVPL**”) of RMB269 million, loss on disposal of fixed assets, intangible assets and other long-term assets of RMB8 million, share incentive scheme expenses of RMB170 million, share of profits less losses of associates of RMB130 million, and added back the effect of (i) the decrease in inventories of RMB25 million and (ii) the decrease in trade and other receivables of RMB469 million, and net off the following items: (i) the increase of receivables under finance lease of RMB302 million; (ii) the decrease in contract liabilities of RMB10 million; (iii) the decrease in trade and other payables of RMB1,237 million; and (iv) income tax payment of RMB436 million.

Investing activities

In 2022, net cash generated from investing activities was RMB1,041 million, consisting primarily of: (i) proceeds from disposal of financial assets at FVPL of RMB16,388 million; (ii) interest received of RMB474 million; (iii) proceeds from disposal of property, plant and equipment and intangible assets of RMB89 million; (iv) proceeds from disposal of financial assets at fair value through other comprehensive income (“**FVOCI**”) of RMB58 million; and (v) increase in pledged bank deposits of RMB109 million and offset by the following items: (i) investment into financial assets at FVPL of RMB13,633 million; (ii) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB1,529 million; (iii) investment into financial assets at FVOCI of RMB83 million; (iv) payment for acquisition of a subsidiary of RMB724 million; and (v) payment for investments in associates of RMB215 million.

Financing activities

In 2022, net cash used in financing activities was RMB2,494 million, consisting primarily of: (i) repayments of loans and borrowings assets of RMB17,242 million; (ii) cash dividends paid to equity shareholders of RMB2,777 million; (iii) interest payments of RMB928 million; (iv) payment for repurchase of own shares of RMB1,556 million; and (v) payment for acquisition of non-controlling interest of RMB886 million and added (i) proceeds from loans and borrowings of RMB19,993 million; and (ii) proceeds on contributions from non-controlling shareholders of RMB1,097 million.

BUSINESS REVIEW AND PROSPECT

1. Review of operation for the year 2022

In 2022, the international situation was complex and severe, and the growth of the world economy slowed down. China's economic development was hit by multiple unexpected factors at home and abroad. The country effectively balanced its economic and social development, achieving stable economic operation and steadily improving the quality of development.

In 2022, both the demand for engineering machinery in the domestic market and the sales of engineering machinery shrank because of the decline in the number of infrastructure projects and real estate projects under construction. The rigid demand for China's engineering machinery in overseas markets was increasing, and a high growth rate of the export sales was maintained.

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

During the Reporting Period, the operating revenue of the Company was RMB41,631 million, representing a year-on-year decrease rate of 37.99%. The net profit attributable to the parent company was RMB2,347 million, representing a year-on-year decrease rate of 62.76%.

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

1. The industrial echelons of the Company gathered momentum continuously

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

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

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

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

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

The Company's engineering cranes still led in the market share in the industry. The sales of our all-terrain cranes with a maximum duty of lifting 200 tonnes or above ranked first in the industry. The Company managed to manufacture and deliver the all-terrain crane ZAT24000H with the largest lifting capacity in the world on a large scale.

The sales of our construction cranes ranked first in the world. Our unparalleled R-generation tower crane was launched, demonstrating three core technological breakthroughs, i.e. "safe coverage of places requiring load transport, a service life of thirty years and remote management". The R-generation tower crane is a benchmark of the most advanced crane technology.

② Significant breakthroughs in potential business opportunities

The layout of the manufacturing of our earthmovers features bases in Weinan and Changsha. The whole demonstrative intelligent plant manufacturing excavators in Changsha went into operation. The reliability and intelligent technologies of our medium and large excavators were upgraded in an all-round way. Our market share increased continuously, and the Company's operation was progressing well.

We had the largest number of MEWP models in China with a leading domestic sales volume in the industry. Our product line consists of over 80 products, such as scissor lifts, articulating boom lifts, telescopic boom lifts and spider boom lifts. The work heights of MEWPs range from four metres to sixty-eight metres. The boom lift ZT68J has the highest work height in the global industry. We sped up upgrading conventional models and developing new products. The Company managed to manufacture truck-mounted boom lifts and spider boom lifts on a small scale. Many new products (e.g. telescopic boom forklifts and aerial work robots) were developed and manufactured. The demand for our products on the market was increasing continuously, and the reputation of our products was being enhanced continuously.

③ Accelerating independent research and development of key components

The Company focused on key core technologies, such as perception, interaction, control, transmission, axles, hydraulic, hydraulic cylinders, rubber pipes, high-strength steel, thin plates. We kept on taking the technological research and development of key components and parts to a higher level. We tried to connect links of the industrial chain and integrate similar companies in each link of the chain continuously. We improved the independent research and development and independent controllable manufacturing capacity of core components and parts such as hydraulic cylinders, hydraulic valves, axles for construction vehicles and reducers. The self-manufacturing rate of core components and parts and the competitiveness of our products were improved. The intelligent plant manufacturing hydraulic valves was completed and put into operation. The construction of manufacturing lines of intelligent plants manufacturing middle and high-end hydraulic cylinders, axles for construction vehicles and other components and parts was advancing rapidly.

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

The Company implemented the policy of “solidifying the foundation, transforming and improving quality” for agricultural machinery. We completed the construction of “dual headquarters” in Changsha and Wuhu, focused on the development of new products of staple food grain machinery, expanded the product catalogue and facilitated the digitalisation, intelligentisation and eco-friendliness of our products. Our wheat harvesters, grain dryers, rotary tillers and rice seedling planting throwers remained at the top of the list of domestic market share.

Intelligent agriculture aimed to create a core technology route for the intelligent decision-making system of rice planting technologies. A “1+3” product system was taking shape. With an agriculture Big Data platform as the core of fundamental technologies, three products (i.e. the Smart Agriculture Cloud App, a digital integrated management platform and an agriculture Big Data supervision centre) were launched and geared to the needs of different client groups. We promoted the digital technology service of intelligent agriculture in Dongting Lake Plain in Hunan. The number of intelligent Wuhu rice demonstration bases reached 100, with a total area of 150,000 mu.

(3) *Our dry mortar mixer business was gathering momentum*

Our dry mortar mixer business remained stable, and its market share ranked first on the domestic market. We spared no effort to build an industrial chain featuring “intelligent manufacturing lines + new building materials + construction equipment + construction methods”, promote the standardisation and modularisation of dry mortar mixers, facilitate the progress of making dry mortar mixers in China, complete the design of the standard plan of the manufacturing lines of dry mortar mixers, facilitate the progress of making SE construction equipment in China and building a SE testing platform and continuously promote technological innovation to lead the industry development.

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

During the Reporting Period, the Company submitted a tender offer and acquired Road Rover. Road Rover was among early birds engaged in automotive navigation, intelligent cockpits and Internet of Vehicles in China. Road Rover was also one of the earliest partners of the Baidu Apollo project aiming to build an autonomous driving platform. The main products of Road Rover are various kinds of products related to intelligent cockpits, AI-assisted driving and Internet of Vehicles, intelligent navigation solutions and autonomous driving solutions.

The Company announced that it planned to list Zoomlion Aerial Machinery, a subsidiary of the Company, on the stock market. Road Rover would purchase 100% of Zoomlion Aerial Machinery's equity by issuing shares. Once the transaction is complete, Zoomlion Aerial Machinery shall become a wholly-owned subsidiary of Road Rover.

2. Promoting digital transformation

With the help of the Internet thinking and the empowerment of new technology, the Company kept on making breakthroughs in core technology fields such as the Internet of Things, Cloud Computing, Big Data, industrial AI, accelerated the construction of systems such as the end-to-end overseas business, an intelligent financial system and the intelligent digital manufacturing management and promoted innovations in management modes, business modes and manufacturing modes, forging ahead towards the great goal of equipping Zoomlion with intelligent data operation.

In terms of planning, manufacturing, quality, equipment, supply, logistics and other businesses, the Company focused on end-to-end manufacturing and supply, built intelligent manufacturing systems and agile supply systems, empowered the construction of intelligent industrial cities with digital technology, fully promoted the significant transformation of industrial ecology, forms and modes of operation, entering a new stage of high-quality development with comprehensive innovation and upgradation. In 2022, the Company was successfully selected as one of the first thirty "Digitalisation Vanguard" enterprises in China.

3. *An intelligent manufacturing industry cluster is taking shape*

With the development direction of “digitalisation, intelligentisation and eco-friendliness”, the Company accelerated the intelligent upgradation of high-end equipment manufacturing. The application research in advanced intelligent manufacturing technologies produced speedy results. Intelligent industrial parks, intelligent plants and intelligent manufacturing lines were established on after another, accelerating the formation of industry-leading intelligent manufacturing industry clusters, firmly establishing a benchmark of intelligent manufacturing industry and solidifying the Company’s high-quality development foundation in an all-round way.

- (1) An intelligent manufacturing industry cluster was taking shape. The whole “Demonstrative Intelligent Plant Manufacturing Excavators” went into operation. The plant features four unattended manufacturing lines. The plant is the world’s only manufacturing base featuring end-to-end intelligent manufacturing of excavators. Its large flexible intelligent material preparation workshop was selected as one of the “Top Ten Scientific and Technological Progress of China’s Intelligent Manufacturing for the Year 2022”. Nine intelligent manufacturing lines (e.g. the boom product assembly line) of the industry-leading intelligent plant manufacturing aerial machinery were established and put into operation, solidifying our foundation of the first echelon in the industry. Four intelligent manufacturing lines (e.g. the pump truck overall unit assembly line) of the industry-leading intelligent plant manufacturing concrete pumping machinery were established and put into operation. The manufacturing lines of the High-strength Steel Material Preparation Centre and the Thin Plate centre of Zoomlion Intelligent Industrial City, a leading industrial city in the world, were being installed and going through a preliminary test. The construction of manufacturing lines of intelligent plants manufacturing engineering cranes, foundation construction machinery, agricultural machinery, axles for construction vehicles, middle and high-end hydraulic cylinders and other overall units, components and parts was progressing in an orderly manner.

The manufacturing capacity of intelligent plants manufacturing tower cranes, concrete mixers and key components (e.g. hydraulic valves) was increasing. The intelligent plant manufacturing tower cranes was selected as a provincial and national “Green Plant”. The intelligent plants manufacturing concrete mixers and key components (e.g. hydraulic valves) were selected as the Demonstrative Plants with Green Manufacturing Systems in Hunan, solidifying our leading position in the intelligent manufacturing industry and providing clients with more premium products than ever before.

- (2) The application research in advanced intelligent manufacturing technologies produced speedy results. The Company integrated AI, intelligent manufacturing technology and intelligent equipment in a deep-going way to create intelligent, flexible and green manufacturing lines. The Company also integrated intelligent control algorithms and digital systems to create an efficient and collaborative business chain. We kept on promoting the application research in more than 150 industry-leading end-to-end complete sets of intelligent manufacturing technologies. 113 technologies of them were applied to the intelligent manufacturing lines. 52 technologies of them were new technologies in the industry. The advanced technologies facilitated the progress of empowering and upgrading manufacturing and helped the Company lead the development of the intelligent manufacturing industry.

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

The Company adhered to the enterprise development philosophy of “technology and products are the foundation”, integrated the “digitalisation, intelligentisation and eco-friendliness” of products to innovate, created industry-leading technologies and high-end products, accelerated the development of new energy technologies and products and supported the rapid development of the Company’s three business segments, i.e. digital manufacturing, new materials and new energy.

(1) *The Company made breakthroughs in model products, innovated the intelligent construction technology and led the development of the industry continuously.*

In 2022, 127 key new products were developed, and 330 key core technology researches were carried out. The projects featuring “digitalisation, intelligentisation and eco-friendliness” accounting for nearly 77% of all projects. Breakthroughs were made in engineering crane operation safety, tower crane reliability, pump truck boom controllability, concrete mixer lightwightness, aerial machinery and excavator energy-saving technology, taking the competitiveness of our products to a much higher level.

Breakthroughs in our model products were made. The world’s largest and world-leading all-terrain crane with a maximum duty of lifting 2,400 tonnes broke its own record and set a new world record. The record-breaking all-terrain cranes were delivered to users, providing equipment support for the construction of large-scale wind power projects in China. The newly launched R-generation tower cranes and the independently developed dowel standard joints featuring a service life of over thirty years, low wind resistance, same operation in every direction, better wind force proofing design and safe coverage of places requiring load transport in terms of connection, operation, maximum duty and crawling, leading the technological development in the industry continuously. The Company managed to develop a five-axle pump truck with a tonnage of 55 tonnes and the world’s highest vertical reach of 70 metres, creating a new model of lightweight pump trucks and innovating several technologies, such as manipulating the boom with one hand to pour concrete, work safety monitoring and digital operation. Our medium and large excavators with upgraded intelligent technologies were reliable, their market shares were increasing continuously. The world’s first Skid Steer Loader ZS080V developed by the Company was exported to high-end markets such as America and Australia on a large scale. China’s first self-propelled grain harvester combine 4LZ-15F developed by the Company demonstrated many breakthroughs in domestically leading technologies (e.g. the vertical flow threshing separation drum technology featuring little cleaning loss and the double longitudinal axial flow threshing separation drum featuring a high feeding rate, breaking foreign monopolies.

The Company innovated the intelligent construction technology in the industry. Based on the technological accumulation and realisation of single-machine intelligence, man-machine coordination and coordination among machines, the Company took the lead in proposing intelligent construction integrated solutions, pioneered the end-to-end digital closed-loop construction model, surmounted problems related to the intelligent integrated key technologies and built the industry’s first green intelligent construction site.

- (2) *The Company pioneered many new-to-the-world new energy products, leading the technological development of the industry.*

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

The Company completed the sample machine demonstration tests of 13 new energy core technologies (e.g. electric drive axle integrated control technique and digital platform electric drive wheeled vehicle chassis control strategies), launched 18 development projects of new energy components and parts, launched 15 new energy products (e.g. truck-mounted cranes, concrete pump trucks and MEWPs) and developed the world's first pure electric spider boom lift with a work height of 27 metres. The Company's self-developed permasyn motors and lithium-ion traction battery were internationally leading in terms of energy efficiency, operation performance and other aspects. The world's first hybrid all-terrain crane with a maximum duty of lifting 220 tonnes, the world's first pure electric rough terrain crane with a maximum duty of lifting 40 tonnes, the world's first distributed drive electric crawler crane and the world's largest hydrogen-fuel-cell-powered off-highway wide-body dump truck with a rated load of 125 tonnes were launched by the Company.

The Company launched more than 100 new energy products, covering concrete pump trucks, concrete mixers, truck-mounted cranes, MEWPs, excavators, mining dump trucks, forklifts, emergency vehicles, agricultural machinery, etc. The new energy forms consist of pure electric, hybrid power and hydrogen fuel, and a full range of new energy products were taking shape. Electric telescopic boom lift series MEWP products were sold on a large scale, and they were in the leading position in the industry.

- (3) *Both the number of the high-quality patents of the Company and the number of green product standards set by the Company ranked first in the industry.*

The Company applied for 1,017 patents on technologies related to "digitalisation, intelligentisation and eco-friendliness", including 465 green technology patents, 115 digital technology patents and 437 intelligent technology patents. The Company was taking the lead in setting five international standards, 16 national standards and 13 industrial standards, and the Company set five national standards. In the fields of green products, green plants, site data communication and other fields, the setting of 11 national, industrial or association standards was approved, initiated and announced by the Company. The number of national green product evaluation standards which the Company took the leading in setting ranked first in the industry.

5. *Accelerating the pace of internationalisation, and the growth of overseas markets was strong*

The Company kept on implementing the internationalisation and localisation development strategies, formed an end-to-end, digital and localised overseas business system and achieved a new high in overseas market operation performance.

- (1) The overseas market of engineering machinery products kept on breaking records of growth. Remarkable results of localisation development strategies were achieved in Indonesia, India, the United Arab Emirates, Saudi Arabia, Turkey and other key countries, the sales showed a year-on-year increase rate of over 100%. The export revenue of construction crane machinery exceeded RMB3 billion. Being the largest tonnage all-terrain crane exported overseas by China, the ZAT8000H all-terrain crane was delivered in batches. The products of work-at-height machinery were sold to more than 80 countries and regions overseas, successfully entering the high-end market in Europe and the United States, and achieving the largest market share of Chinese brands in Canada, Mexico, Brazil, Poland and other countries.
- (2) Promoting the reform of overseas business management in depth. With the airport as the business fulcrum and the ground forces as the business networks, the Company improved its localisation management in terms of people, funds, materials, software and hardware, completed the construction of localised business and operation systems in 30 key countries, and created a professional, practical and efficient localised talent team.
- (3) Promoting the expansion and upgradation of overseas manufacturing bases continuously. CIFA (headquartered in Italy) was expanded and upgraded to a comprehensive global company covering concrete, engineering cranes and construction cranes. The Company accelerated the assimilation of the tower crane technology of WILBERT TowerCranes GmbH and connected to global high-end tower crane R&D technology with WILBERT as the window. The Company strengthened the synergy between Rabe, the world's leading agricultural machinery manufacturer, and the agricultural sector.

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

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

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

- (2) Strengthening the construction of a supply chain system. The Company kept on promoting the integration of the purchases of materials of similar character and the strategic purchase of critical materials for multiple categories of materials, optimised the supply chain ecology and achieved cost-effective.
- (3) Creating the ultimate service capability. The Company put the operation service dispatching centre into operation, kept on promoting the digital and intelligent upgradation of services, promoted the refined management of services and achieved the improvement of service efficiency, customer satisfaction and service quality.
- (4) Strengthening the construction and motivation of talent teams. The Company adhered to the human resource management concept of “being in conformity with the strategy and business development of the Company”, recruited key talents, optimised the quality structure of employees, strengthened the cultivation of key talents and took multiple measures to develop the key talent team. During the Reporting Period, the Company announced a share repurchase programme, and all of the repurchased shares shall be used to implement the Employee Stock Ownership Plan, further mobilising the enthusiasm of teams, boosting the Company’s digital transformation, upgradation, internationalisation and rapid development of emerging businesses and promoting the Company’s long-term healthy development.

2. Business Outlook of the Group

(1) Industry development trend and market outlook

1. Engineering machinery market

In 2023, the country takes economic development as its primary goal, and the fiscal policy, monetary policy and domestic demand expansion policy at the national level shall inevitably have a positive impact on the industry.

Since October 2022, the central government has issued a number of favourable policies for the property market to ease the pressure on enterprises’ funds, quickly implement the policy of “ensuring timely deliveries of presold homes”, reduce down payment ratios and home loan interest rates, support house purchase for improving house conditions, old for new service and moving to a bigger house for first time homebuyers. The number of cities that have cancelled restrictions on the purchase and sale of properties is gradually increasing, and multi-child families have helped the favourable policies in terms of house purchasing to support the steady development of real estate. In 2023, the advance quota of special bonds can help the start and recovery of infrastructure investment. The market demand is gradually increasing. The recovery of the domestic market of engineering machinery is expected to gather momentum.

In 2023, countries around the world will take infrastructure construction to the next level in order to recover their economies, and the demand for engineering machinery in China will increase. The industry export is expected to grow continuously in 2023.

2. Agricultural machinery market

At present, the country attaches great importance to the development of agriculture, and the agricultural industry will usher in major development opportunities. The No.1 central document in 2023 is the 20th No.1 central document issued by the CPC Central Committee to guide the work of “agriculture, rural areas and farmers” since the beginning of the new century. The document proposes that “unremittingly solving the problems related to agriculture, rural areas and farmers” shall be the top priority of the work of the whole party. We should make use of the strength of the whole party and society to comprehensively promote rural revitalisation and accelerate the modernisation of agriculture and rural areas. The No.1 central document separately emphasises “taking the support of agricultural technology and equipment to the next level”. We should lead and promote the innovative development of agricultural machinery and equipment, expand and strengthen the industrial chain of the agricultural mechanisation industry cluster and accelerate the high-quality and efficient development of agricultural mechanisation.

(2) Operation measures for the year 2023

1. Consolidating, developing and expanding the industrial echelons

On the basis of strengthening and optimising the dominant advantages of engineering machinery, the Company should accelerate the development breakthrough of potential business of earthwork and aerial machinery, accelerate the cultivation of new building materials, intelligent agricultural machinery and intelligent agriculture and create new performance growth points.

In terms of concrete machinery, engineering cranes and construction cranes, the Company should closely aim at the goal of being the first in the industry, control the dynamic balance of efficiency and scale and consolidate and increase market share.

The Company will speed up the development of its earthmovers. Focusing on the domestic and overseas markets, we will continue to optimize our product profile, facilitate the upgrade and development of our products, and comprehensively promote the upgrade of the key core technologies of our products. Leveraging the world’s leading “lighthouse factory”, we will rapidly enhance our product competitiveness and achieve leapfrog growth.

In terms of aerial machinery, the Company should solidify the leading position for its brand on the domestic market. We aim to become the leader of electric and intelligent products in the industry. We will improve the promotion of telescopic boom machines with high work heights, electric telescopic boom machines and other trump products, expand the development of truck-mounted machines, spider boom lifts, forklifts and other products in industry subdivisions, complete the product certification of new products on overseas markets and accelerate the development on overseas markets.

In terms of agricultural machinery, the Company will implement the development strategy of developing middle and high-end products, optimise its product structure, vigorously promote product upgradation and integration, strengthen the control of manufacturing process and launch “premium” equipment with the focus on “intelligentisation and Internet of Things”. We should focus on the core areas, main products and high-quality pipelines to cultivate the target market in a deep-going way, aiming to achieve a major breakthrough in profitability.

Zoomlion New Materials keeps on solidifying its capacity construction and facilitating the construction of plants, aiming to establish 20 plants. Further attention should be paid to material research and development to create high-quality and best-selling products. The whole marketing channels should be expanded and positioned accurately, and the model of sale should be set by undertaking key demonstrative projects in the industry.

2. Fully accelerating the development of overseas markets

Accelerating the use of global village thinking to promote overseas reform, comprehensively deepening the promotion of the “airports + ground forces” model, deepening the market with localised teams and accelerating the construction of localised business system. The differentiated market strategy of “each country has policies specially formulated for it” is adopted to cultivate key overseas markets continuously and seize the broad growth space of the Company’s products on overseas markets.

Promoting the expansion and upgradation of overseas R&D and manufacturing bases continuously. Making full use of the technological, resource and regional advantages of overseas bases such as CIFA (headquartered in Italy), WILBERT TowerCranes GmbH and Indian plants to accelerate the arrangements of global industrial bases.

3. *Continuously strengthening scientific research and innovation*

Adhering to the development concept of “Technology and products are the foundation”. Further promoting the product 4.0A project continuously, maintaining the leading advantage of product technical performance, maintaining the ability advantage of new technology empowerment and rapid incubation in new industries and maintaining the advantage of our right to speak in terms of industry technology. By surmounting difficulties related to core technologies, we have developed industry benchmark products such as R-generation supersized tower cranes, new late-model crawler tower cranes, truck-mounted boom lifts with superhigh work heights and the electric boom lifts with the highest work height. Solving difficult technological problems related to the special controllers and other key components and parts for excavators, crawler cranes, slewing drives, intelligent electric hydraulic multiway valves, medium excavators, etc., realising independent and controllable technological products. Continuously improving the incentive mechanism of product platforms. Further enhancing the innovation momentum of technical personnel, maintaining the mechanism advantage of research and development and let technological innovation become the source power of the Company’s sustainable development.

4. *Accelerating digital, intelligent and green innovation and upgradation*

In terms of digitalisation, we should strengthen cutting-edge digital technologies to promote transformation and external empowerment, and apply cutting-edge digital technologies such as Internet of Things, Big Data, Blockchain, Digital Twin and AI to all aspects of advanced manufacturing to achieve continuous product innovation and value-added customer service; In terms of intelligentisation, The Company has realised the comprehensive personification of a single machine, the deep cooperation between people and machines and the multi-machine collaborative operation with self-learning, self-monitoring and self-confirmation at a typical intelligent construction site. In terms of greening, we will accelerate the expansion of the new energy product catalogue, promote the extension of the hydrogen energy industry chain to the front-end hydrogen manufacturing and back-end application, achieve a comprehensive breakthrough in the complete set of new energy technologies of pure electric, hybrid and hydrogen energy and form new energy models of the whole series of engineering machinery.

5. *Strengthening the management of profitability improvement*

Maintaining the balance of scale growth, risk control and profitability, risk control is always the primary guarantee for the Company’s operation. Effectively controlling the sale of low-margin products, and we should not blindly pursue the development of a single business scale.

Firmly promoting the cost reduction. Promoting supplier integration, the application and replacement of new materials, new processes and new technologies, facilitating the progress of making the equivalents of imported parts in China, improving the self-manufacturing rates of key parts for cost-effectiveness and better profitability of products.

Promoting the digital transformation of the Company in a deep-going way, comprehensively connecting the end-to-end business of intelligent manufacturing consisting of R&D, planning, quality, warehousing and storage, supply chain, logistics and sale and further improving the operation efficiency.

6. *Accelerating the construction of an intelligent industrial city*

Accelerating the building of the core carrier of advanced manufacturing future enterprises, realising the comprehensive connection of manufacturing factors and intelligent synergy with digital technology, building a world-class lighthouse plant oriented towards the future and pioneering for the next thirty years and building the Intelligent Industry City as an important advanced manufacturing highland and a scientific and technological innovation highland with core competitiveness in China. Several lighthouse plants manufacturing three types of main machines (i.e. aerial machinery, pumping machinery and engineering cranes) and two centres (i.e. the high-strength steel centre and the thin plate centre) will be put into operation successively.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

Pursuant to a resolution passed at the Board meeting on 30 March 2023, a final dividend for the year ended 31 December 2022 of RMB0.32 per share was proposed, totaling RMB2,694 million. The final dividend is calculated based on the total share capital of the Company as of 31 December 2022, 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 by 26 July 2023. 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 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 Reporting Period, 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, 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 Reporting Period. 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

During the Reporting Period, the Company repurchased on the Shenzhen Stock Exchange a total of 259,863,183 A shares as follows:

Month	Number of A shares repurchased	Highest price paid per A share (RMB)	Lowest price paid per A share (RMB)	Aggregate consideration (RMB)
July	65,777,015	6.32	6.13	410,250,526.44
August	61,598,387	6.20	5.91	374,516,437.79
September	110,527,685	6.06	5.51	645,526,282.92
October	21,960,096	5.90	5.52	125,223,161.42
Total	<u>259,863,183</u>	<u>–</u>	<u>–</u>	<u>1,555,516,408.57</u>

Save as disclosed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

On 5 February 2023, the Board approved the proposed spin-off and separate listing on the Shenzhen Stock Exchange of Hunan Zoomlion Intelligent Aerial Work Machinery Co., Ltd.* (湖南中聯重科智能高空作業機械有限公司), a subsidiary of the Company (“**Zoomlion Aerial Machinery**”), through an intra-group reorganisation. The Company proposes to inject Zoomlion Aerial Machinery’s business into and separately list such business through the existing listing status of Shenzhen RoadRover Technology Co., Ltd.* (深圳市路暢科技股份有限公司), another subsidiary of the Company (“**RoadRover Technology**”). Subject to regulatory approvals, RoadRover Technology intends to acquire all the shares in Zoomlion Aerial Machinery at a consideration for which it will allot and issue new shares to the existing shareholders of Zoomlion Aerial Machinery and, conditional upon completion of the acquisition, raise funds through a non-public issue of new shares to designated qualified investors.

Please refer to the Company’s announcement dated 5 February 2023 for details.

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 reviewing 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 Reporting Period considering the annual results of the Company for the year ended 31 December 2021 and its interim results for the six months ended 30 June 2022. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2022 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 2023

As at the date of this announcement, the executive director 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