* For identification purpose only

ZOOMLION
中联重科

中聯重科股份有限公司

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

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

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

2020 ANNUAL REPORT

Important notice

- The Board of Directors and the Supervisory Board of the Company and its directors, supervisors and senior management warrant that there are no misrepresentation, misleading statements or material omissions in this report and they shall, individually and jointly, accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report.

- All directors attended the Board meeting at which this report was reviewed.

Definition

Unless the context otherwise requires, the following terms shall have the meanings set out below:

"The Company" or "Zoomlion" refers to Zoomlion Heavy Industry Science and Technology Co., Ltd.

"Listing Rules" or "Listing Rules of Hong Kong" refers to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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Company Profile

I. Company Information

Company name (in Chinese): 中聯重科股份有限公司
Chinese abbreviation: 中聯重科
Company name (in English): Zoomlion Heavy Industry Science And Technology Co., Ltd.*
English abbreviation: Zoomlion

Legal representative of the Company: Zhan Chunxin

Secretary of the Board of Directors/Company Secretary: Yang Duzhi
Representative of securities affairs: Xu Yanlai
Contact address: No. 361 Yinpen South Road, Changsha, Hunan Province
Telephone: (86 731) 85650157
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Registered address and place of business of the Company: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC
Postal code: 410013
Company website: http://www.zoomlion.com/
E-mail: 157@zoomlion.com

Authorized representatives: Zhan Chunxin, Yang Duzhi
Address: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC

Newspapers for disclosure of the Company's information: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website publishing the A share announcement: http://www.cninfo.com.cn
Website publishing the H share announcement: http://www.hkexnews.hk

Listing information: A Shares
Shenzhen Stock Exchange of China ("SZSE")
Name: ZOOMLION
Stock Code: 000157
H Shares
The Stock Exchange of Hong Kong Limited ("SEHK")
Stock Name: ZOOMLION
Stock Code: 1157

II. Other relevant information

H Share Registrar: Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East,
Wan Chai, Hong Kong

Legal Advisors
As to PRC law: Fangda Partners
27/F North Tower Beijing Kerry Centre | 1 Guanghua Road Chaoyang District,
Beijing, the PRC
As to Hong Kong law: Norton Rose Fulbright Hong Kong
38/F, Jardine House, 1 Connaught Place, Central, Hong Kong

Auditors
Domestic auditors: Baker Tilly China Certified Public Accountants ("Baker Tilly China")
Room 208, Block B, Huatong Building, B 19 Chegongzhuang West Road,
Haidian District, Beijing, PRC
International auditors: KPMG
Public Interest Entity Auditor registered in accordance with
the Financial Reporting Council Ordinance
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

Chairman's Statement

Chairman **Zhan Chunxin**

Chairman's Statement

Dear Shareholders,

2020 is the last year for building a moderately prosperous society in all respects and carrying out the 13th Five-Year Plan. Zoomlion has comprehensively implemented the new development concept, accelerated the intelligent, digital and green transformation and upgrading, and achieved our best business performance as well as quality in history. "Steady for Far-Reaching" has become the basic logic throughout the development of enterprises.

Stability is the foundation for high-quality development, and for enterprises to go through industry cycles and resolve uncertainties.

In 2020, based on the deep understanding of macro-economy and industrial laws, Zoomlion accelerated the creation of growth pole and growth point of advanced manufacturing industry. The competitive industries took advantage of the trend while the emerging industries accumulated richly and broke forth vastly, the combination of which contributed to the formation of a 100 billion level industrial cluster. In 2020, Zoomlion marched into the unknown area of scientific and technological innovation, continuously promoted the development of technologies and products to the in-depth intelligence, automation and new energy, and manufactured the extraordinary products based on the extraordinary thinking. In 2020, Zoomlion reshaped its management model, operation model and business model digitally, integrated Internet thinking into the whole chain of enterprise business, kept to it through the whole process of enterprise management and utilized it to activate the whole elements of enterprise development. In 2020, Zoomlion accelerated the overall planning of domestic and international markets, built a new model of "overseas airport + ground force", and continuously launched the extraordinary products and services on the global market, offering new momentum of steady development surging in the new pattern of double cycle.

Intelligence is the core of advanced manufacturing. The future of the enterprise lies more in intelligence. The key to Zoomlion's future core competitiveness is to accelerate the expansion from product intelligence to intelligence in terms of manufacturing, management, marketing, services and supply chain, and to create an interconnected ecosystem with ubiquitous perception, connection, data and intelligence.

In 2020, taking the construction of Zoomlion Smart Industry City as an opportunity, Zoomlion built more than 18 world-leading lighthouse factories, accelerating the profound transformation of industrial model and enterprise form. As the first medium and large-sized excavator rolled off the production line at the end of 2020, the Zoomlion Smart Industry City with the idea of "facing the future and leading in the following 3 decades" is gradually turning from the blueprint into reality.

Chairman's Statement

2021 is the first year for the 14th Five-Year Plan. Zoomlion will accurately follow the new development stage, deeply implement the new development concept, and speed up the building of a new development pattern. With a strong sense of responsibility and mission, it will practice the "three high and four new" strategy, build the hundreds-of-billion level industrial joint fleet with high quality, and create a high-quality innovative and intelligent future enterprise, and a high-quality highland of advanced manufacturing industry and scientific and technological innovation.

In 2021, Zoomlion will constantly incubate, cultivate and expand to consolidate its industrial echelon, and accelerate the construction of a world-class industrial cluster which is grouped horizontally and chained vertically; focus on innovation, accelerate the iterative upgrading of technology and products, and promote the Company to enter a new stage of comprehensive innovation and upgrading; focus on intelligent manufacturing, and promote the construction of Zoomlion's intelligent industrial city to speed up in an all-round way, so as to create an efficient, ecological and intelligent city; accelerate the transformation of overseas businesses, optimize and adjust the industrial layout and global resource allocation, and boost enterprises to achieve better development in opening up to the outside world at a higher level.

Last, on behalf of the Board of Directors, I would like to express my heartfelt thanks to all the shareholders, customers, partners, people from all walks of life and all the employees of Zoomlion, who care and support the development of the Company.

Chairman
Zhan Chunxin

Principal Financial Data and Indicators

I. Major Financial Data prepared in accordance with China Accounting Standards ("PRC GAAP")

Unit: RMB

	2020	2019	Change	2018
Operating income	**65,108,942,242.75**	43,307,395,375.43	50.34%	28,696,542,909.99
Net profit attributable to shareholders of the Company	**7,280,671,792.59**	4,371,456,570.63	66.55%	2,019,857,001.70
Net profit attributable to equity shareholders of the Company after extraordinary items	**6,308,545,968.50**	3,514,297,528.88	79.51%	1,490,218,830.05
Net cash flow from operating income	**7,421,753,673.31**	6,219,349,490.09	19.33%	5,064,119,225.01
Basic earning per share	**0.98**	0.58	68.97%	0.26
Diluted earning per share	**0.97**	0.58	67.24%	0.26
Return on net assets	**16.70%**	10.82%	5.88%	5.25%

	End of 2020	End of 2019	Change	End of 2018
Total assets	**116,274,938,529.14**	92,068,028,637.66	26.29%	93,456,651,846.14
Net assets attributable to shareholders of the Company	**46,743,743,472.54**	38,863,231,588.26	20.28%	38,201,194,804.37

Principal Financial Data and Indicators

II. Major Financial Data of the Company of the Past Five Years prepared in accordance with International Financial Reporting Standards ("IFRSs")

Unit: RMB million

Revenue and Profit	**2020**	2019	2018	2017	2016
Revenue	**65,109**	43,307	28,697	23,273	20,023
Profit before taxation	**8,668**	5,044	2,650	1,252	(1,010)
Income tax	**(1,297)**	(759)	(682)	6	110
Profit for the year	**7,371**	4,285	1,968	1,258	(900)
Profit attributable to:					
Equity shareholders of the Company	**7,296**	4,381	2,031	1,342	(929)
Non-controlling interests	**75**	(96)	(63)	(84)	29
Basic earnings per share (RMB)	**0.98**	0.58	0.27	0.18	(0.12)
Diluted earnings per share (RMB)	**0.97**	0.58	0.27	0.18	(0.12)
Gearing ratio (%) (Note)	**58.84%**	57.08%	58.54%	54.05%	57.63%

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

Unit: RMB million

Assets and Liabilities	**2020**	2019	2018	2017	2016
Non-current assets	**49,287**	37,979	28,657	25,218	23,239
Current assets	**66,956**	54,052	64,762	57,894	65,862
Current liabilities	**46,928**	34,569	39,623	24,488	26,876
Net current assets	**20,028**	19,483	25,139	33,406	38,986
Total assets less current liabilities	**69,315**	57,462	53,796	58,624	62,225
Non-current liabilities	**21,465**	17,965	15,065	20,434	24,470
Net assets	**47,850**	39,497	38,731	38,190	37,755
Total equity attributable to equity shareholders of the Company	**46,706**	38,827	38,164	37,540	36,773
Non-controlling interest	**1,144**	670	567	650	982

III. Reconciliation of Financial Data under PRC GAAP and IFRSs

Unit: RMB

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	Current year	**Last year**	**Current year**	**Last year**
Under PRC GAAP	7,280,671,792.59	4,371,456,570.63	46,743,743,472.54	38,863,231,588.26
Items and amounts adjusted under IAS				
Acquisition related costs incurred on prior year business combination			-36,528,600.00	-36,528,600.00
Excess in the limit of withdrawal over expenses of safety production fund for the current period	16,598,314.07	9,213,375.48		
Under IFRSs	7,297,270,106.66	4,380,669,946.11	46,707,214,872.54	38,826,702,988.26

Report of the Board of Directors

The Board of Directors of the Company is pleased to announce the Report of the Board of Directors for the year ended 31 December 2020 together with the audited financial statements of the Company and the Group.

I. Operation Review of 2020

As the COVID-19 pandemic spread across the globe in 2020, the world economy was greatly affected. Preventing and controlling the pandemic while promoting economic and social development, China made an active effort to resume work and production, and became the first country that recovered its economy, and the only major economy recording positive growth throughout the world.

Driven by the multiple favorable drivers such as the renewal of aged equipment, the effect of machinery replacement and continuous advancement of the "two new and one heavy" construction, the construction machinery industry remained prosperous throughout the year.

China continues to increase its emphasis on the agricultural sector. With rigid constraints imposed on the farming red lines, land circulation, and an expected increase in food prices bringing more positive support to the industry, potential opportunities in the agricultural machinery industry have begun to emerge, thereby the market becoming more active.

Since 2020, by adhering to the philosophy of "technologies as the roots, products as the fundamentals", the Company has operated its business through internet thinking to provide the best products, deepened its digitalized transformation and make a greater investment in research and development. Therefore, its technologies and products were all upgraded while the business echelon accelerated expansion, and its leading place in the industry was consolidated, thereby making continuous breakthroughs in emerging sectors, controlling risks effectively, and recording the best sales scale and operation quality.

During the Reporting Period, the Company achieved revenue of RMB65,109 million, representing a year-on-year increase of 50.34%; profit attributable to equity shareholders of the Company amounted to RMB7,296 million, representing a year-on-year increase of 66.54%.

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

(I) Deepening implementation of focal strategies to make a breakthrough in product echelon

During the Reporting Period, under the overall strategic framework of "equipment manufacturing + Internet" and "industry + finance", the Company focused on its main business-equipment manufacturing, further promoted transformation and upgrading in intelligence, digitalization and green development, and strengthened product echelon, continuously creating growth pole and growth drivers.

1. Strengthened construction machinery

Throughout the year, sales revenue of the Company's construction machinery products amounted to RMB61,383 million, representing a year-on-year increase of 49.75%.

Report of the Board of Directors

(1) Major products accelerated development and outperformed others. During the Reporting Period, upon the premise of adhering to the business strategy of keeping premium quality and stringent control of business risks, orders and sales of core products continued to increase substantially. The competitiveness of concrete machinery, construction cranes, and construction crane machinery, three major products, was strengthened continuously with a growing market share.

Our market share of truck cranes and crawler cranes set a new record. Our domestic market share of truck cranes increased steadily year after year with the sale of 30-ton or above truck cranes ranking first in the industry; domestic market share of crawler cranes ranked first in the industry, and crawler cranes of the Company were awarded the fifth A Champion Product in the national manufacturing industry. The accumulative sale of leading product ZCC9800 accounted for over 70% market share of similar products, and production of orders for large-tonnage crawler cranes was scheduled to the second half of 2021.

Sale amount of construction crane machinery set a new record, and its sales ranked first across the globe stably. Arrangement for intelligent manufacturing strategies continuously accelerated, second-generation W series products were launched based on the advantages of W series product in quarter four, and the perfect product function and fast upgrading and updating showed the leading role that the Company played in the industry.

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

(2) Achieving full breakthrough in the potential market. By engaging in all-round development in product innovation, sales model, market deployment, and service network of the earth working machinery, the Company launched intelligent G series products equipped with a brand-new platform with such great advantages as high efficiency, reliability and energy saving; assembly workshop for large excavating machinery in the first excavating machinery park opened in Zoomlion intelligent industrial city released products to market. With more new products being released and the new development momentum brought by excavating Machinery Park opened in Zoomlion intelligent industrial city, the Company further improved its competitiveness in earth working machinery market. With strong momentum in market sales and significant second-mover advantage in 2020, the sales amount in the whole year rose to No. 6 among the domestic brands.

Developing full products, work-at-height machinery has more than 40 "reliable, green and intelligent" scissor, crank arm and straight arm products. The lithium-ion system was upgraded comprehensively, and intelligent and digital technologies were widely applied to provide customers with more comprehensive and well-developed products. Market share ranked the No. 1 echelon in the industry. The dry mortar business launched different types of mobile silo technology equipment to consolidate its leading position in dry mortar equipment; the Company made great effort to develop strategies for new dry mortar material sector to move into the blue ocean market, and create a new Zoomlion material sector.

Sparing no effort to develop new products in mining machinery, the Company developed the ability to provide customers with integrated full set open mining equipment, so as to drive sales with demonstrated mining projects and create a new business driving force.

(3) Continue to strengthen the layout of the key components industry. The Company continued to strengthen our capacity in technological research and development, improving the independent research and development and independently controllable production capacity of core components such as oil cylinders, hydraulic valves and engineering bridges. To continue to improve the industrial chain deployment, the Company has enhanced the self-made proportion of the core components and strengthened the product competitiveness.

2. Accelerate the transformation and upgrade of agricultural machinery

The Company sped up its transformation to intelligent agricultural machinery and intelligent agriculture, and empowered modern agriculture with technology and innovation, developing two main lines of "agricultural machinery equipment + intelligent agriculture" to consolidate development foundation with great momentum for future development.

(1) Achieving leapfrog development in agricultural machinery. With "building foundation, making focus and achieving breakthrough" as its main strategy, the Company focused on the sales channel to further development market in the front end, while improving products to consolidate foundation in the back end. The innovation, upgrading and reliability of products increased, while products with high technology and high gross profit were researched and developed as scheduled, optimizing product structure continuously. Sugarcane machine remained No. 1 in the market, and seedling thrower made a breakthrough and ranked No. 1 in the market in the first year when it was released. Strapping machine ranked No. 1 in the market for the first time with a new breakthrough. Our domestic market share of wheat machine and dryer remained No. 2 in the industry, and structure of product sales and profitability were improved significantly.

(2) Accelerating intelligent agriculture. Integrated application of industrial internet, artificial intelligence and intelligent agriculture, three major data platforms in agricultural machinery, was realized to build an overall framework for future intelligent farms. The Company incorporated Zoomlion Intelligent Agriculture Co., Ltd (中聯智慧農業公司) to facilitate the implementation of demonstration and promotion project for intelligent agriculture in Anhui and Hunan. Besides, the Company constructed the first rice intelligent farm, and completed a digital agriculture model with a strong ability from business promotion.

3. **Integrating industry with finance to facilitate industrial upgrading**

Riding on Zoomlion Capital as the platform and Industrial Fund as its core, the Company fully cooperated with the industrial sector to improve the industrial chain deployment and promote industrial transformation and upgrade. The Company introduced upstream supply chain financing to support the development of the ecosystem for the Group, and developed a bill risk prevention and control system to provide safe and convenient settlement service. Moreover, the Company successfully implemented private placement, and gained long-term development capital through placement for A share and allotment for H share. In order to reduce capital costs, the Company implemented bond financing and optimized the capital structure.

4. **Speeding up digital transformation**

The Company accelerated the transformation of the industrial internet based on digitalization and intelligentization as the carrier, and further applied big data, artificial intelligence, Internet of Thing and other technologies to speed up iteration and upgrading for the business digital platform, and improve operation efficacy and customer experience comprehensively. With connectivity between various systems, an intelligent service platform was built to provide mobile and intelligent service businesses. Channeling great energy into facilitating digitalization and intelligent upgrading in product, manufacturing, supply chain and management, the Company empowered intelligent product, digital production, and intelligent management to integrate digitalization into the entire corporate operation and the whole management process, and activate all elements required for corporate development.

(II) Accelerating intelligent manufacturing and creating a new industrial development model

The Company accelerated the upgrading of intelligent manufacturing, sped up the construction of smart factories, intelligent production lines and intelligent manufacturing technologies, and made continuous efforts to develop core capacity in intelligent manufacturing so as to develop new development patterns for high-end equipment in the manufacturing industry.

Report of the Board of Directors

1. Expedited the construction of smart factories. The construction of intelligent an industrial city was fully promoted, and entered a new stage of "putting into production during construction"; the first medium to large excavators in the first excavator park was released to the market. Changde Key Hydraulic Components (Hydraulic Valves) Intelligent Manufacturing Park completed construction and was put into production, while Yuanjiang Mixer Truck Products Intelligent Manufacturing Upgrade Industrial Park and second phase construction project for Changde Crane Machinery Industry Base (the second phase of the tower crane smart factory) have entered installation for product lines, and Hanshou Agricultural Machinery and East China Intelligent Manufacturing Base of Tower Crane was partially put into service. Efforts were fully made in intelligent manufacturing to consolidate the foundation for the high-quality development of the Company.

2. Accelerated the research and development and application of intelligent technologies. More than 30 industry-leading intelligent manufacturing technologies were developed, integrating such 10 advanced technologies as AI, machine vision and robot control to realize automated operation in the whole process, and make a breakthrough in key systems and components, including the top-mounted electric drive operating system and motor drive platform.

(III) Leading the market by technological innovation to set a benchmark in the industry

Following the development philosophy of "technologies as the roots, products as the fundamentals", the Company developed leading technologies and high-end products, and embraced advanced technological innovation to play a leading role in industrial standards and rank No. 1 in terms of patents and strength.

1. Upgrading 4.0 innovation project comprehensively to embrace advanced technological Innovation

Regarding construction machinery, the Company created and successfully launched the ZAT2200H8 all-terrain crane equipped with 5 bridges and 8 booms single-head for super lifting which was unique in China, and launched W series of tower crane, achieving a cross-generation technology upgrade in terms of three technology upgrades in ETI intelligent control, structure and transmission. The "Lingyun" series of four-bridges 59-meter pump trucks were also launched, featuring hollowed out steel boom technology and dual independent hydraulic systems and having the weight of the whole machinery being reduced by 5%, thereby becoming a benchmark product for lightweight pump trucks in the industry. The large-tonnage crushing excavator ZE550EK-10 developed by the Company matched crushing mode automatically, so it is efficient and economic. Furthermore, we launched a new generation intelligent, green and reliable W series of excavator, succeeded in releasing the world's highest ZT68J straight-arm aerial work platform and first stepped manufacturing sand production line ZSM100D and container-based engineering station with fast assembly and disassembly and accurate measurement, becoming a benchmark enterprise playing a leading role in industrial development, and completed the development of various products including the world's first 25-ton new energy truck crane, ZLJ5318GJBLBEV electric smart mixer truck to promote green construction machinery. The Company also made a breakthrough in intelligent technologies such as accurate identification of targets for truck crane hoisting operation and automatic distribution of concrete pump truck under certain situations to fully promote automation and intelligence of product.

Regarding agricultural machinery, the Company focused on research and development of intelligent, high-end and high-horsepower products to overcome the shortcomings of the industry. 2ZPY-13A seedling throwing machine was released to the market successfully, bridging the gap in China, while powershift high-horsepower tractors fully upgraded with GPS and self-driving function to perform an accurate operation. Adopting single longitudinal axial flow threshing separation technology and hydrostatic drive technology, the 10-kg Wheat harvester is applicable to harvest for various crops in China, and became a benchmark product in the medium longitudinal axial harvester. The launch of 9YY-2200 bundling machine address difficulties in bale density control and wrapping, and its overall technology is internationally advanced. Completing technological iteration, AI wheat harvester can be promoted to lead technological direction in the industry. T/NJ1258-2020/T/CAAMM 104-2020 Intelligent Sensing and Control Terminal for Grain Harvesting Machinery and T/NJ1259-2020/T/CAAMM 105-2020 Intelligent Operation Full Feed Combined Harvester, two association standards for agricultural machinery AI, were published. Moreover, the development and application item of the segmented sugarcane combine harvester won the first prize of Anhui Province Scientific and Technological Progress Award, and the utility patent, "grain unloading device with its agricultural machinery and grain unloading method", won a patent gold medal in Anhui.

2. **Expanding research and development of emergency rescue equipment, and launching several industry leading products**

The Company completed the development of several products, including the world's highest 63-meter long-span special-elevating jet fire truck, the first domestic fire truck with curved arm ladder, first domestic 25-meter main battle ladder fire truck, the world's first forest isolation belt development vehicle, 25-meter single-span folding emergency bridge truck, DB1000 emergency sand and gravel packing module truck, BD3200 drainage rescue vehicle, and ZLTH37 multifunctional remote control pioneering robot. The first domestic fire truck with curved arm ladder address "the last rescue meter" difficulty, improving rescue efficiency dramatically, and breaking the monopoly of foreign fire truck with curved arm ladder in China. Furthermore, the Company also played a leading role in the key national research and development project "Demonstration of Research and Application of High Mobility Multifunctional Modular Rescue Equipment at Disaster Site".

Report of the Board of Directors

3. **Guided by standards to rank No. 1 in terms of patent and strength in the industry**

   As the Company is the first domestic construction machinery enterprise that proposes to develop international standards, its experts on international standardization registration has increased to 17. There are 17 newly published international, national, industry and other external standards, and 33 standards are under development. After the international standard ISO 21573-2:2020 Building Construction Machinery and Equipment-Concrete Pumps-Part 2: Procedure for Examination of Technical Parameters was officially published. So far, the Company has published 3 international standards. By formulating, amending and implementing 348 4.0 corporate standards, the Company realized a full coverage of product 4.0 standard. Zoomlion established "Hunan Construction Machinery Standard Innovation Center" (湖南省工程機械標準創新中心).

   During the year, the Company applied nearly 800 patents, of which utility patent accounted for approximately 50%, and 350 patents were approved, of which 168 patents are utility patent, so the accumulated effective approved utility patent ranked No. 1 in machinery industry. The utility patent "air pressure adjustable hydropneumatic suspension system, air pressure adjusting method and engineering vehicle" won China Patent Sliver Award, while the utility patent "control method, device and system of construction machinery arm" won Hunan Patent First Prize. The Company was once again included in the List of Top 500 Patent Strength of Chinese Enterprises with No. 1 overall score in the industry.

(IV) Deepening the global "localization" strategy and achieving breakthrough in oversea high-end market

The Company actively responded to the worldwide COVID-19 epidemic, and continued to focus on major countries and regions and deepened the "localization" strategy, making breakthrough in key market.

1. Making continuous breakthrough in overseas construction machinery product market. During the Reporting Period, the Company recorded continuous growth in export income with new breakthrough in core countries and regions. Export sales of construction crane increased by more than 35% year on year, and ZCC9800 crawler cranes were exported to Europe, setting a new record in tonnage exported to Europe and US high-end market by China's crane manufacturer. Furthermore, the first truck-mounted pump completed installation and sales in Russia; work-at-height machinery products fully entered high-end markets in 17 European countries, and the high-end markets in US, Australia, Japan and Korea achieved zero breakthrough, and all products entered Russian market. CIFA realized localized production and sales of cranes, while M-TEC and Wilbert in Germany accelerated transfer of new technologies; base in Belarus was completed and put into production to bring radiation effect to Central Asia, Eastern Europe and Russian areas.

2. Speeding up the “go global” process of agricultural machinery. Fully leveraging on the resource advantage of overseas market, the Company deeply explored the demand of overseas market, thereby gradually realizing the deployment and sales in the overseas market of main cultivating areas for agricultural product. As the Company deepened “distribution + localization” marketing model, significant growth was recorded in rice machine and sugarcane machine.

3. Facilitating the in-depth reform on overseas management. The Company established its integrated management composed of end-to-end business, localized team and overseas “airport” base to integrate overseas credit and overseas financing lease team and function to form close link in business and risk control. Besides, the Company also collaborated and coordinated every business division and function department, with an aim to establish core competitiveness in overseas market.

(V) Continuously optimizing management to safeguard high-quality growth

During the Reporting Period, the Company further facilitated end-to-end management to keep improving management on supply chain, service, marketing and human resource, which in turn safeguarded operation efficiency.

1. Implementing comprehensive end-to-end business management. For business management, the Company integrated business system to achieve interconnection and sharing of information. Leveraging on big data and digital technology, automatic business operation, online receipts, automatic review and approval were perfectly achieved. The sales collection business fully realizes video face-to-face signing, electronic contract, electronic signature, electronic reconciliation, self-service repayment, and QR code payment. For risk management, the Company developed an effective, transparent and controllable risk control system that can develop differentiated management according to risk rank of customers. Controlling down payment proportion from the front end, monitoring each order in the middle end, and implementing strict collection in the back end, the Company built a solid risk control line to ensure stable operation and sustainable development for the Company.

2. Enhancing development of supply chain. The Company speed up the centralized procurement and integration of common materials as well as the strategic procurement of key materials. It has also introduced quality suppliers and established multimodal and comprehensive cooperation relationship to jointly develop a stable, effective and low-cost supply chain system.

3. Continuously improve service. With iterative service platform as a carrier, super link with customers is built through intelligent platform solution and service digital platform to clear connection in user, equipment and service. Service business became fully mobilized and intelligent with simpler and more efficient service, setting a service benchmark in the industry.

4. Innovating marketing mode. We launched direct broadcast, product observation tour and various theme-based promotion activities, and implemented high-quality brand strategy through online launch, online announcement, online experience and online sales to integrate online and offline marketing, and increase sales and public recognition for products.

5. Enhancing building of talent team. We will accelerate the developing of a number of artisans, management experts and technician leaders, employ numerous young talents, young leaders and researchers to inject momentum for the transformation and upgrading of the Company and the development of emerging industry. The Company successfully implemented the employee stock ownership plan (ESOP) and fully carried out the employee care project to stimulate team vitality.

II. Analysis of Financial position

Details of the financial position of the Company are set out in "Management Discussion and Analysis".

III. Business Outlook of the Group

(I) Industry development trend and market outlook

1. Construction machinery market

2021, the start of the 14th Five-Year Plan period, will witness the 100th birthday of the Communist Party of China. In this year, macro policy will maintain continuity, stability and sustainability. China will continue to adopt proactive fiscal policy and prudent monetary policy, and avoid sharp turns in policy, so China's macro-economy will keep maintaining a promising momentum. The 14th Five-Year Plan stresses that expanding domestic demand, a basic strategy, which shall be followed to smooth the domestic circulation, form strong domestic market, and create a new development pattern. Meanwhile, it is also specified that we will launch new infrastructure and new urbanization initiatives as well as major projects, make measures to develop rural areas and promote integrated regional development. In 2021, overall investment is expected to maintain stable growth, and investment in infrastructure construction and real estate shows resilience, unleashing domestic demand in construction machinery industry. As for overseas market, benefiting from the promotion of vaccine, recovered global economy, less intensified China-US trade relationship, and implementation of RCEP and China-Europe investment agreement, export of construction machinery product is expected to grow.

Furthermore, equipment replacement, stricter environmental protection policy, accelerated mechanical replacement and various favorable conditions will also help construction machinery industry maintain prosperity. As crane machinery and concrete machinery are post-cycle products of construction machinery, their replacement peak has not stopped yet. In addition, as wind power expansion, and penetration rate of prefabricated building keeps increasing, and control on overload enhances, equipment demand is strong. In particular, demanded tonnage of crane machinery is expected to increase dramatically, bringing great increase in operation revenue in the industry.

2. Agricultural machinery market

At present, as China is at a crucial stage to accelerate the transformation of traditional agriculture, and vigorously develop modern agriculture, agriculture industry will embrace great development opportunities. It is proposed in No. 1 central document that rural vitalization shall be comprehensively promoted, and the modernization of agriculture and the countryside shall be sped up. No. 1 central document has focused on agriculture, rural area and farmer for 18 consecutive years since the 21st century, indicating that the central party attaches great importance to agriculture and rural are in the new development stage. Implementing the strategy of sustainable farmland use and innovative application of agricultural technology to increase farmland productivity is of crucial importance to safeguard food security as we are affected by the uncertainty on the pandemic and unfavorable climate. With advance in supply-side structural reform and institutional innovation in agriculture and accelerated land transfer, the industrial scale of agricultural machinery keeps increasing driven by the whole-process mechanization and full mechanization in China's agriculture, bringing favorable conditions for future development of agricultural machinery industry. In the next five years, China's agriculture industry will move into a new stage, and mechanization level in agriculture will reach a new height.

(II) Main operation direction for 2021

Adhering to the philosophy of "technologies as the roots, products as the fundamentals" and driven by the momentum of scale, profits, operating cash flow and sustainable growth, the Company shall follow the operating principle of "proactive business strategy and prudent financial plan" to accelerate transformation and upgrading in automation, digitalization, intelligence and green development, and make great effort to promote international development, accelerate the construction of intelligent industrial city, and build an innovative and intelligent future enterprise.

1. Completing target responsibility system in all aspects. Following the requirement of "pursuing quality, efficiency, scale and sustainable development" and the guidance of "attentiveness, astuteness, precision and efficiency", we will manage budget strictly, and complete operation goals and tasks in all respects to achieve high-quality, stable and sustainable development.

2. Speeding up digital transformation. As industrial internet is an important carrier for Zoomlion's digital transformation, we will build industrial internet through internet thinking, deepen digital and intelligent upgrading of product, manufacture, service, supply chain and management to integrate into various scenarios based on further application of whole process of industrial manufacturing, accelerated artificial intelligence in the whole industry chain and digital technology, so as to archive data-driven intelligent decision-making, and make greater breakthrough in traditional management mode, business mode, and commercial mode.

Report of the Board of Directors

3. Accelerating research and development. We will continue to make great investment in research and development. Following the philosophy of "technologies as the roots, products as the fundamentals" and led by independent innovation, we will keep promoting "Zoomlion 4.0" innovation project, build world-class experimental platform, and accelerate basic, original and forward-looking technological innovation and application to present satisfactory performance in the development of core technology, new product and new industry. Technological innovation will become the source power of the sustainable development of the Company.

4. Accelerating development of new businesses. Following the strategy of "intelligent outcome, quality improvement, focus and breakthrough" and focusing on "intelligence and internet of thing", agricultural machinery optimizes product structure, channel greater energy into promoting product upgrading and uniform model, and enhance management and control on manufacturing process to make fine equipment. Focusing on core area, main products and high-quality channel to further explore target market, we will make great breakthrough in scale and profitability.

   Earth working machinery will promote the transformation of "digital research and development platform PLM", "intelligent manufacturing IT project" and "intelligent supply chain SRM", achieve integrated end-to-end management on "R&D-processsupply-manufacturing-service", and seize opportunities to transform intelligent manufacturing in the first excavating machinery park opened in Zoomlion intelligent industrial city to develop leading products and succeed in overtaking. Work-atheight machinery make greater effort to promote full AC lithium-ion scissor, high-meter straight arm, pure electric straight arm and other leading products, develop and expand vehicle-mounted product, spider car and forklift, and obtain product certificate for overseas market to support breakthrough in overseas market. Besides, it will also improve supporting service and resources, and outperform others in service through its intelligent platform. It will continue to promote stacker partner model, and formulate its "thousands of shops in hundreds of cities" to expand business to core cities and prefecture-level city, make breakthrough in scale and build top stacker brand.

   Dry mortar business will explore new material sector, develop new construction materials to build a benchmarking dry mortar factory. Mining machinery will accelerate research of open mining equipment, improve product list and consolidate management foundation.

5. Accelerating construction of intelligent industrial city. Based on intelligent product line and internet of thing platform, we will deepen the integration between manufacturing industry and information application, digitalization, and gain full access to production factors with application of intelligence by digital technology so as to build a world leading factory playing a leading role in the next thirty years and make intelligent industrial city an important

advanced national manufacturing highland and innovative technological highland with core competitiveness. Construction machinery, concrete machinery, and work-at-height machinery park will be fully constructed.

6. Accelerating the development of overseas business. We will promote overseas development with global village thinking and improve end-to-end digital platform for overseas business. We will further develop market with local team, and accelerate the development of local sales, operation and functioning team through local talent, resource and operation mode. Besides, we will adopt the differential market strategy for different countries and districts to further develop key overseas market in a continuous manner.

7. Enhancing building of talent team. We will employ talents according to strategic requirements of the Company, and provide remuneration and development platform based on requirement of talents. With the thinking of attracting talent with incentives, we will build platform for talent to unleash their potential so as to attract, retain and give full play to talents and help the Company to archive high performance and high-quality development.

(III) Risk factors exposed and measures to be taken for the future development

1. Uncertainties on global pandemic and macroeconomic situation.

Measures: We will pay close attention to pandemic trends at home and abroad and macroeconomic policies, and analyze macroeconomic trends to formulate corresponding preventive adjustment strategies and measures. We will enhance research and development capability and technological innovation standard to consolidate the competitiveness and market share of intelligent products 4.0. We will restructure business models to enhance the profitability of value-added business and after-market services. We will establish an efficient operation and management mechanism that adapts to market competition.

2. Volatility in prices of commodities such as steel and petroleum, risk of increase in production costs of the Company.

Measures: We will pay close attention to the global price trends of major raw materials and energy, and conduct analysis, research and judgment on changes in prices to develop efficient purchase plan. Through the re-integration of supplier resources and centralized procurement of common materials, we will nurture large-scale and specialized suppliers to form a long-term supplier strategic alliance and establish a stable, reliable, efficient and low-cost supply chain system. We will enhance the utilization rate of materials through the use of technology and innovation processes, and develop new materials and new processes with alternative technology to continuously reduce costs. We will make greater effort to replace imported components with the self-made ones to enhance capacity in independent research and development.

Report of the Board of Directors

3. **Uncertainties on exchange rate fluctuations, risk of decrease in earnings from overseas investments and sales.**
Measures: We will closely monitor relevant exchange rate policies of the global financial market and China, and conduct analysis, research and judgment on trends of exchange rate to select appropriate exchange rate management tools for the active management of exchange rate risks. We will speed up the local production of overseas bases along the "One Belt, One Road" to hedge against risk of exchange rate fluctuations.

IV. Profit Distribution and Bonus Dividend

According to the profit distribution plan for 2020 of the Company, based on the total share capital by the time of profit distribution, the Company will pay cash dividend of RMB0.32 (tax inclusive) for every share and will not issue bonus shares by capitalisation of the capital reserve.

According to the profit distribution plan for interim 2020 of the Company, based on the total share capital by the time of profit distribution, the Company paid cash dividend of RMB0.21 (tax inclusive) for every share and did not issue bonus shares by capitalisation of the capital reserve.

According to the profit distribution plan for 2018 of the Company, based on the total share capital by the time of profit distribution, the Company paid cash dividend of RMB0.25 (tax inclusive) for every share and did not issue bonus shares by capitalisation of the capital reserve.

According to the Articles of Association, aggregate profit distribution of the Company in the form of cash in the past three years shall not be less than 30% of the annual average profit available for distribution in the past three years, the profit distribution of the Company shall be proposed by the board of directors in accordance with the articles and the operating condition of the Company and approved by the general meeting. Following a resolution on the profit distribution plan by the general meeting, the Board of Directors should complete the distribution of dividend (or shares) within two months after the general meeting.

V. Pre-emptive Rights

The Articles of Associations and laws of China do not contain any pre-emptive provision requiring the Company to issue new shares to existing shareholders on a pro-rata basis according to their existing shareholdings.

Report of the Board of Directors

VI. Property and Equipment

Movements of the property and equipment of the Company during the reporting period are set out in note 10 to the financial statements prepared under IFRSs.

VII. Major suppliers and customers

Total purchases by the Company from the top five suppliers amounted to RMB 8,228,028,492.34, accounting for 17.06% of the aggregate annual purchase of the Company and total purchases by the Company from the largest supplier accounted for 7.08% of the aggregate annual purchase of the Company. To the best knowledge of the Directors, during the reporting period, none of the directors, supervisors, their close associates or shareholders holding more than 5% of the Company's share capital in issue had an interest in the top five suppliers of the Company.

Total sales to the top five customers of the Company amounted to RMB 1,930,156,651.44, accounting for 2.96% of the aggregate annual sales of the Company and the total sales to the largest customer of the Company accounted for 0.95% of the aggregate annual sales of the Company. To the best knowledge of the Directors, during the reporting period, none of the directors, supervisors, their close associates or shareholders holding more than 5% of the Company's share capital in issue had an interest in the top five customers of the Company.

VIII. Donations

During the reporting period, the charity donations and other donations of the Company amounted to approximately RMB14.33 million in aggregate.

IX. Human Resources

As at 31 December 2020, the Company had employed a total of 23,528 employees. Details of the Company's staff costs and employee benefit plans for 2020 are disclosed in notes 5(b), 26 and 28 to the financial statements prepared under IFRSs respectively.

X. Charge on Assets

Details of the Company's charge on assets are set out in note 22 to the financial statements prepared under IFRSs.

Management Discussion and Analysis

The following management discussion and analysis is based on IFRS financial statements data.

Overview

The Group is mainly engaged in the researches, development, manufacturing and sales of construction machineries and agricultural machineries, as well as financial services such as finance leasing. Specifically, the construction machinery segment provides concrete machinery, crane machinery, road construction machinery, infrastructure construction machinery, road building and maintenance machinery, forklift truck and other products mainly for infrastructure and real estate construction. Agricultural machinery industry, including farming machinery, harvesting machinery, drying machinery and agricultural equipment, is mainly for provision of complete package of services for breeding, field preparation, sowing, field management, harvesting, drying and storage.

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; (iii) finance lease services.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for 2020.

	Year Ended 31 December	
	2020	2019
	RMB	RMB
	millions	millions
Revenue	**65,109**	43,307
Cost of sales and services	**(46,492)**	(30,314)
Gross profit	**18,617**	12,993
Other income	**1,462**	1,017
Sales and marketing expenses	**(4,046)**	(3,780)
General and administrative expenses	**(2,366)**	(2,231)
Impairment loss on trade and other receivables and receivables under finance lease	**(1,682)**	(462)
Research and development expenses	**(3,345)**	(1,516)
Profit from operations	**8,640**	6,021
Net finance costs	**(154)**	(1,165)
Share of profits less losses of associates	**182**	188
Profit before taxation	**8,668**	5,044
Income tax	**(1,297)**	(759)
Profit for the year	**7,371**	4,285

Management Discussion and Analysis

Revenue

We generate revenue primarily from the following operating segments:

Construction machinery segment (consist of concrete machinery sub-segment, crane machinery sub-segment and others);

Agricultural machinery segment; and

Financial services segment.

The following table sets forth the breakdown of our consolidated turnover by our operating segments for 2020:

	Year Ended 31 December	
	2020	2019
	RMB	RMB
	millions	millions
Construction machinery		
— Concrete machinery	**18,985**	13,902
— Crane machinery	**34,897**	22,147
— Others	**7,501**	4,942
Agricultural machinery	**2,644**	1,583
Financial services	**1,082**	733
	65,109	43,307

Management Discussion and Analysis

Our revenue increased by 50.34% from RMB43,307 million for the year ended 31 December 2019 to RMB65,109 million for the year ended 31 December 2020. The increase of revenue was mainly because driven by the multiple favorable drivers such as the renewal of aged equipment, safety and environmental protection upgrade, the effect of machinery replacement and continuous advancement of the "two new and one heavy" construction, the construction machinery industry remained prosperous throughout the year with strong market demand.

The following table sets forth the breakdown of our turnover by geographic sales location for 2020:

	Year Ended 31 December	
	2020	2019
	RMB	RMB
	millions	millions
Revenue from external customers		
— Mainland PRC	**61,277**	39,738
— Outside PRC	**3,832**	3,569
Total	**65,109**	43,307

Cost of sales and services

Our cost of sales and services primarily consists of:

Raw materials, i.e., costs of raw materials, parts and components, including steel, branded chassis, hydraulic parts and components, engines, tires and electric controls, and a variety of other raw materials and fabricated or manufactured components;

Staff costs, including salaries and benefits for personnel directly involved in manufacturing activities;

Depreciation and amortization of property, plant and equipment used for manufacturing purposes;

Costs of finance lease services, including fees, other surcharges and interest related to factoring of receivables under finance lease; and

Others, including manufacturing overhead, such as maintenance of production equipment and utility costs, including electricity, steam and water and costs associated with waste treatment.

Management Discussion and Analysis

Gross profit

The following table sets forth the gross profit by operating segments for the period indicated.

	Year Ended 31 December	
	2020	2019
	RMB	RMB
	millions	millions
Reportable segment profit:		
Construction machinery		
— Concrete machinery	**5,000**	3,810
— Crane machinery	**10,825**	7,256
— Others	**1,271**	1,127
Agricultural machinery	**444**	68
Financial services	**1,077**	732
	18,617	12,993

Our gross profit increased by 43.28% from RMB12,993 million for the year ended 31 December 2019 to RMB18,617 million for the year ended 31 December 2020. Our gross profit margin decreased from 30.00% for the year ended 31 December 2019 to 28.59% for the year ended 31 December 2020, which is mainly due to change in product mix.

Other income

Our other income increased from the net gain of RMB1,017 million for the year ended 31 December 2019 to a net gain of RMB1,462 million for the year ended 31 December 2020, which is mainly due to increase in income from wealth management and investment and disposal of equity assets.

Management Discussion and Analysis

Sales and marketing expenses

Our sales and marketing expenses increased by 7.04% from RMB3,780 million for the year ended 31 December 2019 to RMB4,046 million for the year ended 31 December 2020 primarily due to expansion in sales scale and the corresponding increase in sales expenses.

General and administrative expenses

Our general and administrative expenses increased from RMB2,231 million for the year ended 31 December 2019 to RMB2,366 million for the year ended 31 December 2020 primarily due to increase in share incentive scheme expenses.

Impairment loss on trade and other receivables and receivables under finance lease

Our impairment loss on trade and other receivables and receivables under finance lease increased from RMB462 million for the year ended 31 December 2019 to RMB1,682 million for the year ended 31 December 2020 primarily due to increase in impairment loss on trade receivables.

Net finance costs

Our net finance costs for the year ended 31 December 2019 was RMB1,165 million and our net finance costs for the year ended 31 December 2020 was RMB154 million. The fluctuation was due to decrease in interest expense and net exchange loss.

Profit for the year

As a result of the foregoing, our profit for the year increased by 72.02% from a profit RMB4,285 million for the year ended 31 December 2019 to a profit RMB7,371 million for the year ended 31 December 2020.

Management Discussion and Analysis

Cash Flow

As of 31 December 2020, we had RMB10,086 million in cash and cash equivalents, most of which were denominated in Renminbi. Our cash and cash equivalents primarily consist of cash and demand deposits.

The following table sets forth a summary of our consolidated cash flows for 2020:

	Year Ended 31 December	
	2020	2019
	RMB	RMB
	millions	millions
Net cash generated from operating activities	**7,232**	5,968
Net cash used in investing activities	**976**	9,984
Net cash (used in)/generated from financing activities	**(3,244)**	(19,648)
Net (decrease)/increase in cash and equivalents	**4,964**	(3,696)
Effect of foreign exchange rate changes	**49**	15
Cash and cash equivalents at the beginning of the period	**5,073**	8,754
Cash and cash equivalents at the end of the period	**10,086**	5,073

Operating activities

In 2020, net cash generated from operating activities was RMB7,232 million derived primarily from the profit of RMB8,668 million in total, adjusted to reflect interest expense of RMB942 million, interest income of RMB596 million, depreciation and amortisation of RMB902 million, net realized and unrealised gains on financial assets at FVPL of RMB452 million, gain on disposal of fixed assets, intangible assets and other long-term assets of RMB267 million, share incentive scheme expenses of RMB598 million, share of profits less losses of associates of RMB182 million, gain on disposal of interests in associates of RMB489 million, and added back the effect of (i) the increase in trade and other payables of RMB16,140 million and (ii) the increase in contract liabilities of RMB840 million, and net off the following items: (i) the increase of receivables under finance lease of RMB7,392 million; (ii) the increase in inventories of RMB2,613 million; (iii) the increase in trade and other receivables of RMB8,234 million; and (iv) income tax payment of RMB900 million.

Investing activities

In 2020, net cash generated from investing activities was RMB976 million, consisting primarily of: (i) proceeds from disposal of financial assets at FVPL of RMB15,221 million; (ii) proceeds from proposed disposal of property, plant and equipment and right-of-use assets of RMB938 million; (iii) interest received of RMB190 million; (iv) proceeds from disposal of property, plant and equipment and intangible assets of

Management Discussion and Analysis

RMB489 million; and (v) proceeds from disposal of financial assets at FVOCI of RMB159 million, (vi) proceeds from disposal of interests in associates of RMB1,056 million and offset by the following items: (i) payment for acquisition of financial assets of RMB14,898 million; (ii) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB1,101 million; and (iii) payment for acquisition of financial assets at FVOCI of RMB251 million, (iv) increase in pledged bank deposits of RMB899 million.

Financing activities

In 2020, net cash used in financing activities was RMB3,244 million, consisting primarily of: (i) repayments of loans and borrowings assets of RMB60,927 million; (ii) cash dividends paid to equity shareholders of RMB1,712 million; and (iii) interest payments of RMB903 million and added (i) proceeds from loans and borrowings of RMB58,618 million; (ii) proceeds from exercise of share options of RMB266 million; (iii) proceeds from issue of restricted shares of RMB1,074 million; and (iv) proceeds on contributions from non-controlling shareholders of RMB500 million.

Working Capital and Indebtedness

The table below sets forth the details of our current assets and liabilities as of 31 December 2020:

	31 December	
	2020 RMB millions	2019 RMB millions
Current assets		
Inventories	**14,652**	11,772
Other current assets	**1,374**	1,413
Financial assets at FVTPL	**4,284**	4,311
Trade and other receivables	**23,972**	20,839
Receivables under finance lease	**10,365**	9,229
Pledged bank deposits	**2,223**	1,415
Cash and cash equivalents	**10,086**	5,073
Total current assets	**66,956**	54,052
Current liabilities		
Loans and borrowings	**2,964**	7,312
Trade and other payables	**40,387**	25,012
Financial liabilities at fair value through profit or loss	**–**	37
Contract liabilities	**2,777**	1,934
Lease liabilities	**90**	88
Income tax payable	**710**	186
Total current liabilities	**46,928**	34,569

Management Discussion and Analysis

Our net current asset increased from RMB19,483 million as at 31 December 2019 to RMB20,028 million as at 31 December 2020.

Liquidity Risk

Exposure to liquidity risk arises in the normal course of the Company's business. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The following table sets out the remaining contractual maturities of the financial liabilities as of 31 December 2020, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current prevailing rates as of 31 December 2020) and the earliest date the Company would be required to repay:

	As at 31 December 2020					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	19,301	21,099	3,685	6,314	10,940	160
Trade and other payables	40,387	40,387	40,387	–	–	–
Lease liabilities	410	449	90	107	114	138
Other non-current liabilities	4,318	4,318	–	2490	1,485	343
	64,416	66,253	44,162	8,911	12,539	641
Financial guarantees issued						
Maximum amount guaranteed	65	11,416	8,382	2,518	516	–

Management Discussion and Analysis

	As at 31 December 2019					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	21,827	24,248	8,151	827	14,913	357
Trade and other payables	25,012	25,012	25,012	–	–	–
Lease liabilities	417	458	88	82	128	160
Other non-current liabilities	2,666	2,666	–	189	937	1,540
	49,922	52,384	33,251	1,098	15,978	2,057
Financial guarantees issued						
Maximum amount guaranteed	67	6,255	5,435	544	276	–

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's working capital requirements and repay its borrowings and obligations when they become due.

Credit Risk

Credit risk is primarily attributable to bank deposits, trade and other receivables, receivables under finance lease, financial guarantees and endorsed bills with full recourse which were derecognized by the Group. The maximum exposure to credit risk is represented by the carrying amount of these financial assets and guarantee obligations.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Collaterals, such as properties, machinery or third party guarantees, are generally required for customers with lower credit ratings. In addition, credit insurance coverage is required for overseas sales. Certain customers are required to pay by letters of credit. Debtors overdue by three months or more are handled by risk management department which is responsible for recovering debts through legal and other actions. In respect of receivables under finance lease, a risk control committee is responsible for the establishment of credit risk management policies, the supervision on the implementation of such policies and determination of the key terms of the lease contracts. Credit review department, legal department, finance department and information technology department are collectively responsible for credit risk management and monitoring of settlement of receivables under finance lease. Bank deposits are placed with financial institutions that have high credit ratings. Given their credit ratings, management does not expect any counterparty to fail to meet its obligations.

Management Discussion and Analysis

Please refer to notes 18, 19 and 32 of the financial statements prepared under IFRSs for more quantitative information about the Company's credit risk.

Interest Rate Risk

Interest rate risk exposure arises primarily from bank deposits, receivables under finance lease, short-term and long-term bank and other borrowings. These financial instruments bearing interest at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk, respectively.

Please refer to note 32 of the financial statements prepared under IFRSs for more quantitative information about the Company's interest rate risk.

Currency Risk

The Company is exposed to currency risk primarily through deposits, sales, purchases and borrowings which give rise to receivables, payables, loans and borrowings and cash balances that are denominated in a foreign currency, that is, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US dollars, HK dollars, Japanese Yen and Euro.

Please refer to note 32 of the financial statements prepared under IFRSs for more quantitative information about the Company's currency risk.

Environmental, Social and Governance Report

1 About this Report

Declaration from the Board of Directors

The Board of Directors and all directors of Zoomlion Heavy Industry Science and Technology Co., Ltd. (also referred to as "the Company") guarantee that there is no false record, misleading statement or major omission in this report and they will bear individual and joint liabilities for the authenticity, accuracy and integrity of the contents.

Basis of Preparation

This report marks the fifth Environmental, Social and Governance (ESG) report issued consecutively by Zoomlion Heavy Industry Science and Technology Co., Ltd., which has been prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide ("the ESG Guide") (Version effective for fiscal years commencing on or after 1 January 2017) to the Main Board Listing Rules of the Hong Kong Stock Exchange ("the HKEx Listing Rules"). The report covers a period from 1 January 2020 to 31 December 2020. Previous activities relating to certain reporting aspects are also considered retrospectively.

Release Cycle

The report is prepared annually. The Environmental, Social and Governance Report for the next reporting period (2021) is expected to be released in April 2022. The report is available on the website of the Hong Kong Stock Exchange and the Company's official website.

Reporting Scope

Considering that overseas subsidiaries of the Company and some small business segments of construction machinery (such as material handling machinery and systems, specialised vehicles and vehicle axles) have inconsiderable environmental, social and governance impacts, the report is focused on the environmental, social and governance policies of primary construction machinery segment and agricultural machinery segment of the Company and its subsidiaries within China during the reporting period.

Definition

To simplify the expression, "Zoomlion Heavy Industry Science and Technology Co., Ltd." will also be referred to as "Zoomlion", "ZHIST", "the Company" or "we" in the report.

This report is available on the website of Hong Kong Stock Exchange and the Company's official website. If you have any feedback or suggestion for this report, please contact us at: (86 731) 88788432.

Environmental, Social and Governance Report

2 About Us

Company Business

During the reporting period, the Company is mainly engaged in the research and development, manufacturing, sales and services of high-tech equipment, such as construction machineries and agricultural machineries, as well as provision of financial services such as finance leasing. Specifically, the construction machinery segment provides concrete machinery, crane machinery, road construction machinery, infrastructure construction machinery, road building and maintenance machinery, forklift truck and other products mainly for infrastructure and real estate construction. Agricultural machinery industry, including farming machinery, harvesting machinery, drying machinery and agricultural equipment, is mainly for provision of complete package of services for breeding, field preparation, sowing, field management, harvesting, drying and storage. We aim to build a high-end equipment manufacturing enterprise which integrates engineering machinery, agricultural machinery and financial services.

Social Responsibility Strategy of the Company

As a company listed on the A-share and H-share markets, we firmly believe that individual value comes from the enterprise and corporate value originates from society, and we always adhere to the corporate culture with the core idea of "SINCERE, CEASELESS, LARGE, SUBSTANTIAL, FAR-REACHING & LONGENDURING". In addition to delivering returns for investors and creating huge economic benefits for the country, we are always committed to fulfilling our responsibilities and obligations as a responsible corporate citizen. We actively participate in public welfare undertakings, proactively protect the interests of our employees, suppliers, customers and consumers, and are dedicated to building a resource-conserving, environment-friendly and innovation-driven enterprise, thereby implementing sustainable development strategies with practical actions, striving to practice social responsibility as an innovative enterprise.

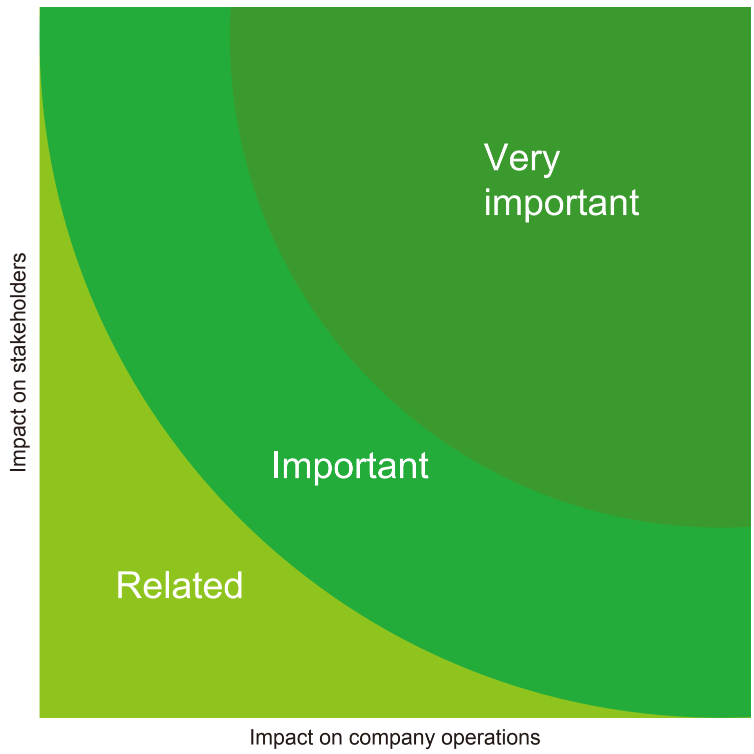
Stakeholder Involvement

Key environmental, social and governance stakeholders at the Company level, whether internal or external, include internal personnel (from management to frontline employees), suppliers, clients, shareholders, investors, governments and communities where the Company operate. The report has been prepared mainly on the basis of materiality assessments of the Company's management and internal stakeholders, which consider two dimensions including the Company's business operation and its stakeholders. The management periodically reviews the materiality assessments, with the purpose of ensuring that the report reflects, to the greatest extent possible, the most recent progress of the Company in sustainable development. It is recognised that the wider spectrum of stakeholders to be participated in the ESG journey, the better result of materiality assessments to be obtained. Therefore, the Company plans to involve more stakeholders to engage in the assessments to enhance stakeholders' participation and representativeness, so as to achieve the aforesaid goal.

Materiality Assessment

Based on our stakeholders and materiality assessments, we believe that the following topics are important to the Company's sustainable development. Those topics have been identified as the Company's sustainable development focuses.

Materiality Assessment Matrix



Very important
- Emission of exhaust gases
- Emission of greenhouse gases
- Emission of waste water
- Emission of hazardous waste
- Direct energy
- Indirect energy
- Water resources
- Employment and labour regulations
- Occupational health and safety
- Development and training
- Employees' rights and standards
- Supply chain management
- Product health and safety
- Advertisement and labels of products and services
- Client privacy
- Anti-corruption

Important
- Utilisation of packaging materials
- Potential impacts from environment and natural resources on the Company
- Community investment
- Other potential social impacts on the Company

Related
- Emission of non-hazardous waste
- Materials
- Other potential environmental impacts on the Company

3 Environment

We should protect the ecological environment as we protect our eyes. Zoomlion, as a leading company in the industry, continues to implement a safety and environmental management policy that stresses the importance of people and the need for green manufacturing. In addition, we are steadily strengthening our environmental and ecological protection efforts, and we strictly comply with national and local laws and regulations. We are also continuously increasing our investment in environmental protection and actively working to meet our social responsibility with respect to environmental protection. In 2020, Zoomlion invested a total of RMB59 million in technological transformation for environmental protection.

We remain highly attentive to the possible impacts of machinery manufacturing on the environment, and consider energy conservation and environmental protection a paramount issue in our production and business operation. In 2018, the powering of construction machinery products fully reached the National V Emission Standard for Motor Vehicles (i.e. the “National V Emission Standard”). With motor vehicles gradually transitioning from the National V Emission Standard to the National VI Emission Standard and agricultural machinery transitioning from the National III Emission Standard to the National IV Emission Standard, in 2020, the Company actively explored methods for manufacturing high-end equipment and developed new products which comply with the National VI Emission Standard, including pump trucks, mixer trucks, car pumps and various types of small and medium tonnage truck cranes. All of these products adopt industry leading technologies to achieve comprehensive upgrading in terms of emission and performance, meet national emission standards and conform to market trends, thereby becoming a leading enterprise in the industry. Although product assembly and painting inevitably consume energy and give rise to related discharges and emissions, we are committed to reducing the environmental impact of our business activities by:

- Observing all environmental laws and regulations, as well as other statutory requirements, including industrial standards;
- Building a sound environmental management system that ensures that business procedures are carried out in a responsible manner, whether socially or for employees;
- Setting clear environmental objectives and pushing for continued progress in environmental protection;
- Providing sufficient investments in environmental protection and energy conservation causes, and banning pollution activities;
- Increasing environmental awareness, strengthening environmental training and education, and earnestly executing energy conservation and emission reduction work; and;
- Incorporating energy conservation and emission reduction matters in our business decision-making processes.

Environmental, Social and Governance Report

With regard to management, externally, the Company strictly complies with the *Environmental Protection Law of the People's Republic of China* and other regulations and earnestly implements environmental management policies issued by local governments at all levels. Internally, we fully follow the requirements set out in our system management papers and perform our environmental and social duties in an active manner. All the industrial parks obtained pollutant discharge permits in 2020, and their environmental protection facilities were running normally and effectively and met the design and emission standards. In 2020, in order to continuously improve air quality, the Company leveraged scientific and technological control measures to perform real-time monitoring of air data, introduced a mist-cannon truck to reduce dust in the parks, and adopted the staggered peak production method, among other methods, to maintain air quality. The Company strictly complies with the requirements of the new *Solid Waste Pollution Prevention and Control Law of the People's Republic of China* to strengthen management of hazardous waste, enhance its hardware setup, and strengthen internal management to ensure that the treatment of hazardous waste complies with and abides by laws and regulations. Each year we entrust qualified technical services agencies with the supervision and inspection of the plants' emissions of waste water, exhaust gases and noise, and then submit relevant inspection reports to the local environmental protection authorities for filing and public disclosure.

3.1 Emissions

Due to the special characteristics of industrial companies and technical limitations, we inevitably produce and discharge air pollutants (such as sulphur dioxide and nitrogen oxides) and greenhouse gases (such as carbon dioxide) in the production and manufacturing process. The painting process also inevitably discharges industrial waste water. To address this issue, the Company has developed the *Procedures for Identifying, Evaluating and Controlling Environmental Factors* to screen environmental factors relevant to the Company, to identify significant factors and to formulate specific plans for controlling such factors.

During 2020, the types of air pollutants directly or indirectly produced by the Company's domestic industrial parks and the related emission data are as follows:

Types of air pollutants	**2020 (ton[1])**	2019 (ton[1])
Sulphur dioxide	**0.18**	0.13
Nitrous oxides	**25.69**	18.36

In addition, greenhouse gases emitted by the Company in 2020 were mainly generated from the burning of fossil fuels and the consumption of electricity. The Company generated approximately 204,410.92 tons of greenhouse gases in 2020 (2019: 169,007.69 tons), with a greenhouse gas emission intensity of 3.13 tons per million revenue in Renminbi (2019: 3.90 tons per million revenue in Renminbi), a decrease of 20% from the previous year. This decline was mainly caused by the fact that although there was a corresponding increase in emissions resulting from the significant increase in the Company's operating income during the reporting period, the intensity of the emissions decreased significantly. The related emission data are as follows:

Sources of greenhouse gas	**Total greenhouse gas emissions in 2020 (Unit: ton[2])**	**Greenhouse gas emission intensity in 2020 (Unit: tons per million revenue in Renminbi)**	Total greenhouse gas emissions in 2019 (Unit: ton[2])	Greenhouse gas emission intensity in 2019 (Unit: tons per million revenue in Renminbi)
Directly generated	**55,525.41**	**0.85**	39,873.72	0.92
Indirectly generated	**148,885.51**	**2.28**	129,133.97	2.98
Total	**204,410.92**	**3.13**	169,007.69	3.90

1 The conversion of air pollutants is based on the *Pollutant Discharge Coefficient and Material Balance Method Applicable to Industries Not Included in the Pollutant Discharge Management (Trial Implementation)* issued by the Ministry of Environmental Protection of the People's Republic of China.

The calculation method of sulphur dioxide emission:

$P_{SO2} = Q \times \eta \times 0.85 \times 2 \times 10$

The calculation method of nitrogen oxides emission:

$P_{NOX} = Q \times \mu$

Note: P_{SO2}: Sulfur dioxide emission, kg; Q: Fossil fuels consumption, t; η : sulphur content, %;

P_{NOX}: Nitrogen oxide emission, kg; Q: Fossil fuels consumption, t; μ: Sewage coefficient.

2 The conversion of greenhouse gases is based on the *Accounting Methods and Reporting Guidelines for Greenhouse Gases Discharged by Machinery Equipment Manufacturers (Trial Implementation)* issued by the National Development and Reform Commission of the People's Republic of China.

The sum of carbon dioxide emissions generated by the consumption of purchased electricity and fossil fuel is calculated as follows: $E = E_{combustion} + E_{manufacture} + E_{electricity} + E_{thermo}$

Note: E: Total greenhouse gas emission, tCO_2e

$E_{combustion}$: Emissions from combustion of fossil fuel, tCO_2

$E_{electricity}$: Emissions from consumption of net purchased electricity, tCO_2

$E_{manufacture}$: Emissions during the industrial production process, tCO_2e

E_{thermo}: Emissions from consumption of net purchased thermal energy, tCO_2

To manage the solid waste produced during the production and manufacturing process, the Company has formulated the *Waste Management Measures*, which divides waste into recyclable waste, non-recyclable waste and hazardous waste. The Company has also devised waste-type specific disposal approaches. With regard to hazardous waste in particular, we ensure complete compliance with state requirements set out in Appendix A to the *Specifications for Controlling Pollution from Hazardous Waste Storage* (GB18597-2001). We apply waste labelling, make specific collection and transportation plans based on actual production procedures and disposal cycles of hazardous waste, and involve specialists to collect waste. Hazardous waste is stored in a location determined in accordance with the *Specifications for Controlling Pollution from Hazardous Waste Storage* (GB18597-2001), which requires separate storage based on the types and properties of hazardous waste, as well as dual-key sealing. The Company strictly abides by state laws and regulations on storage periods, and contacts professional disposal institutes for help in a timely manner. Additionally, the Company has formulated the *Detailed Rules on Hazardous Waste Practices*, under which the Safety and Environmental Management Department conducts regular supervision and random inspection. During the reporting period, the Company is mainly engaged in the design, production and assembly of construction machinery equipment. The solid wastes generated during the period are production-related wasted steal and related wastes. The Company collects and sells these wastes to realise the recycling of the wastes.

In order to control waste water disposal and emissions of exhaust gas, and reduce environmental pollution, the Company has formulated the *Rules on Treatment of Exhaust Gas, Waste Water and Noises* to ensure control over and management on exhaust gas, waste water and noises. The Company annually entrusts environmental testing institutes with testing of environmental contamination factors, including waste water, waste gases, noises and dust to reinforce monitoring of the production process, so as to strictly prevent the outburst of environmental pollution accidents. With regard to emissions of exhaust gas, the Company maintains strict compliance with the *Specifications for Air Pollutant Emissions* (GB16297-1996). Key air pollution sources in the Company's daily business operations include production-related smoke, dust, volatile chemicals, decomposed gas, vehicle exhaust, bottled or pipeline gas leaks, and household dust and fumes. The Company abides by the *Specifications for Waste Water Disposal* (GB/8978-96), and follows waste water isolation and sedimentation processes or subjects waste water to treatment at a water treatment plant until it meets certain standards and is safe to be disposed of. Key waste water sources in the Company's daily business operations include production-related and domestic waste water. In 2020, the Company continued to invest in environmental protection and energy conservation, so as to continuously track pollutant emissions and ensure compliance with regulations.

3.2 Utilisation of Resources

The Company uses power for production and non-production purposes. Production-related power is mainly used by various processing machines, electric traction equipment, air compressors, heat treatment of machine parts and electric welders. Non-production-related power is mainly used by offices, canteens and apartments. Water consumption is also for production and non-production purposes. Production-related water is mainly used for cleaning, quenching, cooling and test-run purposes. Non-production-related water is mainly used by offices, canteens and apartments.

The Company mainly produces industrial vehicles, construction machinery, etc., and the process of delivery and transportation of products consumes relatively small amount of packaging materials. Therefore, related statistics about the consumption of packaging materials are unavailable for the time being.

Resources consumed by the Company's domestic industrial parks during 2020 were as follows:

Variety of energy	**Unit**	**Total consumption in 2020**	Total consumption in 2019
Kerosene	Ton	**–**	–
Un-leaded petrol	Ton	**314.50**	386.93
Purchased electricity	10,000 kWhs	**23,206.00**	20,192.87
Freshwater	10,000 cubic metres	**340.21**	242.90
Natural gas (for cooking)	10,000 cubic metres	**1,162.00**	817.78
Diesel (for contingency power-generation equipment)	Ton	**9,520.70**	6,801.22

The Company records its electricity and water consumption and reports it to relevant government authorities. It manages the use of electricity, water and other resources in accordance with the requirements of relevant government authorities. This year's electricity consumption density is 3,556.91 kwh per million revenue in RMB (2019: 4,662.73 kwh per million revenue in RMB), water consumption density is 52.15 tons per million revenue in RMB (2019: 56.09 tons per million revenue in RMB) and natural gas is 178.11 cubic metres per million revenue in RMB (2019: 188.83 cubic metres per million revenue in RMB).

In order to enhance energy management, reduce consumption of resources and increase energy efficiency, the Company has formulated the *Measures on Energy Management* based on state energy policies and energy management standards, while taking account of the Company's actual production needs and consumption of resources. The Company awards actions that benefit the intensive use of electricity, water and other resources for conservation purposes, as well as actions that put energy and resources to efficient use according to the Measures. We also punish actions that result in a waste of energy and resources.

3.3 Environment and Natural Resources

We are dedicated to introducing and developing green manufacturing technology. Based on "Made in China 2025", we continue to push forward the "Product 4.0" project for strategic deployment. In July 2020, the Company held the 4.0 Innovation Conference to announce that it had entered the new 4.0A innovation stage. At the conference, we put forward our new "intelligence, excellence and green" concept for pursuing technological innovation in the new 4.0A development stage and announced our initiative to fully upgrade the 4.0 innovation project. As a manufacturer of high-end industrial equipment, we have also incorporated the concept of environmental protection in product design and have achieved fruitful results:

In terms of construction machinery, the Company launched the "Lingyun" series of four-bridges 59-metre pump trucks, featuring hollowed out steel boom technology and dual independent hydraulic systems and having the weight of the whole machinery being reduced by 5%, thereby becoming a benchmark product for lightweight pump trucks in the industry. We completed the development of products such as the ZE550EK-10 large-tonnage crushing excavator, which features an optional crushing mode for higher efficiency and fuel saving. In addition, the new generation of smart, eco-friendly and reliable G-series earthmoving machinery products was released globally. The Company also debuted an upgraded release of its new "all-round champion" lifting machine, the ZA20JE electric-driven crank-arm aerial work platform. This product has a platform capacity of 250 kg, which represents an increase of nearly 30% in effective carrying capacity. It is also equipped with a 60A high-power rapid charging system which can be fully charged within 8 hours, and it is totally electric-driven which enables stable, comfortable operations with low noise and zero emissions. The Company also completed the development of a number of new-energy construction machinery products, such as the world's first 25-ton new-energy truck crane and the ZLJ5318GJBLBEV pure-electric intelligent mixer, to promote the "green" development of construction machinery. We also achieved a breakthrough in various intelligent technologies, such as accurate target identification for truck crane hoisting systems and automatic placement of concrete in fixed scenarios for truck-mounted concrete pumps, to comprehensively facilitate unmanned intelligent production processes.

In respect of agricultural machinery, the Company focused on the research and development of intelligent, high-end and high-horsepower products to overcome the shortcomings of the industry. In this regard, the successful launch of the 2ZPY-13A rice seedling throwing machine filled the gap in the domestic market. Our newly released 10 kg wheat harvester machinery leverages single longitudinal-axial flow threshing and separation technology as well as hydrostatic drive technology to adapt to the harvesting of a variety of crops in the domestic market, which has resulted in the machine becoming a benchmark product among medium longitudinal-axial flow harvesters. In addition, the launch of the new 9YY-2200 bundling machine has solved the major difficulties associated with bale density control and crop entanglement, demonstrating that our overall technology has reached the advanced international level. Furthermore, we have replaced the technology in the AI wheat harvester machine, and it is now ready for small-scale promotion and will continue to be a technological leader in the industry. In addition, in 2020 two group standards for AI agricultural machinery, namely T/NJ1258-2020/T/CAAMM 104-2020 *Intelligent Perception and Control Terminal for Grain Harvesting Machinery* and T/NJ1259-2020/T/CAAMM 105-2020 *Intelligent Full Feeding Combine Harvester*, were released. The development and application of our segmented sugarcane combine harvester won first prize in the Anhui Province Scientific and Technological Progress Awards, and the invention of a grain unloading device for application in agricultural machinery and a new grain unloading method won the Patent Gold Medal of Anhui Province.

Compliance Statement

During the year, no violation of any environmental regulations that have a significant impact on the Company could be observed within the Company.

4 Society

4.1 Employment

The Company adheres to the following concepts: talent is an enterprise's most important resource; the introduction of talent is a long-term investment; and the cultivation of talent is a strategic relay. We place great importance on the growth of each employee and focus on protecting employees' legitimate rights and interests. In 2020, our human resources initiatives focused on various areas, including employee care, employee motivation, and talent development, with a view to further improving staff engagement, strengthening team spirit among employees, and enhancing employees' core competitiveness to create a win-win situation between the staff and the Company.

We strictly comply with related laws and regulations, including the *Labour Law* and the *Employment Contract Law*, and we manage the procedures and processes for signing, amending, cancelling and terminating employment contracts based on these laws and regulations, with an employment contract signing rate of 100%. In addition, rules and regulations for employee attendance checking and welfare have been devised and revised in accordance with related rules and regulations. We have also made timely and full contributions to the social insurance and housing provident fund for our employees to achieve full social insurance coverage according to related laws, and we have purchased accidental injury insurance for them according to the nature of their jobs. In addition, the Company provides a variety of staff benefits and labour security initiatives. Apart from festivals and public holidays, we have also set up a diversified paid leave mechanism that provides a variety of leave choices for our employees, including home leave for expatriates, Company Founding Day leave, birthday leave, etc. We have also distributed work uniforms and labour protection items on a regular basis to employees according to their job positions, and we have provided complimentary benefits including free laundry, shuttle bus service, work lunches and well-equipped apartments to facilitate employees' work and life. The Company cares about employees' physical and mental health and has provided free health checks for our employees, and occupational health examinations at a designated hospital with sufficient qualifications for those who are exposed to occupational hazards. Such examinations are provided before and during the employment, as well as at the time when such employment is ended, and health examinations during the employment are provided once a year, so as to support sustainable development and improve engagement of employees.

At the same time, the Company provides a variety of other welfare payments to its employees, such as marriage grants, maternity grants and funeral compassionate grants. We also offer other forms of assistance, including routine relief and emergency relief; and we regularly hold the "Love-Changes-Destiny" event to help alleviate poverty through education. We do our best to extend warm festival greetings, express sympathy for our employees, and help them solve any difficulties they may be experiencing to extend our care and support for our employees. We have also launched an employee opinion platform to listen to the concerns of staff and address their problems in order to create a pleasant work environment. Furthermore, we have arranged activities such as themed "Friendship Activities", "Family Cultural Experience Day", and "Family Film Appreciation Day for Expatriate Staff" to show that we care for our employees and their family members.

In addition, we have formulated a series of employee management measures, such as the *Rules on Recruitment Management*, the *Rules on Employee Benefits*, the *Measures for Employee Attendance and Leave Management*, the *Compensation Rules* and *the Rules on Employee Rewards and Punishments*. We have effectively implemented those policies and measures to ensure equality and justice, motivate employees and maintain our market competitiveness.

The Company adheres to the principle of equal opportunity across all employment affairs, including recruitment, training, career development, and employee promotion. During the reporting period, the Company observed all relevant laws and regulations, including Article 12 and Article 13 of the *Labour Law of the People's Republic of China*, which respectively mandates that employees shall not be discriminated against on the grounds of nationality, race, sex or religious belief, and that women shall enjoy equal employment rights to men, etc.

Benefited from a solid development, the Group recruited nearly 4,500 new employees during the reporting period, serving as a good platform to promote social stability and job creation. The Company has a total employee headcount of more than 23,500, of which 66.16% are below 35 years old (inclusive), with a sustainable employment structure.

Compliance Statement

During the year, no violation of any employment and labour regulations that have a significant impact on the Company could be observed within the Company.

Environmental, Social and Governance Report

4.2 Health and Safety

The Company carries out safety-related work in accordance with the guidelines that underline the importance of safety, prevention and comprehensive treatment, as well as a safety management mechanism that strives to improve safety management capabilities and push for standardised safety practices. The Company adheres to and enforces state laws and regulations on the protection of occupational health and safety and bears responsibilities and obligations for our employees. We perform comprehensive production safety performance reviews each year to improve production safety management at the basic and higher levels. This serves the purpose of reducing the number of accidents, effectively preventing and resolutely curbing large-scale production safety accidents and containing occupational hazards. We also strive to strengthen safety management at site operations, determine the responsibilities of in-charge persons at various levels and improve the safety management system. We have put in place effective control over activities, services and products associated with environmental factors and occupational health and safety risks that are either of great importance or determined as necessary to be controlled. This is to ensure that integrated management guidelines, objectives and indicators are observed for such activities, services and products. In order to facilitate this practice, the Company has formulated the *Control Procedures for Environmental and Occupational Health and Safety Practices*.

The Company adopts decentralised management, in which the headquarter is responsible for development of policy guidelines and indicators, process monitoring, resources allocation and annual review; and all business units are responsible for carrying out specific safety work. To fully fulfil corporate responsibility, the Group and all business units have set up production safety committees, respectively, to form a well-organised safety management network. The Company's chairman serves as the director of the Company's production safety committee, while general manager of each business unit acts as the director of respective production safety committee and is responsible for safety management work of respective business unit.

Since the beginning of the year, we have increased the frequency of our business unit inspections to ensure that we stay updated regarding their safety and environmental management status, and we have also revised the safety and environmental management report so that it gathers comprehensive data and information regarding management processes instead of conducting simple data collection. Through the monthly reports, we can obtain a better understanding of the safety and environmental work performed on a monthly basis by each business unit and the relevant key data; and by comparing the processes and the results, we can perform better analyses, issue early warnings regarding unusual data, and promptly remind business units of key focus areas.

As centralised training cannot be conducted during the pandemic period, we have compiled a safety training video kit to ensure that the Company can consistently implement the "three-level safety education" programme as required. Since team leaders currently have a relatively low level of safety and environmental knowledge and skills, we specifically compiled a series of relevant training materials for them to address issues related to insufficient training time, inadequate focus and incomplete coverage of knowledge gained from previous training programmes. Furthermore, in order to strengthen safety and environmental management at operational sites and enhance the safety and environmental management level and skills of on-site management personnel, we conducted training to improve capabilities related to detecting hidden hazards.

In addition, we conduct various activities to improve employees' safety knowledge, such as hidden hazard detection exercises, competitions for high-performing individuals and teams, competitions for the most outstanding production workshop on safety improvement, safety knowledge quiz and other activities that promote a culture of safety. These activities also allow us to create a positive production safety atmosphere, and allow more employees to participate in safety activities and production safety management initiatives to further enhance employees' safety awareness. In 2020, the Company was awarded the title of "Excellent Unit for Production Safety and Fire Prevention" in the annual review of production safety and fire prevention in Hunan Province, and the title of "Outstanding Institution for Occupational Safety and Health Management" by the Hunan Occupational Safety and Health Association.

At the same time, the Company attaches great importance to occupational health management, conscientiously implements the requirements of relevant laws and regulations, and strives to improve the working environment of employees to reduce the risk of occupational hazards. We also strengthen daily supervision and inspection, establish a comprehensive prevention and management system for occupational diseases, and advocate the use of labour protection articles. In addition, we conduct testing and evaluation regarding occupational disease hazard factors, provide occupational health examination, monitoring and diagnosis, and ensure the aforesaid process and activities are fully implemented, so as to effectively avoid the risk of occupational hazards that would be faced by our employees.

In the past three years (including the current reporting period), there was no death arising from accidents at work.

Compliance Statement

During the year, no violation of any regulations related to occupational health and safety that have a significant impact on the Company could be observed within the Company.

Environmental, Social and Governance Report

4.3 Development and Training

Systematic Cultivation to Support Individual Development

During the reporting period, the Company continued to provide directors, supervisors, senior management personnel and employees with enhanced training and learning opportunities on, for instance, capital market-related laws and regulations, policies and guidelines, regulatory requirements and case studies to ensure that they complied with such rules and performed their duties accordingly. We formulated the *Measures for Training Management*, and set a high standard for employees' code of conduct and competence. We provided new employees with induction training on code of conduct and ethics, as well as on corporate culture to help them become identified with positive values.

The Company held various specialised training activities based on the nature and needs of different departments, positions and professions. We provided management personnel with training of various forms, such as team executive ability practices, sand-table simulation, reading workshops, lectures and professional ad hoc exercises that aimed to expand their knowledge and hone their skills through such experiential and interactive activities. For employees at the production frontline, the Company provided training on production management, quality management, manufacturing processes and safety management, as well as coaching on professional skill appraisal. We also held profession-specific skill competitions and involved established technicians to give instructions in person. These activities helped cultivate skilled technicians and competent production management personnel. With regard to employees at the marketing frontline, the Company launched on-site and online training programmes on marketing knowledge, product knowledge, marketing skills, internet marketing and other areas.

The Company continued to carry out diversified cooperation between universities and enterprises to provide employment opportunities for graduates and cultivate talent with practical skills, with a view to comprehensively upgrading and deepening school-enterprise cooperation, enhancing industry-school integration, and supporting the upgrading and transformation of smart manufacturing. During the year, we arranged for cooperation between industries, universities and research institutes and also between schools and enterprises in order to cultivate talented professionals. The tertiary educational institutions that we have worked with include Hunan University, Northwestern Polytechnical University, Changsha University of Science and Technology, and Zhejiang University. Through our cooperation with these institutions, we have been able to provide students with the opportunity to visit the Company as well as access to more than 1,000 internship positions. In addition, we have co-established an "order-based" system that allows us to cultivate skilled talent in conjunction with certain vocational and technical colleges. Currently, we have signed school-enterprise cooperation agreements with 16 vocational colleges, including Hunan Industry Polytechnic and Hunan Communication Polytechnic. Among the 16 colleges, we have collaborated with 10 to organise more than 10 classes, and through these classes we have trained over 600 individuals in after-sales services and other fields on an "order" basis. Furthermore, we have jointly established internship and training bases with seven colleges and universities, and we have successfully applied to set up an internship and training base for school-enterprise cooperation in Changsha.

At the same time, the Company further improved the qualification management system and kept smooth the career development channels for employees. We also promoted the cultivation of scientific talents, technical workers and professionals, and sought to comprehensively enhance employees' competence and performance from multi-channels to support the Company's sustainable development.

Plural-training with full coverage

Zoomlion adopts innovative training methods to tally with business needs. In 2020, we focused on the training of administrative staff, marketing, risk control, production management and other talents and organised over 100 training projects for around 10,000 person-times, with a total annual training investment amounting to nearly RMB21 million. Training on marketing personnel is integrated into the actual practice so as to seek victories and beliefs of the winner; training on production management elite team is introduced into the actual cases to create efficient returns; training on college students focuses on potential development and comprehensive capabilities expansion; training on customer alliance personnel implements the concept of strategic cooperation, to enhance customer affinity and achieve sharing and a win-win situation. At the same time, by using AI, big data and other information-based methods, the enterprise's knowledge and experience shall be accumulated, extracted, processed, spread and utilised to improve the training efficiency.

Zoomlion has long been committed to building a gold service team. Most of the existing service engineers have college, undergraduate or above degrees with mechanical and related majors, with good qualification and technology background. 100% of them have been systematically and professionally trained and have held relevant certificates after passing strict examinations.

Furthermore, Zoomlion attaches great importance to strengthening the school-enterprise cooperation, leveraging relevant government policies to provide employment opportunities for students and training practical skilled talents for enterprises. In 2020, the Company launched various characteristic school-enterprise cooperation activities with Hunan University, Northwestern Polytechnical University, Changsha University of Science and Technology, and Zhejiang University respectively.

4.4 Labour Standards

Employment Freedom and Legal Recruitment

The Company abides by international protocols on labour standards and *the Law of the People's Republic of China on the Protection of Minors* and bans the employment of child labourers (those aged below 16). The Company carries out stringent screening and verification of applicants' identity at the recruitment stage to avoid accidentally hiring child labour due to false information. The Company also performs daily inspections and audits to strengthen supervision in this respect. During the reporting period, the Company has no incidents of child labourer employment, nor do we have any discriminatory or harassment incidents in the aspect of recruitment.

Although the Company encourages employee devotion and commitment, we resolutely prohibit forced labour. We provide adequate and reasonable break and leave for employees in line with relevant laws and regulations. We arrange for overtime work based on our production needs and workload. The Company fully respects employees' freedom in choosing careers and will by no means withhold employees' valid certificates or require payment of deposits. During the reporting period, the Company strictly observes the *Labour Law of the People's Republic of China* and the *Employment Contract Law of the People's Republic of China*, and forced labour is absent in all of the Company's factories.

Provision of Multiple Incentives to Arouse Potential

During the reporting period, we continued to enhance the performance of all employees, and we improved the Company's incentive mechanism. In addition, we helped employees reach their full potential, improve organisational efficiency, and guide the management personnel to focus on the improvement of organisational and individual performance; enabled the technicians to focus on their professional skill, for the purpose of improving the R&D capability and performance; encouraged marketing personnel to emphasise profits and marketing effectiveness; and guided the service personnel to return to the nature of service, encourage them to improve their skills, for the purpose of providing convenient and efficient services for customers, to further strengthen the interaction between marketing and service. With incentives oriented towards "allocation according to work and allocation according to contribution", the Company continued to make its incentive mechanism more diversified, sustainable and competitive. In addition, during the year the Company developed the *Zoomlion Salary Management System* to "benchmark against market practices, adhere to the principles of fairness and justice, prioritise performance, and emphasise openness and transparency". The Company prides itself on providing employees with competitive salaries and treatment. In addition to basic salaries, the Company has also set up commissions, performance rewards, bonuses, dividends, equity incentives, core management shareholding plans, and other diversified incentive measures according to the nature of employees' positions and their job descriptions.

Environmental, Social and Governance Report

The Company implemented an equity incentive plan for the first time in 2017, and the profit targets in all three phases were exceeded and unlocked in 2020. On 15 November 2019, the Company officially decided to implement the core management shareholding plan. This plan is designed to improve the corporate governance structure of the Company, provide an improved mechanism for the sharing of benefits between labourers and owners, enhance employee cohesion, and improve the Company's core competitiveness. The plan should also drive the development of both the Company and individuals, fully mobilise employees' enthusiasm and ability to innovate, attract outstanding management talent, and promote the long-term stability of the Company's core business lines. The plan was reviewed and approved at the first extraordinary general meeting of shareholders on 6 January 2020, and it was officially implemented on 3 April 2020.

We have built a dual evaluation system based on performance and behavior. This new performance appraisal system covers all employees and it improves on two-way communication and guidance in the evaluation process, so as to truly fulfill corporate culture, focus on talent development and performance improvement. We standardise daily management through measures of fragmentation and standardisation, improve our performance assessment through the means of informatization and visualisation, strengthen performance guidance by way of "rules", and make use of alignment methods to ensure objective results, thereby making our performance effective and practical; stimulate employees' potential and vitality through compensation reform. We guide the management personnel to focus on the improvement of organisational and individual performance; enable the technicians to focus on their professional skill, for the purpose of improving the R&D capability and performance; guide the service personnel to return to the nature of service, encourage them to improve their skills, for the purpose of providing convenient and efficient services for customers, to further strengthen the interaction between marketing and service.

Compliance Statement

During the year, no violation of any labour-standard-related regulations that have a significant impact on the Company could be observed within the Company.

5 Operating Practices

5.1 Supply Chain Management

Zoomlion always adheres to the business philosophy of "green and smart supplies", constantly optimises the supply chain ecosystem, integrates high-quality supplier resources and builds an advanced green supply chain management system, to create value for the Company and the society as well. Faced with a complicated and challenging macro situation, the Company continues to focus on equipment manufacturing and resources allocation optimisation to strengthen competitiveness of the construction machinery and agricultural machinery business to realise solid and high-quality growth. Zoomlion always attaches importance to sharing opportunities and working together with suppliers to achieve sustainable development.

During the reporting period, Zoomlion continues to optimise the supply chain ecosystem by introducing good supplier resources and strengthening supplier management. In terms of the introduction of high-quality suppliers, we have attracted a large number of high-quality partners through extensive sourcing, strict supplier access review, sound and transparent bidding and procurement systems and good capital credit; in terms of supplier management, a group-level qualified supplier list has been established to continuously optimise the supplier management system and the dynamic quantitative evaluation mechanism for suppliers, carry out hierarchical management of suppliers, apply the results of dynamic quantitative evaluation mechanism for suppliers to the construction of supply chain, thereby establishing a long-term and stable partnership with those suppliers excelling in the evaluation results.

The Company continues to implement the established *Measures for Supplier Access Scoring and Supplier Management* to evaluate proposed new suppliers and determine whether they meet the selection criteria. The Company rates each qualified supplier based on the evaluation results and the grade of its products to implement grade-based management. We require suppliers to pass ISO/QS9000 certification, TS16949 certification or other acceptable quality system certification, and consider historical records of suppliers' compliance with environmental and labour laws and regulations as vital selection criterion. We also require that suppliers should have no violations of state laws and regulations in all material respects.

In 2020, the Company dedicated itself to building a supply chain ecosystem based on strategic partnerships. By optimising its operations, the Company was able to promote effective interaction among multiple groups. As a result, the supply chain ecosystem was very competitive, and it featured a dynamic balance that allowed enterprises and organisations in the ecosystem to integrate, share platforms, and achieve win-win benefits. In 2020, Zoomlion continued to optimise the supply chain ecosystem by introducing good supplier resources and strengthening supplier management. In terms of the introduction of high-quality suppliers, we have attracted a large number of high-quality partners through strict supplier access review, sound and transparent bidding and procurement systems and good capital credit; in terms of supplier management, a group-level qualified supplier list has been established to continuously optimise the supplier management system and the dynamic quantitative evaluation mechanism for suppliers, apply the results of dynamic quantitative evaluation mechanism for suppliers to the construction of supply chain, thereby establishing a long-term and stable partnership with those suppliers excelling in the evaluation results.

In addition, in order to improve the environmental protection capability of the supply chain system, the Company proactively promotes the use of water-based paints and provides guidance to suppliers in terms of emissions reduction and safety management, and guides suppliers to join the Alliance of Green Supply Chain of the Ministry of Industry and Information Technology to improve the environmental protection social responsibility of the upstream and downstream enterprises.

Through a series of effective assistance and management measures, the KPI indicators of the entire supply chain system in 2020 have been further improved, and high-quality, efficient, and quick-response flexible supply capacity indicators have been basically realised, making great contributions to protecting customers' needs.

5.2 Product Responsibility

Focusing on "achieving the highest quality", Zoomlion strives to become an industry model in terms of quality, innovation and creation. Based on customer demands, the Company keeps improving product quality and management level. The Company also fully implements prevailing national, local and industry standards and adheres to standards that are more stringent than the aforementioned ones in terms of product manufacturing.

As part of its efforts to cultivate its corporate culture, in 2020, the Company focused on the theme of "pursuing excellence in product manufacturing and comprehensively improving quality" by organising and carrying out "Quality Month/Quality Quarter" activities, including quality awareness promotion and training activities, solicitation of essays on maintaining quality, campaigns to rectify TOP suppliers' quality problems, and selection and publication of quality improvement results which have efficiently improved employees' quality awareness and directed them to proactively participate in quality enhancement activities.

Since first obtaining the quality management system certification in 2000, the Company has placed an emphasis on the development of its system infrastructure. In 2020, the Company organised and carried out the "Quality Management System Maturity Evaluation" to effectively quantify and evaluate the business unit system and process operations, identify deficiencies, and propose improvements. We organised management reviews, internal audits, and engaged external certification agencies to conduct third-party reviews to ensure compliance with laws and regulations, system criterion and requirements of all parties in terms of quality, environment and occupational health and safety.

In 2020, the Company launched a pilot programme for the construction of a unified quality management information platform (Z-QMS), and the Company completed the blueprint for the platform, formulated the business plan, and developed some of the modules. By putting in place high-quality information technology, the Company has been able to identify and diagnose pain points and difficulties in its quality management. To address these issues, the Company has devised a "two-line, three-step" quality strategy plan, which will provide a solid foundation for the transformation of the Company's quality management towards prevention and excellence.

The Company adheres to the customer-orientated principle and continues to improve quality. In 2020, the Company carried out various quality special work, including the launching of the Quality Wall programme, quality assessment based on coefficient K and "Three Noes" activity, so as to identify and rectify hidden quality risks and handle issues in the factories in a timely manner, before substandard products are released to the market. In addition, we organised and implemented heavy-goods improvements, A3 improvements, TOP-issues improvements, QC team topic evaluations, joint research on electrical issues, special quality improvement projects for oil cylinders, and special paint quality improvement projects, among other initiatives, thereby effectively driving the rectification of main quality issues within the market and the factory and increasing coverage rate and completion rate of issues rectification for timely response and satisfaction of the needs.

Compliance Statement

During the year, no violation of any regulations related to product liability that have a significant impact on the Company could be observed within the Company.

5.3 Anti-corruption

Corruption harms the interests of a company and affects its corporate image. Anti-corruption upholds the business ethics of an enterprise, constitutes the foundation for an enterprise's long-term development and protects an enterprise's core teams and employees. The Company advocates business integrity and fair competition, requiring employees to abide by local laws and regulations, as well as the Company's rules and regulations. It has formulated the *Eight Don'ts for Management Teams*, *Employee Code of Conduct*, the *Rules on Rewards and Punishments for Employees*, the *Supervision and Management Rules*, the *Reporting Management Measures* and other anti-corruption rules. It strives to raise employee awareness of corruption and business bribery and honour a compliance culture in daily operations.

Compliance Statement

During the year, no violation of any anti-corruption-related regulations that have a significant impact on the Company could be observed within the Company.

6 Community Investment

Guided by the principle that "corporate value originates from society", Zoomlion has proactively responded to the country's call for precision poverty alleviation, and the Company fully cooperates with government bodies, charity units and emergency management agencies. In addition, based on its resource advantages, corporate strategy, and industry characteristics, the Company steadily carries out precision poverty alleviation activities and other social welfare work through education, industry work, disaster relief, charitable donations, assistance for the vulnerable and disadvantaged, and youth volunteer work. In 2020, the Company invested more than RMB27.41 million in precision poverty alleviation, poverty alleviation through consumption, and other social welfare initiatives. These efforts benefitted more than 10,000 poverty-stricken students, the disabled, seniors without family, people with financial difficulties, and employees with financial difficulties.

Carry out Designated Donations and Precision Poverty Relief Actively

2020 was an important year for China's precision poverty alleviation and poverty eradication campaigns. In order to comprehensively carry out precision poverty alleviation work, Zoomlion firmly adheres to the "blood-making" poverty alleviation work mentality; continues to perform precision poverty alleviation work in respect of key areas, professional fields and skills; and fully implements the various precision poverty alleviation spirits of the central and Hunan governments.

In 2020, the Company's precision poverty relief efforts mainly focused on Longshan County of Xiangxi Tujia and Miao Autonomous Prefecture.

Bier Village is located in the southern part of Longshan County and is an administrative village under Liye Town. It is 100 kilometres away from Longshan County. There are a total of 291 households in the village, of which 46 are poor households according to national standards. "Facing a river and backing onto a rocky mountain, Bier Village was a place where subsistence depended on the State-administered market, and houses were situated on rocks." This was a true portrayal of Bier Village in the past few years. However, as a result of policy support in respect of poverty alleviation through local industries, Bier Village is vigorously developing the navel orange planting industry and has become a village renowned for fruit in Xiangxi Tujia and Miao Autonomous Prefecture. In 2020, sales of navel oranges produced in Bier Village were greatly affected by the pandemic. To solve this problem and at the same time actively respond to the Hunan Provincial Party Committee's and Provincial Government's call for "promoting poverty alleviation through consumption", Zoomlion sent personnel to Longshan County on multiple occasions to conduct inspections. Instead of making a donation, we ultimately decided to carry out precision poverty alleviation through consumption by making a one-off purchase of around RMB2 million worth of navel oranges produced in Bier Village. With this purchase, we were able to strengthen the local government's poverty alleviation work, effectively increase farmers' incomes, and meet our corporate social responsibility.

Environmental, Social and Governance Report

In 2020, the Company continued with its poverty alleviation work by providing vocational education in Longshan County and constructing the Liye Primary School, and it also carried out a series of precision education poverty alleviation activities. On 1 June 2020, the Zoomlion customer alliance simultaneously launched the "Lianai Education Aid" programme in Gezhuping Central Primary School in Xupu County, Hunan; the 9-year school in Longtian Town, Ningxiang City; and the Central Primary School in Xuanhua Town, Gaotai County, Gansu Province. The programme sent heart-warming "1 June" greetings to local teachers and students. In addition, as part of the programme, the Zoomlion customer alliance donated a total of RMB550,000 worth of school uniforms, books, other materials, and grants to these three schools to help poor students complete their studies and also to help with the development of local education. In August, under the auspices of the Communist Youth League and the Municipal Committee of Changsha, Zoomlion participated in the "Partner Assistance" charitable activity in Tibet and donated RMB50,000 to help with the development of a foothold for the Gongga County Young Pioneers and a youth employment and entrepreneurship platform.

In addition, the Company also participated in precision poverty alleviation projects such as the construction of rural roads in Fengshuhu Village, Liuyang City.

2020 was an extraordinary year. In the face of the sudden outbreak of the pandemic, Zoomlion fully implemented President Xi Jinping's directives, as well as the deployment requirements of the Party Central Committee, the State Council, the Hunan Provincial Party Committee and the Provincial Government. We answered to our employees and society and dedicated ourselves to the country. In the weeks and months following the outbreak, we achieved remarkable results in epidemic prevention and control as well as in the resumption of work and production. In this way, we were able to demonstrate our high-quality operations and sense of responsibility as one of China's premier enterprises. During the pandemic, the Company leveraged its equipment resources and immediately mobilised more than 300 pieces of equipment to assist in the construction of Wuhan's "Huoshenshan and Leishenshan" hospitals, which was a tremendous feat. At the same time, the Company actively used its global procurement resources to donate more than RMB12.6 million in anti-epidemic supplies, as well as RMB2.5 million in cash, to the frontline of the anti-epidemic work.

As a sponsor of the "Love-Changes-Destiny" charity events organised by the Hunan Charity Federation, Zoomlion has made donations to the programme for 18 consecutive years to help alleviate poverty through education. The Company donated RMB2 million in 2020 and has made a total contribution of more than RMB28 million over the past 18 years, making us the largest contributor in the programme. We also supported more students than any other donors. The programme has helped over 45,000 underprivileged freshmen gain access to higher education.

In order to promote the spirit of the Olympics and support the development of sports in Hunan Province, in 2020 the Company donated RMB1 million in training funds to the weightlifting team of Hunan Province. In addition, to better support the development of local education, in 2020 the Company also donated RMB1.1 million to Mingde Primary School, Huarong Beigang Town; a total of RMB420,000 to Changde Hanshou County, the Dingcheng District Education Bureau and Dingcheng Puyuan Experimental School; and RMB200,000 to the High School Attached to Hunan Normal University.

Give Love and Support Together

The future and hope of an enterprise rest with young people, and they play a vital role in driving its development. Influenced by Zoomlion's corporate culture, the vast number of our young employees proactively assume social responsibilities by giving full play to their talents and wisdom. In 2020, using the Young Volunteers Association as a platform, Zoomlion's Youth League Committee continued to build the charity brand "Seven Hours from Everyone to Show Our Loving Heart". We firmly built the "Great Wall of Youth" during the epidemic prevention and control period, proactively promoted scientific epidemic prevention measures, filmed a series of short videos on epidemic prevention, and organised voluntary blood donations. In addition, we staged the "Caring for Children with Special Needs and Resolutely Winning the Epidemic Prevention and Control Battle" activity, "99 Charity Day" and other charitable activities to strongly carry forward the volunteer spirit — dedication, love, mutual assistance and progress among the youth.

Conduct Targeted Research and Development to Ensure Safety

Taking into account the noble mission entrusted by the State to equipment manufacturing enterprises in the new era and the State's emergency relief work requirements for providing "major emergency responses to all kinds of disasters", the Company has taken the initiative to undertake new national emergency response tasks. To this end, the Company established Zoomlion Emergency Equipment Co., Ltd. to expand research and development for emergency relief equipment. In this sector, we successfully produced new products such as the world's highest 63-metre large-span special water tower firefighting vehicle, the first domestic crank-arm aerial ladder firefighting vehicle, the first domestic 25-metre main aerial ladder firefighting vehicle, the world's first forest isolation zone clearing vehicle, the 25-metre single-span folding emergency bridge truck, the DB1000 emergency sand and stone packing modular vehicle, the BD3200 drainage rescue vehicle and the ZLTH37 multifunctional remote control pathfinder robot. The domestic crank-arm aerial ladder firefighting vehicle significantly improves rescue efficiency and solves "the problems associated with the 'last metre' of rescue efforts". This product also broke the monopoly previously held by foreign manufacturers of crank-arm aerial ladder firefighting vehicles in the domestic market. This achievement was selected as one of the "Top Ten Science and Technology News Stories in Hunan" in 2020. The forest isolation zone clearing vehicle participated in Hunan Province's subject-five forest fire emergency drill, "Setting Up the Isolation Zone". During the drill, the product exhibited strong isolation zone clearing capabilities, high operational efficiency, fast module replacement, stable hydraulic power, extensive site adaptation capabilities, and a combination of strategic and conventional capabilities, which won the praise of participating team members and leaders who observed the drill.

Make Concerted Efforts in Epidemic Prevention and Control

2020 was an extraordinary year. In the face of the sudden outbreak of the pandemic in 2020, Zoomlion has been supporting the front-line construction project. In addition to the procurement and donation of medical protective materials, we have resumed work and production in an orderly manner to fulfil our social and corporate responsibilities. In conjunction with our customers, Zoomlion immediately mobilised more than 300 pieces of equipment to assist in the construction of Wuhan's "Huoshenshan and Leishenshan" hospitals, which was a tremendous feat. Zoomlion has mobilised the domestic and overseas procurement channels and donated anti-epidemic supplies totalling more than RMB12.6 million to the frontline of the anti-epidemic work. In response to the CPC Central Committee's call for making donations to prevent and control the outbreak of coronavirus, Zoomlion's Party Committee immediately organised and mobilised all party members and employees to offer corresponding contributions. In total, we donated RMB2.5 million in cash.

7 Reference Table for ESG General Disclosures

ESG aspects	KPIs	Descriptions	Remarks	Relevant Report Section
	Environmental			
A1	Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		3.1
	A1.1	The types of emissions and respective emissions data.		3.1
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		3.1
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Company is devising a plan for the collection of related data and therefore the related disclosure will be considered in the future.	

ESG aspects	KPIs	Descriptions	Remarks	Relevant Report Section
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The materiality assessment of this year indicated that relatively speaking, non-hazardous waste is not the most important environmental issue. Therefore, the related disclosure will be considered in the future.	
	A1.5	Description of measures to mitigate emissions and results achieved.		3.1
	A1.6	Description of how hazardous and nonhazardous wastes are handled, reduction initiatives and results achieved.		3.1
A2	Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		3.2
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).		3.2
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).		3.2
	A2.3	Description of energy use efficiency initiatives and results achieved.		3.2
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.		3.2

ESG aspects	KPIs	Descriptions	Remarks	Relevant Report Section
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The materiality assessment of this year indicated that relatively speaking, packaging material is not the most important environmental issue. Therefore, the related disclosure will be considered in the future.	
A3	Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		3.3
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		3.3
	Society			
B1	Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		4.1

Environmental, Social and Governance Report

ESG aspects	KPIs	Descriptions	Remarks	Relevant Report Section
B2	Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		4.2
B3	Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		4.3
B4	Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		4.4
	Operating practices			
B5	Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		5.1

Environmental, Social and Governance Report

ESG aspects	KPIs	Descriptions	Remarks	Relevant Report Section
B6	Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		5.2
B7	Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		5.3
	Community			
B8	Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		6

Significant Events

1 Non-public issuance of A shares

On 27 October 2020, the shareholders of the Company approved a non-public issuance of new A shares under general mandate. On 5 February 2021, the Company issued and allotted a total of 511,209,439 new A shares to eight subscribers. Set out below are the details of the issue:

Class and nominal value of shares issued

A shares with a par value of RMB1.00 each, amounting to an aggregate nominal value of RMB511,209,439

Issue price

RMB10.17 per A share. The closing price of the A shares on 29 September 2020, being the date on which the terms of the non-public issuance were fixed, was RMB8.01 per A share

Net price raised

RMB10.07 per A share

Subscribers

No.	Name	Number of A shares subscribed
1	UBS AG	44,149,459
2	JPMorgan Chase Bank, National Association	73,746,312
3	Maanshan Xuanyuan Cornerstone Equity Investment Partnership (Limited Partnership)	148,869,223
4	Urumqi Phoenix Cornerstone Equity Investment Management Limited Partnership — Phoenix Cornerstone Tongli Private Equity Investment Fund	74,434,611
5	Morgan Stanley & Co. International Plc	39,331,366
6	Caitong Fund Management Co., Ltd.	54,277,286
7	CSC Financial Co., Ltd.	39,331,366
8	Hunan Dice Hongtai Investment Partnership (Limited Partnership)	37,069,816
	Total	511,209,439

Use of proceeds

The total amount of gross proceeds from the non-public issuance was RMB5,198,999,994.63, to be applied as follows:

No.	Intended use	Proposed allocation of proceeds (RMB million)	Expected timeline of full utilisation
1	Excavating machinery intelligent manufacturing project	2,400	2022 2H
2	Project for upgrading of intelligent manufacturing of mixer product	350	2022 2H
3	Key components intelligent manufacturing project	1,300	2022 2H
4	Liquidity replenishment	1,149	2022 2H
	Total	5,199	

Significant Events

Reasons for the issue	To improve the level of intelligent manufacturing of the Company, further reduce costs and increase efficiency Construction machinery falls within the scope of high-end equipment manufacturing industry, which is a typical capital- and technology-intensive industry requiring high level of investment and technical input. The manufacturing of construction machinery industry is characterised by wide product range, numerous parts and components, small output and complicated manufacturing processes. The intelligent manufacturing of construction machinery towards which the proceeds from the non-public issuance are proposed to be used will promote the ongoing optimisation of design, production, management, service aspects of the Company and procure their comprehensive integration, which is a necessary manoeuvre for the Company to foster effective transformation and upgrading. The intelligent manufacturing of construction machinery will involve the setting up of an automated plant in compliant with Industry 4.0 Standard, which enables a gradual implementation of data traceability at each production section and along the production process, in order to effectively enhance the operation efficiency, reduce production costs and laying a solid technical foundation for rapid and ongoing development of the Company. To replenish liquidity and facilitate sustainable operation of the Company The manufacturing of construction machinery requires a wide range of costly equipment, thus involving high investment in fixed assets. Accordingly, the ability of a construction machinery company to make huge investment in purchasing advanced production equipment to manufacture high-end products with high reliability, precision and sensitivity that meets the requirements of downstream customers has become the key to its development. The construction machinery industry is also capital-intensive, where the industry players need substantial liquidity to support day-to-day manufacturing. The proceeds from the non-public issuance will be used by the Company to satisfy its working capital requirements, providing financial support for the future business upgrade and technology development of the Company, laying a sound foundation for the continuous healthy development of subsequent business and for strengthening the competitive position in the industry. In addition, the non-public issuance will help to replenish liquidity of the Company, which will improve its financial strength, optimise its capital structure, increase flexibility and long-term sustainability of its funds, reduce financial risks and enhance overall risk resistant capacity.

Please refer to the related circulars and announcements published by the Company on 5 July 2020, 6 July 2020, 9 July 2020, 27 July 2020, 29 September 2020, 9 October 2020, 30 November 2020 and 5 February 2021 for further details.

2 Issuance of H shares under general mandate

On 29 September 2020, the Company agreed to allot and issue to Changsha Hesheng Technology Investment Co., Ltd. 193,757,462 new H shares at a subscription price of HK$5.863 per H share under general mandate. The closing price of the H shares on the date of the relevant agreement was HK$7.05 per H share. The aggregate nominal value of such new shares is RMB193,757,462.

Completion of the subscription took place on 3 February 2021. The gross proceeds from the subscription amounted to HK$1.136 billion and the net price raised per H share (after deducting relevant fees and expenses) was approximately HK$5.811. The Company intends to apply the net proceeds as to (i) 50% for the procurement of core parts and components; (ii) 20% for replenishing its working capital; (iii) 20% for exploring overseas market; and (iv) 10% for establishing overseas base(s). Such net proceeds are expected to be fully utilised by the end of 2021.

In light of the booming construction machinery industry in the PRC and its expanding market size, coupled with internationalisation as the key development direction of domestic leading players in the industry, the Board considers that the subscription is in line with the current industry status and the actual requirements of the Company. The subscription will enable the Company to speed up its internationalisation, create a business ecosystem and ultimately promote the sustainable development of the Company.

Please refer to the related announcements published by the Company on 29 September 2020, 20 October 2020 and 3 February 2021 for further details.

Proceeds from the above issues of shares are proposed to be used according to the intentions previously disclosed by the Company.

Changes in Share Capital and Shareholders

I. Changes in Share Capital (as at 31 December 2020)

1. Changes in share capital

Unit: shares

	Before this change		Increase/decrease in this change (+,–)		After this change	
	Number	Percentage	Other	Sub-total	Number	Percentage
I. Shares subject to sales restriction	120,465,130	1.53%	-86,194,190	-86,194,190	34,270,940	0.43%
3. Shares held by other domestic listed companies	120,465,130	1.53%	-86,194,190	-86,194,190	34,270,940	0.43%
Shares held by domestic natural persons	120,465,130	1.53%	-86,194,190	-86,194,190	34,270,940	0.43%
II. Shares not subject to sales restriction	7,754,509,728	98.47%	148,909,865	148,909,865	7,903,419,593	99.57%
1. Ordinary shares denominated in RMB	6,366,302,642	80.84%	148,909,865	148,909,865	6,515,212,507	82.08%
3. Overseas listed foreign invested shares	1,388,207,086	17.63%	0	0	1,388,207,086	17.49%
III. Total number of shares	7,874,974,858	100.00%	62,715,675	62,715,675	7,937,690,533	100.00%

Changes in Share Capital and Shareholders

II. Shareholders

1. Shareholdings of the shareholders of the Company

Unit: shares

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

Name of shareholder	Nature of interest	Percentage of shares held	Number of shares held at the end of the reporting period	Changes during the Reporting period	Number of restricted shares	Number of unrestricted shares	Shares pledged or frozen	
							Condition of shares	Number
HKSCC NOMINEES LIMITED	Overseas legal person	17.45%	1,385,500,279	376,200	0	1,385,500,279		
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	State-owned legal person	15.79%	1,253,314,876	0	0	1,253,314,876		
Changsha Zoomlion and Yisheng Investment Partnership (LLP) (長沙中聯和一盛投資合夥企業（有限合夥）)	Domestic non-state-owned legal person	8.59%	682,201,864	682,201,864	0	682,201,864	Pledged	309,745,471
Hong Kong Securities Clearing Company Limited	Overseas legal person	8.22%	652,432,769	31,243,596	0	652,432,769		
Zoomlion Heavy Industry Science and Technology Co., Ltd.* – Phase I Employee Stock Ownership Plan	Other	4.92%	390,449,924	390,449,924	0	390,449,924		
China Securities Finance Corporation Limited	State-owned legal person	2.94%	233,042,928	0	0	233,042,928		
Real Smart International Limited	Overseas legal person	2.12%	168,635,602	0	0	168,635,602	Pledged	168,635,602
Central Huijin Asset Management Ltd.	State-owned legal person	1.46%	115,849,400	0	0	115,849,400		
China Universal Asset Management Co., Ltd – Social security fund 1103 portfolio	Other	0.66%	52,499,901	52,499,901	0	52,499,901		
Abu Dhabi Investment Authority	Overseas legal person	0.45%	35,887,203	-10,126,300	0	35,887,203		

Based on information that is publicly available to the Company and within the knowledge of the Directors as at 14 April 2021 (being the latest practicable date prior to the issue of this annual report), the Company complies with the minimum public float requirement under Rule 8.08 of the Listing Rules of Hong Kong.

Changes in Share Capital and Shareholders

2. Substantial shareholders' interests in the shares and underlying shares of the Company

As at 31 December 2020, the following persons (other than the Directors, the supervisors and the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"), or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interest	Class of shares	Number of shares[1]	Percentage of class of shares issued (%)	Percentage of total shares issued (%)
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government	Beneficial owner	A share	1,253,314,876 (L)	19.24	15.79
Changsha Zoomlion and Yisheng Investment Partnership (LLP)[2]	Beneficial owner	A share	682,201,864 (L)	10.47	8.59
BlackRock, Inc.[3]	Interest of a controlled corporation	H share	120,003,616 (L)	8.64	1.51
			212,800 (S)	0.02	< 0.01
Citigroup Inc.[4]	Interest of a controlled corporation	H share	1,429,202 (L)	0.10	< 0.01
			86,400 (S)	< 0.01	< 0.01
	Approved lending agent		86,542,623 (P)	6.23	1.09
JPMorgan Chase & Co.[5]	Interest of a controlled corporation	H share	11,289,570 (L)	0.81	0.14
			6,502,600 (S)	0.47	0.08
	Investment manager		736,000 (L)	0.05	0.01
	Person having a security interest in shares		617,201 (L)	0.04	< 0.01
	Approved lending agent		68,035,420 (P)	4.90	0.86
AllianceBernstein L.P.[6]	Interest of a controlled corporation	H share	20,306,200 (L)	1.46	0.26
	Investment manager		50,350,000 (L)	3.63	0.63

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

Changes in Share Capital and Shareholders

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

(3) The disclosure is based on the information available om the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.com.hk). As stated in the form of disclosure of shareholder's interests submitted by BlackRock, Inc. on 15 December 2020, these shares were being held via its affiliates.

(4) The disclosure is based on the information available om the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.com.hk). As stated in the form of disclosure of shareholder's interests submitted by Citigroup Inc. on 10 December 2020, these shares were being held via its affiliates.

(5) The disclosure is based on the information available om the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.com.hk). As stated in the form of disclosure of shareholder's interests submitted by JPMorgan Chase & Co., on 2 November 2020, these shares were being held via its affiliates.

(6) The disclosure is based on the information available om the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.com.hk). As stated in the form of disclosure of shareholder's interests submitted by AllianceBernstein L.P. on 15 July 2020, these shares were being held via its affiliates.

Save as disclosed above, as at 31 December 2020, no other persons (other than the Directors, the supervisors and the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of SFO.

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

During the year ended 31 December 2020, the Company repurchased its own ordinary shares traded on the Shenzhen Stock Exchange as follows:

On 18 September 2020, the Board resolved that the restricted A shares held by 10 participants of the respective Company's restricted A share incentive scheme, who no longer qualified as participants due to reasons such as cessation of employment with the Group, be repurchased and cancelled by the Company. Accordingly, the Company repurchased and cancelled 297,355 restricted A shares granted to but not yet unlocked by the participants, in accordance with the terms of the restricted A share incentive scheme. The repurchase price was RMB1.73 per share and the aggregate price paid amounted to RMB0.51 million. The repurchase and cancellation was completed on 10 November 2020.

Changes in Share Capital and Shareholders

On 19 November 2020, the Board resolved that the restricted A shares held by 31 participants of the Company's restricted A share incentive scheme, who no longer qualified as participants due to reasons such as cessation and change of employment, employment with the Group, be repurchased and cancelled by the Company. Accordingly, the Company repurchased and cancelled 926,505 restricted A shares granted to but not yet unlocked by the participants, in accordance with the terms of the restricted A share incentive scheme. The repurchase price was RMB1.63 per share and the aggregate price paid amounted to RMB1.51 million. The repurchase and cancellation was completed on 14 December 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities in the year ended 31 December 2020.

ZOOMLION 中联重科

Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings of Directors, Supervisors and Senior Management

Name	Post	Employment Status	Gender	Age	Date of commencement of tenure	Date of termination of tenure	Number of Shares held at the beginning of the period (share)	Number of Shares Increased during the period (share)	Number of Shares Decreased during the period (share)	Other changes (share)	Number of Shares held at the end of the period (share)
Zhan Chunxin	Chairman and Chief Executive Officer	Incumbent	Male	65	2 April 2001	28 January 2022	9,195,964	1,733,112	0	0	10,929,076
He Liu	Director	Incumbent	Male	50	29 January 2019	28 January 2022	0	0	0	0	0
Zhao John Huan	Director	Incumbent	Male	57	29 June 2015	28 January 2022	0	0	0	0	0
Lai Kin Keung	Independent Director	Incumbent	Male	70	29 June 2015	28 January 2022	0	0	0	0	0
Zhao Songzheng	Independent Director	Incumbent	Male	59	29 June 2015	28 January 2022	0	0	0	0	0
Liu Guiliang	Independent Director	Incumbent	Female	58	29 June 2015	28 January 2022	0	0	0	0	0
Yang Changbo	Independent Director	Incumbent	Male	66	29 June 2016	28 January 2022	0	0	0	0	0
Wang Minghua	Chairman of Supervisory Board	Incumbent	Male	56	29 January 2019	28 January 2022	0	0	0	0	0
He Jianming	Supervisor	Incumbent	Male	58	29 January 2019	28 January 2022	1,261,647	0	-315,300	0	946,347
Liu Xiaoping	Employee Supervisor	Incumbent	Male	57	29 January 2019	28 January 2022	326,840	0	0	0	326,840
Xiong Yanming	Vice President	Incumbent	Male	56	29 June 2015	28 January 2022	3,108,071	1,559,801	-776,821	0	3,891,051
Sun Changjun	Vice President	Incumbent	Male	58	29 June 2015	28 January 2022	2,688,725	1,213,179	-672,076	0	3,229,828
Guo Xuehong	Vice President	Incumbent	Male	58	29 June 2015	28 January 2022	2,865,945	1,321,499	-716,350	0	3,471,094
Fu Ling	Vice President	Incumbent	Female	53	29 June 2015	28 January 2022	2,274,397	1,278,171	-568,500	0	2,984,068
Du Yigang	Vice President	Incumbent	Female	45	29 June 2015	28 January 2022	2,426,442	1,386,490	-606,600	0	3,206,332
Wang Yongxiang	Vice President	Incumbent	Male	43	29 January 2019	28 January 2022	1,050,000	840,000	-262,500	0	1,627,500
Luo Kai	Vice President	Incumbent	Male	50	29 January 2019	28 January 2022	1,087,500	840,000	-271,800	0	1,655,700
Tang Shaofang	Vice President	Incumbent	Male	46	29 January 2019	28 January 2022	1,050,000	600,000	-262,500	0	1,387,500
Shen Ke	Vice President	Incumbent	Male	49	29 June 2015	28 January 2022	3,933,644	1,343,162	-983,300	0	4,293,506
Huang Jianbing	Assistant Presiden	Incumbent	Male	49	29 January 2019	28 January 2022	0	0	0	0	0
Qin Xiuhong	Assistant Presiden	Incumbent	Male	46	29 January 2019	28 January 2022	0	0	0	0	0
Tian Bing	Assistant Presiden	Incumbent	Male	46	29 January 2019	28 January 2022	1,470,000	840,000	-367,500	0	1,942,500
Yang Duzhi	Board Secretary	Incumbent	Male	31	29 March 2019	28 January 2022	0	0	0	0	0
Total	–	–	–	–	–	–	32,739,175	12,955,414	-5,803,247	0	39,891,342

Directors, Supervisors, Senior Management and Employees

II. Changes in Directors, Supervisors and Senior Management

During the reporting period, there is no change in the Company's Directors, supervisors and senior management.

III. Biography of directors, supervisors and senior management

Mr. Zhan Chunxin (詹純新), male, born in 1955, is the Chairman and Chief Executive Officer of our Company. Mr. Zhan has been appointed as a director of our Company since the establishment of our Company in 1999, and as the Chairman since 2001. Currently, Mr. Zhan also serves as the chairman of various subsidiaries of our Company, including Zoomlion Finance Co., Ltd. and Hunan Zhicheng Finance Guarantee Co., Ltd., and as a director of various subsidiaries of our Company, including Zoomlion H.K. Holding Co., Ltd., Zoomlion International Trading (H.K.) Co., Limited and Zoomlion Capital (H.K.) Co., Limited. Mr. Zhan became an expert entitled to special government subsidy granted by the State Council since January 1994, a senior engineer recognised by the Ministry of Construction in 1995 and a researcher-level senior engineer specialized in management and engineering recognised by the Ministry of Construction in September 1997. Mr. Zhan has previously served various senior positions in the Construction Machinery Research Institute of Changsha (the "Research Institute"), including the deputy head of Research Institute from February 1992 to July 1996 and head of Research Institute from July 1996 to December 2008. Mr. Zhan has been serving various public functions. He was appointed as a representative at the 16th National Congress of the Communist Party of China in 2002, the 10th National People's Congress in 2003, the 17th National Congress of the Communist Party of China in 2007 and the 10th National Congress of the Communist Party of China in Hunan Province in 2011, a member of the 10th session of CPC Hunan Provincial Committee in 2011, a representative at the 12th National People's Congress in 2013 and the 19th National Congress of the Communist Party of China in 2017 and a member of the 13th CPPCC National Committee in 2018. Currently, Mr. Zhan also serves as the deputy chairman of China Entrepreneurs Association, China Enterprise Confederation and China Association for Public Companies. Mr. Zhan has received various titles and awards, including the Yuan Baohua Enterprises Management Gold Award awarded in May 2010 which is the most distinguished award for corporate executives in China, the 2010 Leonardo Award in Italy awarded in January 2011, the 2011 CCTV Chinese Economic Annual Figure awarded in December 2011 and the China Outstanding Quality Model awarded in January 2013. Mr. Zhan graduated from Northwestern Polytechnical University in 1978 and obtained a master's degree in aeronautical engineering from Northwestern Polytechnical University in 2000 and a doctorate degree in system engineering from Northwestern Polytechnical University in December 2005.

Mr. He Liu (賀柳), male, born in 1970, has been a non-executive director of our Company since 2019. Mr. He has served as a member of the party committee, director and the deputy general manager of Hunan Xing Xiang Investment Holding Group Co., Ltd. Mr. He Liu has served as director and vice president of Tiger Forest & Paper Group Co., Ltd. since April 2018. He has served as director, chairman and legal representative of Powder Metallurgy Engineering Research Centre of Central South University Co., Ltd (中南大學粉末冶金工程研究中心有限公司) since July 2020. Mr. He has served as director, chairman and legal representative of Hunan Boyun New Materials Co., Ltd. since August 2020. Mr. He Liu served as the head of audit and legal department of Hunan Nonferrous Metals Corporation Limited from July 2005 to September 2005. He served as a supervisor and the head of human resource department of Hunan Nonferrous Metals Corporation Limited from September 2005 to August 2006. Mr. He served as director, chairman and legal representative of Hunan Xing Xiang Asset Management Co., Ltd (湖南興湘資產經營有限公司) from August 2019 to July 2020. Mr. He obtained a bachelor's degree in economics from the College of Finance and Statistics of Hunan University (formerly known as Hunan University of Finance and Economics) and a master's degree in business administration from Changsha University of Science and Technology.

Mr. Zhao John Huan (趙令歡), male, born in 1963, has been a non-executive director of our Company since 2015. Mr. Zhao currently serves as the chairman and president of Hony Capital, a non-executive director of Legend Holdings Corporation, a non-executive director of Lenovo Group Ltd., a non-executive director of China Glass Holdings Limited, an executive director and the chairman of the board of directors of Best Food Holding Company Limited, a non-executive director of Shanghai Jin Jiang International Hotels Development Co., Ltd., a non-executive director of ENN Ecological Holdings Co., Ltd. and an executive director and the chairman of the board of directors of Goldstream Investment Limited. Mr. Zhao obtained a bachelor's degree in physics from Nanjing University, dual master's degrees in electronic engineering and physics from Northern Illinois University, USA and a master's degree in business administration from the Kellogg School of Management at Northwestern University.

Mr. Lai Kin Keung (黎建強), male, born in 1950, has been an independent non-executive director of our Company since 2015. Mr. Lai Kin Keung currently is chairman of ACCRCM, a special term professor of the School of Economics of Shenzhen University and an honorary professor of the department of industrial engineering of Hong Kong University. He acted as a chair professor of management science in City University of Hong Kong from 2003 to 2016. Mr. Lai is also an independent non-executive director of Bank of Communications Schroder Fund Management Co., Ltd. (上海交通銀行施羅德基金公司). Mr. Lai is the founding chairman of the Operational Research Society of Hong Kong, the certified senior enterprise risk manager of Asia Association of Risk and Crisis Management, a member of the Hong Kong Professionals and Senior Executives Association, a fellow of the Hong Kong Institute of Directors and a fellow of the Asia Pacific Industrial Engineering and Management Society. Mr. Lai was the dean of the College of Business Administration at Hunan University from February 2005 to February 2008 and a member of the 10th Hunan Provincial Committee of Chinese People's Political Consultative Conference in 2008, and appointed as the Chang Jiang Scholar Chair Professor by the Ministry of Education in 2009. Mr. Lai received the 2009 Joon S. Moon Distinguished International Alumni Award and 2014 Civil and Environmental Engineering (CEE) Distinguished Alumni Award from Michigan State University, USA in February 2009 and January 2014, respectively. Mr. Lai obtained a doctor of philosophy degree in civil engineering from Michigan State University, USA in September 1997.

Directors, Supervisors, Senior Management and Employees

Mr. Zhao Songzheng (趙嵩正), male, born in 1961, has been an independent non-executive director of our Company since 2015. Mr. Zhao is currently a professor of the Management College at Northwestern Polytechnical University and has been a doctor of philosophy tutor since 1999. During his teaching career, Mr. Zhao chaired various scientific research and development projects at state and provincial levels, received two Provincial Science and Technology Advancement Awards (Grade III), Educational Awards of Shaanxi Provinces (Grade I) and (Grade II) respectively, a Science and Technology Advancement Award of Xi'an City (Grade I), a Management Award of Shaanxi Province (Grade I) and Science and Technology Advancement Awards in Education of Shaanxi Province (Grade I) and (Grade III) respectively, obtained six copyrights for national software products and published over 100 academic papers. Mr. Zhao currently serves as an independent director of Xi'an Tianhe Defense Technology Co., Ltd, AECC Aero-Engine Control Co., Ltd and Shaanxi Yanchang Petroleum Chemical Engineering Co., Ltd.

Mr. Yang Changbo (楊昌伯), male, born in 1954, has been an independent non-executive director of our Company since 2016. Mr. Yang Changbo currently serves as a senior consultant and operating partner of Advent International. Mr. Yang has served as the vice chairman of Corporate and Institutional Banking of Greater China and North Asia of Standard Chartered Bank from September 2017 to August 2019. Mr. Yang served as a senior officer of the World Bank from August 1986 to August 1998. He then joined China International Capital Corporation Limited as a managing director of the investment banking department. Mr. Yang joined Goldman Sachs Gao Hua as a managing director in October 2006 and became a Goldman Sachs partner in 2010. He retired in 2014 and served as an advisory director of Goldman Sachs from January 2014 to January 2016. Mr. Yang received a doctorate degree in economics from the University of Texas at Austin in 1986.

Ms. Liu Guiliang (劉桂良), female, born in 1962, has been an independent non-executive director of our Company since 2015. Ms. Liu is a master's tutor, certified accountant and certified asset appraiser. Ms. Liu has been a professor of the School of Business Administration at Hunan University since June 2007. Ms. Liu obtained a bachelor's degree in industrial financial accounting from the industrial economy department of Hunan College of Finance and Economics in July 1983. She then taught in Hunan College of Finance and Economics after graduation. She was the deputy secretary of communist youth league committee of Hunan College of Finance and Economics from July 1983 to June 1987 and a deputy professor of accounting department at Hunan College of Finance and Economics (which was merged with Hunan University in April 2000) from July 1987 to May 2007. She served as the director and deputy head of Hunan Yingte CPA Co., Ltd. (湖南英特會計師事務所) from May 1995 to December 1998 and the financial director of Hunan Xiangcai Industrial Corporation (湖南湘財實業總公司) from September 2000 to September 2002. Currently, Ms. Liu also serves as an independent director of Xiandai Investment Co., Ltd. and Hunan Tyen Machinery Co., Ltd.

Mr. Wang Minghua (王明華), male, born in 1964, has been a supervisor of the Company since 2019 and a member of the communist party. He obtained a bachelor's degree and is a senior accountant. Since August 2006, Mr. Wang has served as a member of the party committee, deputy general manager and chief accountant of Hunan Xing Xiang Investment Holding Group Co., Ltd. and also a member of senior accountant appraisal committee of Hunan Province, an expert on assessment of the Special Capital Projects of Financial Corporates of Hunan and a member of the second session of Expert Review

Committee for Writing-off of Non-Performing Assets of Hunan. From May 1993 to January 2002, he served as the deputy head and head of the financial department of Hunan Nonferrous Metals Geological Exploration Bureau of the State Administration of Nonferrous Metal Industry (during such period, he served as the chief accountant of Hunan Xin Xiang Metal Group from November 1999 to December 2001 and chief accountant of Central and Southern China Municipal Engineering Construction Group from January 2001 to December 2002). From January 2002 to August 2006, he worked for the Industrial Working Committee of Hunan Provincial Party Committee and State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government by serving as the director of the third office of the Supervisory Board of State-owned Enterprise of Hunan and was delegated to Valin Group, Xiang Gang Group, Lin Gang Group, Hengyang Steel Tube Group, Hailea Group, Zhuzhou Chemical Industry Group and Xiangtou Holdings Group as a supervisor, respectively. From April 2004 to August 2006, Mr. Wang served as a member of the first session of the party committee of the departments of the State-owned Assets Supervision and Administration Commission of Hunan.

Mr. He Jianming (何建明), male, born in 1962, has been a supervisor of the Company since 2019. He obtained a master's degree and is a senior accountant. He was the deputy chief of the business section I and chief of the general administration office of finance inspectors of the Ministry of Finance in Hunan Province from November 1995 to April 2001. Since Mr. He joined Zoomlion in April 2001, he was the chief financial officer of our Company from April 2001 to August 2004 and from August 2006 to July 2007, respectively. He was also a member of the 2nd session of the Supervisory Board of our Company from September 2004 to July 2006. Mr. He has been serving various other positions. Mr. He was a tutor for master's degree graduate students of the School of Accounting at Hunan University from December 2003 to December 2006 and is currently a master's tutor in accounting of the School of Management at Hunan Normal University. Mr. He is currently a member of senior accountant appraisal committee of Hunan Province, the vice chairman of Hunan Association of Chief Accountants, the vice chairman of the Listed Company Division of Hunan Association of Accountants, the vice chairman of the Accounting Society of Hunan Province and a member of executive council of Hunan Association of Taxation. Mr. He obtained a master's degree in business administration for senior management professionals from Wuhan University in 2007.

Mr. Liu Xiaoping (劉小平), male, born in 1963, is a supervisor of the Company, an engineer and currently the director of the engineering machinery centre of Zoomlion. Since joining Zoomlion in 1995, Mr. Liu has served as the director of the Guangdong office, the general manager of Zoomlion Siwei Company (中聯重科四維公司), a manager of the engineering and development department, the general manager of Zoomlion Zhongchen Company (中聯重科中宸公司), a director of the brand management centre, the deputy director of the marketing department, an assistant to chairman and the director of the brand promotion department and an assistant to general manager of the heavy machinery division. Mr. Liu was also engaged by the Ministry of Industry and Information Technology as the first batch of branding experts of industrial enterprises in May 2012. Mr. Liu graduated from Hunan University in 1984 majoring in mechanical manufacturing. In August 2006, he completed the professional program for CEO at Tsinghua University's major course of innovation administration (MIA). In March 2012, he completed the professional course for CEO in the program of executive master of business administration at Shanghai Jiao Tong University.

Directors, Supervisors, Senior Management and Employees

Mr. Xiong Yanming (熊焰明), male, born in 1964, is a vice president of the Company. Mr. Xiong has become a senior engineer specialised in construction machinery recognised by the Ministry of Construction since December 1999 and obtained the qualification certificate of senior professional manager of machinery enterprises conferred by China Machinery Enterprise Management Association in December 2004. He was previously an assistant engineer and engineer of Research Institute from 1985 to 1998. Mr. Xiong was a member of the 1st session of the Supervisory Board of our Company from August 1999 to March 2001, the deputy general manager of our Company from April 2001 to July 2002, an executive vice president of our Company from August 2002 to July 2006, a member of the 2nd session of the Board of Directors of our Company from September 2004 to July 2006. He has served as a vice president of our Company since August 2006 and served as the general manager of the engineering crane branch of our Company from August 2006 to June 2014. Mr. Xiong has received various awards, including Hunan Province Technology Innovation Advanced Individuals Award in 1999, Changsha City Advancement Award in Technological Development (Grade II) in 1999, the Award of Succeeding Leader for Academics and Technology of Changsha City in 2007 and the Outstanding Leaders' Award in Hunan Province Quality Group Activity in 2009. He has also received the Outstanding Personage Award by the Dealers Committee of China Construction Machinery — DCCCM 10th Anniversary (Facilitating Advancement of the Dealers System) in 2013. Mr. Xiong obtained a bachelor's degree in port machinery design and manufacturing from Wuhan Marine Engineering College (currently known as Wuhan University of Technology) in Wuhan City, the PRC in 1985 and a master's degree in executive business administration under the BiMBA project from Peking University in Beijing, the PRC in June 2007.

Mr. Sun Changjun (孫昌軍), male, born in 1962, is a vice president of our Company. Mr. Sun has become a professor recognised by the Leaders Team of the Working Group on Titles Reform of Hunan Province since September 2005. Mr. Sun served as the deputy secretary of the youth league committee, the deputy director of the business teaching and research section and the deputy director of the training department of Hunan Provincial People's Police School (currently known as Hunan Police College) from November 1985 to July 1990 respectively, a senior member of the legal and labour affairs committee of Hunan People's Congress from July 1990 to July 1995, the director of criminal law research office of Hunan University of Finance and Economics from July 1998 to May 2000, the vice director of the industrial economics office of Hunan University from June 2000 to September 2001, the deputy head of the law faculty of Hunan University from October 2001 to December 2004, the general legal counsel of Research Institute from January 2005 to July 2006, a vice president of our Company from July 2006 to June 2015 and the Chief Legal Officer of our Company from July 2015 to January 2018. Mr. Sun serves various other positions, including the chairman of the Criminal Law Research Association of Hunan Province, the chairman of the Risk Management Research Association of Hunan Province, the vice chairman of the Legislative Research Association of Hunan Province, the vice chairman of the State-owned Assets Supervision and Management Research Association of Hunan Province, the vice chairman of the Provincial Condition Research Association of Hunan Province, a member of the expert advisory panel of the People's Procuratorate of Hunan Province, a member of executive council of China Securities Law Research Association (中國證券法學研究會) and

Directors, Supervisors, Senior Management and Employees

the vice chairman of Changsha City Federation of Industry and Commerce. Mr. Sun has won various titles and awards, including the Research Results (Grade I) Prize of Organisation Division of Central Government in October 2001, the 5-Best Project Prize of Hunan Province in October 2001, the Social Science Results (Grade I) Prize of Hunan Province in June 2002, the Outstanding Achievements (Grade II) Prize of Philosophy and Social Sciences of Hunan Province in 2004, the Outstanding Legal Counsel of Provincial Supervisory Corporations in 2008, the Innovative Results (Grade I) Prize in Modern Enterprise Management of Hunan Province (湖南省企業管理現代化創新成果一等獎) in 2009 and the Annual Outstanding Corporate Counsel in China for 2011 (2011中國律政年度精英公司律師) in December 2011. Mr. Sun graduated from Southwest College of Political Science and Law (currently known as Southwest University of Political Science and Law) in Chongqing, the PRC with a bachelor's degree in law in 1983, and obtained a doctorate degree in law (full-time) from Wuhan University in Wuhan City, the PRC in 1998.

Mr. Guo Xuehong (郭學紅), male, born in 1962, is a vice president of our Company. Mr. Guo is currently the general manager of general marketing branch of our Company. Mr. Guo was the head of the technological structure section of technology department of Hunan Puyuan Construction Machinery Factory from June 1992 to February 1995, the deputy head of technology department of Hunan Puyuan Construction Machinery Factory from February 1995 to January 1996, the head of technology research centre of Puyuan Group and the deputy manager of crane company of Puyuan Group from January 1996 to July 2000, the executive deputy general manager of Puyuan Holding Company from August 2000 to January 2002 and the assistant to general manager and deputy general manager of Puyuan Group from January 2002 to August 2004. Mr. Guo has served as the general manager of the Puyuan branch of our Company from September 2004 to February 2006, a vice president of our Company since February 2006 and the general manager of the earth working machinery branch of our Company from January 2009 to December 2011. Mr. Guo received a diploma in technology and equipment of machinery manufacturing from Hunan Radio and TV University in Changsha City, the PRC in 1985, completed a postgraduate program in machinery engineering and management science and engineering at Hunan University in Changsha City, the PRC in March 2004 and obtained a master's degree in executive business administration at Wuhan University in Wuhan City, the PRC in June 2007.

Ms. Fu Ling (付玲), female, born in 1967, is a vice president of our Company. Ms. Fu obtained a doctorate degree in mechanics and is a researcher-level senior engineer. She is currently the head of the central research institute and the general manager of the earth working machinery branch of our Company. Ms. Fu received awards such as the First Prize of China Machinery Industry Science and Technology Award (中國機械工業科學技術獎一等獎) and the First Prize of Science and Technology Advancement Award of Hunan Province (湖南省科學技術進步獎一等獎), and was previously awarded the National Labour Day Medallion (全國五一勞動獎章) and the title of National woman pacesetter (全國三八紅旗手). She was a representative of the 18th National Congress of the Communist Party of China in 2012. She graduated from Shenyang Jianzhu Engineering College (瀋陽建築工程學院) (currently known as Shenyang Jianzhu University) in Shenyang, the PRC with a bachelor's degree in construction and crane transportation machinery in 1988, graduated from Jilin University of Technology (currently known as Jilin University) in Changchun, the PRC with a doctorate degree in mechanical design and theory in 1998 and completed a postdoctoral research programme at the Agricultural Engineering Institute of China Agricultural University (中國農業大學農業工程學院) in Beijing, the PRC in 2002.

Ms. Du Yigang (杜毅剛), female, born in 1975, is a vice president of our Company. Ms. Du is a senior accountant, She is currently the general manager of Zoomlion Heavy Industry Science and Technology Finance Company (中聯重科財務公司). Ms. Du was awarded the titles of the Outstanding Entrepreneur of National Hi-Tech Industrial Development Zone in Changsha (長沙高新區優秀企業家) in 2014 and the First Selection Session of Leading Accounting Talent in Hunan Province (湖南省首屆會計領軍人才). Ms. Du was previously the head of the accounting division of Zhuzhou Southern Motor Company Limited (株洲南方摩托股份有限公司), the financial manager of Hunan IIN-Galaxy Software Development Co., Limited (湖南國訊銀河軟件園有限公司), Zoomlion Heavy Industry Science and Technology Engineering Crane Company (中聯重科工程起重機公司) and Zoomlion Heavy Industry Science and Technology Concrete Machinery Company (中聯重科混凝土機械公司), the deputy head of the financial management division of Zoomlion, the head of accounting and audit division of Zoomlion and the deputy general manager of Zoomlion Heavy Industry Science and Technology Concrete Machinery Company. Ms. Du graduated from Xiangtan University with a bachelor's degree in international accounting and completed a master's in business administration programme of the School of Business of Hunan University in September 2011.

Mr. Wang Yongxiang (王永祥), male, born in 1977, is a vice president of our Company. Mr. Wang previously served as the general manager of marketing branch of concrete division and assistant to general manager of concrete division of our Company. Mr. Wang was awarded the title of Outstanding Entrepreneur of National Hi-Tech Industrial Development Zone in Changsha (長沙高新技術開發區優秀企業家) in 2015. Mr. Wang graduated from Xi'an Technological University majoring in mechanical manufacturing in 1997.

Mr. Luo Kai (羅凱), male, born in 1970, is a vice president of our Company. Mr. Luo previously served as the director of technological research institute of engineering crane branch, the director of product research institute I of engineering crane branch, the deputy head of technical department of engineering crane branch, the manager of crawler crane division of engineering crane branch and deputy general manager of engineering crane branch of our Company. Mr. Luo obtained the title of associate senior engineer of mechanical design in 2017. Mr. Luo graduated from Taiyuan Heavy Machinery Institute with a bachelor's degree in lifting transportation and engineering machinery in 1995.

Mr. Tang Shaofang (唐少芳), male, born in 1974, is a vice president of our Company. Mr. Tang previously served as the manager of planning department, assistant to general manager and executive deputy general manager of construction crane branch of our Company. Mr. Tang was awarded the title of Outstanding Entrepreneur of National Hi-Tech Industrial Development Zone in Changsha (長沙市高新區優秀企業家) in 2013. Mr. Tang graduated from University of South China majoring in mechanical engineering in 1996 and obtained a master's degree in business administration from Central South University in 2009.

Directors, Supervisors, Senior Management and Employees

Mr. Shen Ke (申柯), male, born in 1971, is a vice president of our Company. He was the deputy manager and head of the investment and development division, the deputy head of the investment and financing management division and the secretary of the board of directors of our Company. Mr. Shen is also a director of Infore Environment Technology Group Co., Ltd. and a director of Bichamp Cutting Technology (Hunan) Co.,Ltd.. Mr. Shen graduated from Shenyang University of Technology with a bachelor's degree in industrial management in July 1993 and Central South University of Technology (currently known as Central South University) with a master's degree in management science and engineering in December 1998.

Mr. Huang Jianbing (黃建兵), male, born in 1971, is an assistant president of our Company. Mr. Huang previously served as the head of loader research institute, general manager of business department, executive vice president of the institute, director of strategy and investment, assistant to president and vice president of Guangxi Liugong Machinery Co., Ltd., the vice president of Guangxi Liugong Group Co., Ltd. and a director of Liuzhou OVM Machinery Co., Ltd.. Mr. Huang graduated from Chongqing Jianzhu University with a bachelor's degree in engineering majoring in lifting transportation and engineering machinery in 1994 and obtained a master's degree in vehicle engineering from Jilin University in 2004.

Mr. Qin Xiuhong (秦修宏), male, born in 1974, is an assistant president of our Company. Mr. Qin served as the finance director of Taiyuan Branch of Ningbo Shanshan Co., Ltd., the finance director and director of internal control of Hunan Shanshan Advanced Materials Co., Ltd. and the chief financial officer of Xuzhou Xugong Mining Machinery Co., Ltd.. Mr. Qin obtained the title of senior accountant in 2012. He was appointed as a part-time postgraduate tutor at the School of Management of China University of Mining and Technology in 2014 and awarded the honorary title of "2015 China International Financial Excellence Talent" (2015中國國際財務卓越人才) in 2015. Mr. Qin graduated from Hefei University of Technology with a postgraduate degree in business administration (accounting and finance) and obtained a master's degree in business administration in 2010. He is currently a Doctor of Philosophy candidate in financial systems engineering at China University of Mining and Technology.

Mr. Tian Bing (田兵), male, born in 1974, is an assistant president of our Company. Mr. Tian previously served as the head of administrative department of our Company, the general manager of concrete machinery branch of our Company and the general manager of Zhongwang branch of our Company. Mr. Tian obtained the title of lecturer in October 2000 and was awarded the title of Outstanding Entrepreneur of National Hi-Tech Industrial Development Zone in Changsha (長沙市高新區優秀企業家) in 2017. Mr. Tian obtained a Bachelor of Arts degree from Hunan Normal University in December 1995, a Bachelor of Law degree from Xiangtan University in June 1999, a Bachelor of Management degree from Hunan University in June 2007 and a bachelor's degree in economics from Hunan University in June 2013.

Mr. Yang Duzhi (楊篤志), male, born in 1989, is the secretary of the board of directors of our Company. Mr. Yang previously served as a manager of the listing department of National Equities Exchange and Quotations Co., Ltd., a senior investment manager of Zoomlion Capital Co., Ltd. and the secretary of the board of directors of Beijing Junlai Capital Management Co., Ltd.. Mr. Yang graduated from Beijing Technology and Business University, the PRC with a bachelor's degree in corporate management in June 2011, obtained a master's degree in corporate management from Beijing Technology and Business University, the PRC in June 2014.

IV. Remunerations of directors, supervisors,senior management and employees

During the reporting period, the remuneration and assessment committee of the Board carried out performance assessment on the directors and senior management pursuant to the assessment standards based on the fulfillment of major financial indicators and operating targets in 2020, scope of work and major responsibilities of directors and senior management, and fulfillment of targets in the relevant performance assessment system. The performance assessment was submitted to the Board of the Company for review.

The Board of the Company determined the remuneration standards of directors and senior management for the year pursuant to the remuneration management system and the annual performance assessment conducted by the remuneration and assessment committee of the Board. In 2020, remuneration of directors and senior management disclosed was in compliance with the remuneration management system of the Company. The remuneration was not in violation or inconsistent with the remuneration management system.

Unit: RMB ten thousand

Name	Post	Gender	Age	Employment Status	Total remuneration before tax received from the Company	Whether the remuneration was received from a related party of the Company
Zhan Chunxin	Chairman and Chief Executive Officer	Male	65	Incumbent	270	No
He Liu	Director	Male	50	Incumbent	0	No
Zhao John Huan	Director	Male	57	Incumbent	0	No
Lai Kin Keung	Independent Director	Male	70	Incumbent	15	No
Zhao Songzheng	Independent Director	Male	59	Incumbent	15	No
Liu Guiliang	Independent Director	Female	58	Incumbent	15	No
Yang Changbo	Independent Director	Male	66	Incumbent	15	No
Wang Minghua	Chairman of Supervisory Board	Male	56	Incumbent	0	No
He Jianming	Supervisor	Male	58	Incumbent	170	No
Liu Xiaoping	Employee Supervisor	Male	57	Incumbent	113	No

Directors, Supervisors, Senior Management and Employees

Unit: RMB ten thousand

Name	Post	Gender	Age	Employment Status	Total remuneration before tax received from the Company	Whether the remuneration was received from a related party of the Company
Xiong Yanming	Vice President	Male	56	Incumbent	200	No
Sun Changjun	Vice President	Male	58	Incumbent	180	No
Guo Xuehong	Vice President	Male	58	Incumbent	180	No
Fu Ling	Vice President	Female	53	Incumbent	180	No
Du Yigang	Vice President	Female	45	Incumbent	180	No
Wang Yongxiang	Vice President	Male	43	Incumbent	130	No
Luo Kai	Vice President	Male	50	Incumbent	130	No
Tang Shaofang	Vice President	Male	46	Incumbent	130	No
Shen Ke	Vice President	Male	49	Incumbent	130	No
Huang Jianbing	Assistant Presiden	Male	49	Incumbent	130	No
Qin Xiuhong	Assistant Presiden	Male	46	Incumbent	130	No
Tian Bing	Assistant Presiden	Male	46	Incumbent	130	No
Yang Duzhi	Board Secretary	Male	31	Incumbent	113	No
Total	—	—	—	—	2,556	—

V. Service Contracts of Directors and Supervisors

None of the directors or supervisors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

VI. Directors' and Supervisors' Interests in Contracts

No director or supervisor of the Company, or an entity connected with a director or a supervisor of the Company, had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

Share Option Scheme

On 1 November 2017, a share incentive scheme of the Company (the "Share Option Scheme") was approved by way of special resolutions at the extraordinary general meeting, the H shares class meeting and the A shares class meeting of the Company.

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

(I) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to further refine the corporate structure of the Company, align the interests of the shareholders with that of the management, and enhance the loyalty and sense of responsibilities of the management and the core personnel of the Company for, and to retain talent for, the sound and sustainable development of the Company.

(II) Participants of the Share Option Scheme

The eligible persons of the Share Option Scheme include the Directors, senior management, key technical and managerial personnel of the Company and such other persons as the Board considers necessary to provide incentives.

(III) Maximum number of shares available for subscription

The total number of the underlying A shares subject to the options that may be granted under the Share Option Scheme is 190,632,179 A shares, representing approximately 2.40% of the total issued share capital of the Company as at the date of this report.

(IV) Maximum entitlement of each participant

The aggregate number of A shares to be issued to a participant upon the exercise of his options under the Share Option Scheme must not exceed 1% of Company's total share capital.

(V) Vesting period

Options granted to the participants have different vesting periods. The options under the first grant of options have vesting periods of 12 months, 24 months and 36 months and the reserved options under the second grant of options have vesting periods of 12 months and 24 months, in each case commencing from the grant date.

(VI) Time of exercise of option

Options under the first grant of options are exercisable in three batches upon expiry of 12 months from the grant date of such options. Details are as follows:

Exercising arrangement	Exercise period	Proportion
First exercise period	Commencing from the first trading day after expiry of the 12-month period from the date of grant, and ending on the last trading day of the 24-month period from the grant date	40%
Second exercise period	Commencing from the first trading day after expiry of the 24-month period from the date of grant, and ending on the last trading day of the 36-month period from the grant date	30%
Third exercise period	Commencing from the first trading day after expiry of the 36-month period from the date of grant, and ending on the last trading day of the 48-month period from the grant date	30%

Reserved options under the second grant of options are exercisable in two batches upon expiry of 12 months from the grant date of such reserved options. Details are as follows:

Exercising arrangement	Exercise period	Proportion
First exercise period	Commencing from the first trading day after expiry of the 12-month period from the date of grant, and ending on the last trading day of the 24-month period from the grant date	50%
Second exercise period	Commencing from the first trading day after expiry of the 24-month period from the date of grant, and ending on the last trading day of the 36-month period from the grant date	50%

(VII) Exercise price

The exercise price of the options granted under the first grant of Options was RMB4.57 per A share. The exercise price shall not be less than the nominal value of the shares or the higher of: (i) the average of the trading prices of the A shares (being the total daily trading turnover on the last trading day immediately preceding the date of the Company's announcement dated 29 September 2017 (the "Announcement") in relation to, among others, the adoption of the Share Option Scheme and the grant thereunder, divided by the total daily trading volume on the last trading day immediately preceding the date of the Announcement) quoted on the Shenzhen Stock Exchange on the last trading day immediately preceding the date of the Announcement, which was RMB4.48 per A share; and (ii) the average of the trading prices of the A shares quoted on the Shenzhen Stock Exchange for the last 20 trading days immediately preceding the date of the Announcement, which was RMB4.57 per A share.

Share Option Scheme

Pursuant to the terms of the Share Option Scheme, if the Company declares a dividend during the period from the date on which the Share Option Scheme is first announced to the date on which a participant exercises his options, the exercise price shall be adjusted accordingly such that it shall be the exercise price minus the amount dividend declared per share. In accordance with the terms of the Share Option Scheme, as a result of the implementation of the 2017 profit distribution plan, the exercise price of the options granted under the first grant of options was adjusted to RMB4.37 per share.

The exercise price of the options granted under the second grant of options was RMB3.96 per A share. The exercise price of the reserved options shall not be less than the nominal value of the shares of the Company or the higher of: (i) the average of the trading prices of the A shares quoted on the Shenzhen Stock Exchange on the last trading day immediately preceding the date of the announcement of the second grant of options, which was RMB3.69 per A share; and (ii) the average of the trading prices of the A shares quoted on the Shenzhen Stock Exchange for the last 20, 60 or 120 trading days immediately preceding the date of the announcement of the second grant of options, which was RMB3.96 per A share.

In accordance with the terms of the Share Option Scheme, as a result of the implementation of the 2018 profit distribution plan, the exercise prices of the options granted under the first and second grants of options were adjusted to RMB4.14 per share and RMB3.73 per share, respectively.

(VIII) Validity period of the Share Option Scheme

The Share Option Scheme shall be terminated upon occurrence of any of the following: (i) a participant has been determined as an unsuitable candidate by a stock exchange in the last 12 months; (ii) he has been determined to be an unsuitable candidate by the China Securities Regulatory Commission ("CSRC") or any of its dispatched agencies in the last 12 months; (iii) he has been imposed with administrative penalties or measures which prohibit him from entering into the market by the CSRC or its dispatched agencies in the last 12 months due to material non-compliance with laws and regulations; (iv) he is prohibited from acting as a Director or a member of the senior management of the Company under the Company Law of the PRC; (v) he is not allowed to participate in any share incentive scheme of a listed company under laws and regulations; and (vi) there is any other circumstance as determined by the CSRC.

In such event, all options exercisable and not yet exercised shall be terminated and all options not yet exercisable shall lapse. Subject to the foregoing, the validity period of the Share Option Scheme commences from the grant date of the options, and ends on the date on which all the options have been exercised or cancelled, provided that such period must not exceed 48 months.

Share Option Scheme

(IX) Movements in the Share Option Scheme

Details of movement of the options granted under the Share Option Scheme for the year ended 31 December 2020 were as follows:

Name or category of participant	Number of options: As at 1 January 2020	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	As at 31 December 2020	Date of grant	Vesting period	Exercise period	Exercise price (RMB)
Zhan Chunxin (chief executive of the Company)	1,733,112	–	–	–	1,733,112[(3)]	–	7 November 2017	1–3 years from the date of grant	7 November 2018 to 5 November 2021	3.93[(5)]
	1,733,112	–	–	–	1,733,112	–				
Key technical and managerial personnel[(7)]	93,216,169	–	–	4,685,427[(1)]	57,199,297[(3)]	31,331,445	7 November 2017	1–3 years from the date of grant	7 November 2018 to 5 November 2021	3.93[(5)]
	11,386,329	–	–	367,393[(2)]	7,015,641[(4)]	4,003,295	10 September 2018	1–2 years from the date of grant	10 September 2019 to 9 September 2021	3.52[(6)]
	104,602,498	–	–	5,052,820	64,214,938	35,334,740				
	106,335,610	–	–	5,052,820	65,948,050	35,334,740				

(1) Such cancelled options had an exercise price of RMB4.14.

(2) Such cancelled options had an exercise price of RMB3.73.

(3) The weighted average closing price of the A shares immediately before the dates on which such options were exercised was RMB7.69.

(4) The weighted average closing price of the A shares immediately before the dates on which such options were exercised was RMB7.11.

(5) The exercise price of the options granted under the first grant of options was RMB4.57 per A share. Pursuant to the terms of the Share Option Scheme, if the Company declares a dividend during the period from the date on which the Share Option Scheme is first announced to the date on which a participant exercises his options, the exercise price shall be adjusted accordingly such that it shall be the exercise price minus the amount dividend declared per share. In accordance with the terms of the Share Option Scheme, as a result of the implementation of the 2017, 2018 and 2020 half year profit distribution plans, the exercise price of the options granted under the first grant of options was adjusted to RMB3.93 per share.

(6) The exercise price of the options granted under the second grant of options was RMB3.96 per A share. Pursuant to the terms of the Share Option Scheme, if the Company declares a dividend during the period from the date on which the Share Option Scheme is first announced to the date on which a participant exercises his options, the exercise price shall be adjusted accordingly such that it shall be the exercise price minus the amount dividend declared per share. In accordance with the terms of the Share Option Scheme, as a result of the implementation of the 2018 and 2020 half year profit distribution plans, the exercise price of the options granted under the second grant of options was adjusted to RMB3.52 per share.

(7) There are 1,093 grantees in total under the first grant of options and 372 grantees in total under the second grant of options.

Corporate Governance

The Company has established and improved the structure of its corporate governance to regulate its operation strictly in accordance with the Company Law, Securities Law, the relevant regulations of the CSRC and code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules of Hong Kong. According to the relevant regulations, the Company improves its internal control, the regulations of shareholders' meeting, board meeting and supervisor meeting so as to implement a comprehensive governance system and disclosure procedures. The Company ensures its sustainable and healthy development to further enhance the corporate value and safeguard the interests of all shareholders and itself.

I. Statement of the Compliance of Corporate Governance Requirements of the PRC Regulatory Authorities and Code on Corporate Governance of Hong Kong

The corporate governance of the Company is substantially the same as required by the regulatory requirements of the CSRC on listing companies. Pursuant to the requirements of the regulatory authorities, the Board of the Company reviewed and refined the structure and implementation of the corporate governance system and the management system for information insider, and external user. It also prepared a report on the insider information and external information users and report to relevant regulatory authority.

Mr. Zhan Chunxin acted as the Chairman and Chief Executive Officer of the Company in 2020. The Board considers that Mr. Zhan Chunxin acting as Chairman and Chief Executive Officer can be more efficient in the planning and implementation of the corporate strategies. Under the supervision of the Board and Independent Non-executive Directors and our effective internal checks-and-balances, such arrangement will not create conflict between the Board and the Company in business operation and will not jeopardise the balance of power.

Save as above, the Company has complied with the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules of Hong Kong throughout the year of 2020.

II. Shareholders and Shareholder's General Meeting

The shareholders' general meetings are convened and conducted strictly in accordance with the relevant PRC and overseas statutory requirements and the Articles of Association. Lawyers are invited to attend and witness the meeting. Minutes of shareholders' general meeting are properly maintained to secure the rights of shareholders.

The shareholding structures of the Company are set out in section "Changes in Share Capital and Shareholders" in this annual report.

The Company maintains effective communication with its shareholders through disclosures of financial and operating results in annual reports, interim reports and quarterly reports. The Company has set up investor telephone hotline and email account to receive advices from shareholders or allow them to exercise their rights. Website of the Company is updated regularly to allow investors and the public to understand the latest development of the Company. The date, contents, method of delivery and announcement of notice of shareholders' general meetings and the voting conducted at shareholders' general meetings are strictly in compliance with the rules and regulations within and outside China including the Company Law and Securities Law of the PRC and the Company Ordinance of Hong Kong, Listing Rules of Shenzhen and Hong Kong and the Articles of Association to ensure that shareholders are entitled to attend the general meetings.

III. Directors and Board

All Directors have attended board meetings and shareholders' general meetings strictly in accordance with the Articles of Association and Rules of Board Meeting in a bona fide manner. Directors have actively participated in the relevant training programs to understand the requirements of laws and regulations and the rights, obligations and liabilities of Directors to ensure the smooth operation and rational decisions of the Board. The Directors oversee and regulate the operation of the Company for its best interest. They bear joint and several liabilities for the management, supervision and operation of the Company and are accountable to all shareholders.

The number of members and structure of the Board are in compliance with the relevant laws and regulations. Independent Directors represent a majority of the Board. The Board has performed its duties in accordance with the relevant laws and regulations and the Articles of Association. The decisions of the Board are legal, complying with the laws and efficient.

(I) Responsibilities of the Board

The Board shall convene shareholders' general meetings to submit their work report to shareholders and then promptly implement the resolutions passed at shareholders' general meetings. The Board shall also monitor the overall development of business strategies and determine the business plans and investment plans of the Company. In addition, the Board shall supervise and provide guidance to the management of the Company. The Board shall be responsible for the supervision of operation and financial performance and formulation of budget and auditing plans of the Company as well as determining the policy for the corporate governance of the Company.

The Directors understand that they have the responsibility to prepare annual financial statements for each financial year to give a true and fair view of the position, results and cash flow of the Company in the relevant period. In preparing the financial statements for the year ended 31 December 2020, the Directors have consistently adopted proper accounting policies and made reasonable estimates and have complied with all applicable accounting standards. Having made proper enquiries, the

Directors are satisfied that the Company has adequate resources for its business in the foreseeable future. Therefore, the Company's financial statements have been prepared on a going concern basis.

(II) Composition of the Board

The Board of the Company has seven members, including a chairman who is an executive Director, two Non-executive Directors who have extensive experience in the business and operation of the Company and four Independent Non-executive Directors who have extensive experience and relevant academic and professional qualifications in finance, management, and business strategy. The Independent Non-executive Directors are influential and active in the strict review and supervision of the internal control procedures of the Company to protect the interest of all shareholders, in particular the minority shareholders. The particulars and term of office of all Directors are set out in section "Directors, Supervisors, Senior Management and Employees" in this annual report. There is no significant financial, business, family and other major/relevant relationship among the Directors.

The Company confirms that it has received the annual confirmation of independence from all Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules of Hong Kong and the Company is satisfied that all Independent Non-executive Directors are independent according to the independence guidelines under the Listing Rules of Hong Kong.

(III) Appointment and removal of Directors

A Director of the Company shall have a term of office of three years and shall be entitled to be reappointed if so elected provided that the term of office of Independent Non-executive Directors shall not be more than six years. The appointment and removal of Directors shall be approved by shareholders at general meeting.

(IV) Board meetings and general meetings

1. According to the Articles of Association, the Board shall hold at least 4 meetings a year. In the year of 2020, the Board had held 10 meetings. The Independent Directors duly perform their duties strictly in accordance with the "Code on Corporate Governance for Listed Companies", "Guidelines for Establishment of Independent Directors System of Listed Companies" and the Articles of Association so as to understand the production, operation and management of the Company. During the reporting period, the Independent Directors attended the board meetings and shareholders' general meetings and used their respective professional knowledge in performing their duties. They have made useful advice in respect of the operation procedures of the Board and made significant contribution to decisions of the Board. Their independent and objective advices have enabled the Board to make rational decisions for the best interest of the Company and its shareholders as a whole. During the reporting period, the Independent

Corporate Governance

Directors have made no objection to the resolutions and proposals raised at boarding meetings and other meetings of the Company in the year.

The attendance of all Directors at the Board meetings and general meetings in 2020 was as follows:

	Name of Directors	Number of Board meetings held	Attendance	Number of general meetings held	Attendance
Chairman	Mr. Zhan Chunxin	10	10	5	5
Non-executive Director	Mr. Hu Xinbao	10	10	5	5
	Mr. Zhao John Huan	10	10	5	5
Independent Non-executive Director	Mr. Lai Kin Keung	10	10	5	5
	Mr. Zhao Songzheng	10	10	5	5
	Ms. Liu Guiliang	10	10	5	5
	Mr. Yang Changbo	10	10	5	5

2. The Company convened its board meetings by giving 14 days' notice in advance for regular meetings and five days' notice in advance for ad-hoc meetings in accordance with the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules of Hong Kong. The secretary to the Board shall deliver all relevant materials of regular board meetings (including reports from all committees of the Board) to all Directors no less than three days before the date of the meetings to ensure all Directors can acquire understanding on the resolutions to be tabled at the meetings in advance.

   For ad-hoc board meetings convened upon requests of management of the Company through means of communication, the relevant meeting materials shall be delivered to all Directors through email or fax and allow the Directors to have adequate time to consider the matters concerned before the meetings. The secretary to the Board shall promptly reply any questions raised by the Directors and take necessary action to ensure that the board meeting is conducted in accordance with the relevant provisions of the Company Law, the Articles of Association and the Listing Rules of Hong Kong.

3. Minutes of each board meeting shall be endorsed by all attending Directors and recorder and shall be kept for at least 10 years. The minutes shall be available for inspection upon request by any Director.

4. When considering connected transactions, Directors who are considered of having significant interest in the relevant transactions should be absent from the meeting and abstained from voting in respect of the matters concerned.

(V) Performance of Independent Directors

The Independent Non-executive Directors duly perform their duties strictly in accordance with the "Code on Corporate Governance for Listed Companies", "Guidelines for Establishment of Independent Directors System of Listed Companies" and the Articles of Association so as to understand the production, operation and management of the Company. During the reporting period, the Independent Non-executive Directors attended the board meetings and shareholders' general meetings and used their respective professional knowledge in performing their duties. They have made useful advice in respect of the operation procedures of the Board and made significant contribution to decisions of the Board. Their independent and objective advices have enabled the Board to make rational decisions for the best interest of the Company and its shareholders as a whole.

During the reporting period, the Independent Non-Executive Directors have made no objection to the resolutions and proposals raised at boarding meetings and other meetings of the Company in the year.

(VI) Measures to ensure that Directors can perform their duties properly

1. Upon appointment of a Director, the Company will provide all necessary materials to the Director to allow him/her to understand the requirement of the Listing Rules of Shenzhen and Hong Kong and other relevant laws and regulations. The Director shall also be provided with the updates of the relevant laws and regulation and internal publications and other information concerning the duties of Directors. Ongoing training will also be provided to allow the Directors to fully understand their duties under the Listing Rules of Shenzhen and Hong Kong and other relevant law and regulations and the operation of the Company in a timely manner. On-site inspections and communications with accounting staff and auditors will also be organised for the Independent Non-executive Directors to facilitate full performance of their duties.

2. In formulating their opinion on guarantee for third parties, appropriation of funds and connected transactions, Directors may seek independent advice from independent auditor and solicitor engaged by the Company to facilitate the performance of their duties.

(VII) Responsibilities of the Board and the management

The authorities and responsibilities of the Board and the management have clear separation. The responsibilities of the Board are set out in Article 149 of the Company's Articles of Association. The day-to-day management, administration and operation of the Company are delegated to the senior management. The Company has one general manager, who is accountable to the board of directors and exercises the functions and powers set out in Article 172 of the Company's Articles of Association. The management shall report to the Board and provide adequate updated information to the Board and its committees to enable them to make informed decisions. Management shall also provide further information upon request by the Directors.

(VIII) Trainings for Directors

The training records of each incumbent Director in 2020 are summarized as follows:

Directors	Type of training
Mr. Zhan Chunxin	ABCD
Mr. Hu Xinbao	BD
Mr. Zhao John Huan	BCD
Mr. Lai Kin Keung	ABD
Mr. Zhao Songzheng	BD
Ms. Liu Guiliang	AD
Mr. Yang Changbo	AD

A Attending seminars or forums
B Reading documents relating to general business, development and investment and duties and responsibilities of directors etc.
C Making speeches at external seminars or forums
D Participating in corporate activities or visits

IV. Performance of Duties by Committees of the Board during the Reporting Period

The Board has established four committees, namely the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy and Investment Decision-making Committee. The committees have their terms of reference which set out their respective compositions, duties and authority, decision-making procedures and rules of meeting. The Board is charged with duties in corporate governance, procuring the management to establish a compliant organisational structure and regime, to abide by the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules of Hong Kong and other laws and regulations in day-to-day management and to monitor the training and continuous professional development of the Company's directors and senior management. The Board has delegated some of its functions to the board committees, details of which are set out below.

Corporate Governance

(I) Remuneration and Appraisal Committee

1. Role and responsibilities of the Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee shall determine the criteria for and shall conduct the performance appraisal of Directors and senior management. The committee shall also be responsible for considering, reviewing, verifying and formulating the remuneration policies and proposals for Directors and senior management for approval by the Board. The committee shall supervise and procure the implementation of resolutions of the Board in relation to remuneration or performance appraisal of Directors and senior management. It shall perform other duties in relation to the remuneration or performance appraisal of Directors and senior management in accordance with the Articles of Association and as authorised by the Board.

2. Composition and meetings of the Remuneration and Appraisal Committee

In 2020, the Remuneration and Appraisal Committee had three members, including two Independent Non-executive Directors and a Non-executive Director. The chairman of the Remuneration and Appraisal Committee was Mr. Lai Kin Keung, Independent Non-executive Director. Other members included Mr. He Liu, a non-executive director, and Mr. Yang Changbo, an independent non-executive director. In 2020, the Remuneration and Appraisal Committee held 3 meeting. During the meeting, the committee reviewed the performance of the Directors, Supervisors and senior management of the Company and conducted annual performance appraisal based on the appraisal criteria and remuneration policies and proposals. The committee considered the second exercise of the reserved options of the Company's 2017 stock option and restricted stock incentive scheme and unlocking of restricted shares, and the third exercise of the options under the first grant of the 2017 stock option and restricted stock incentive scheme and unlocking of restricted shares.

	Attendance/ Number of meetings during the Reporting Period
Mr. Lai Kin Keung	3/3
Mr. He Liu	3/3
Mr. Yang Changbo	3/3

3. Determination and the basis of remuneration packages of Directors and senior management

The remuneration of Directors and senior management shall be proposed by the Remuneration and Appraisal Committee based on their individual responsibilities and the remuneration level of other comparable listed companies for approval by the Board according to the Assessment Method for Senior Management of the Company. The remuneration of Directors shall be approved at the shareholders' general meeting. The Remuneration and Appraisal Committee shall review the remuneration and performance appraisal results annually and propose the remuneration packages for the next year. The committee shall conduct annual appraisal of the senior management and determine their remuneration accordingly.

(II) Nomination Committee

1. Role and responsibilities of the Nomination Committee

The Nomination Committee is responsible for the establishment of the criteria and procedures for the election of Directors and senior management. The committee shall consider and discuss the qualifications, the election procedures and term of office of Directors and senior management in accordance with relevant laws and regulations and the Articles of Association with reference to the Company's condition for approval by the Board.

2. Composition and meetings of the Nomination Committee

In 2020, the Nomination Committee had three members, including two Independent Non-executive Directors and an Executive Director. Mr. Zhao Songzheng, an Independent Non-executive Director, was the chairman of the committee. Other members includes Mr. Zhan Chunxin, an executive director, and Mr. Lai Kin Keung, an independent non-executive director. In 2020, the Composition and meetings of the Nomination Committee did not hold any meeting.

3. Appointment of Directors and senior management

Executive Directors and Non-executive Directors of the Company shall be nominated by shareholders for approval by shareholders at general meeting. The Independent Non-executive Directors shall be nominated by the Board for approval by shareholders at general meeting. The appointment of senior management shall be reviewed by the Nomination Committee and approved by the Board. The nomination, appointment and re-appointment of Directors and senior management are based on the professional knowledge, experience, integrity, commitment, academic qualifications and other relevant standards of the candidates.

4. Nomination Policy

In assessing the suitability of a proposed candidate, the Nomination Committee would consider factors including reputation for integrity, experience, whether the proposed candidate is able to assist the Board in effective performance of its responsibilities; the perspectives and skills that the proposed candidate is expected to bring to the Board, commitment in respect of available time and relevant interest diversity in all its aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. These factors are for reference only, and not meant to be exhaustive and decisive.

5. Board Diversity Policy

The Board adopted the board diversity policy ("**Board Diversity Policy**") in accordance with the requirement set out in the Corporate Governance Code. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

(III) Audit Committee

1. Role and responsibilities of the Audit Committee

The Audit committee shall give advice to the Board on the appointment, termination, fee and terms of appointment of external auditors. The committee shall also oversee the internal audit system of the Company. The committee shall examine the integrity and accuracy of financial information and disclosure of the Company, including the financial statements, annual report and accounts, interim report and quarterly report. The committee shall review the material opinions regarding the financial reporting of the Company as set out in the statements and reports. The committee shall review the financial control, internal control and risk management systems of the Company and examine major connected transactions.

2. Composition and meetings of the Audit Committee

In 2020, the Audit committee had three members, including two Independent Non-executive Directors and one Non-executive Director. The chairman of Audit committee was Ms. Liu Guiliang, an Independent Non-executive Director. Other members included Mr. Zhao Songzheng, an Independent Non-executive Director, and Mr. He Liu, a Non-executive Director. The composition of the Audit Committee complies with Rule 3.21 of the Listing Rules of Hong Kong.

In 2020, the Audit committee held 4 meetings mainly to review the results for 2019, the interim results for 2020 of the Company and engagement of audit firm, and all members attended the meetings in person. The Audit Committee also reviewed the audited annual results of the Company for the year ended 31 December 2020. It reviewed the accounting principles and practices adopted by the Company and discussed on issues regarding the internal control, risk management and financial reporting. Having reviewed the effectiveness of the Group's risk management and internal control systems (including the Company's internal audit function) for the year ended 31 December 2020 on an annual basis, the Audit Committee considers them effective and adequate. The Board is satisfied that the Company has fully complied with the Corporate Governance Code in respect of internal controls and risk management during the year ended 31 December 2020.

	Attendance/ Number of meetings during the Reporting Period
Ms. Liu Guiliang	4/4
Mr. Zhao Songzheng	4/4
Mr. He Liu	4/4

(IV) Strategy and Investment Decision-making Committee

1. Role and responsibilities of the Strategy and Investment Decision-making Committee

The committee is mainly responsible for the formulation and provision of advice on long-term development strategies and major investment decisions of the Company.

2. Composition and meeting of the Strategy and Investment Decision-making Committee

In 2020, the Strategy and Investment Decision-making Committee had three members, including an Executive Director, a Non-executive Director and an Independent Non-executive Director. The chairman of the Strategy and Investment Decision-making Committee is Mr. Zhan Chunxin, an Executive Director, and other members included Mr. Zhao John Huan, a non-executive director, and Mr. Yang Changbo, an independent non-executive director. In 2020, the Strategy and Investment Decision-making Committee did not hold any meeting.

V. Remuneration and Interests of Directors, Supervisors and Senior Management

(I) Remuneration

The remuneration of Directors, Supervisors and senior management of the Company for the year is set out in section headed "Directors, Supervisors, Senior Management and Employees" in this annual report.

Further details regarding the remuneration of the Directors and Supervisors during the year are set out in note 7 to the financial statements prepared under IFRSs.

(II) Interests

Service contract of Directors and Supervisors and their contractual interests

The Company has not entered into any service contract with any of its Directors or Supervisors which is not terminable by the Company in less than one year without payment of compensation (except statutory compensation).

Directors and Supervisors' interests in contracts

None of the Directors and Supervisors, or an entity connected with a Director or a supervisor, had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance subsisting at the end of the year or at any time during the year of 2020.

Directors, Supervisors and senior management's interests in shares or debentures

The Directors, Supervisors and senior management's interests in shares of the Company as at 31 December 2020 are set out in Section "Directors, Supervisors, Senior Management and Employees" in this annual report.

Directors, Supervisors and senior management's interests or short positions in securities of the Company or its associated corporations under Hong Kong laws and regulations

As at 31 December 2020, the Directors, Supervisors and senior management who have interest or a short position in the shares, underlying shares and debentures of the Company or any associated corporation (as defined in Part XV of Securities and Futures Ordinance (the "SFO")) which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or required to be disclosed to the Company and SEHK pursuant to the Appendix X to the Listing Rules of Hong Kong "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") were as follows:

Name of Directors/Supervisors	Nature of interest	Class of shares	Number of shares[1]	Percentage of the total share capital of the same class (%)
Zhan Chunxin	Beneficiary owner	A Share	10,929,076 (L)	0.1669
	Interest of a controlled corporation[2]	H share	5,250,000 (L)	0.0802
He Jianming	Beneficiary owner	A Share	946,347 (L)	0.0144
Liu Xiaoping	Beneficiary owner	A Share	326,840 (L)	0.0050

Notes:

(1) L represents long position.

(2) Such interest is being held by Fair Sun (Hong Kong) Holdings Limited, a wholly-owned subsidiary of Hunan Fangsheng Company Limited, which in turn is controlled by Zhan Chunxin.

As at 31 December 2020, save as disclosed above, none of the Directors, Supervisors or chief executive officer has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of SFO which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and SEHK pursuant to the Model Code set out in the Listing Rules of Hong Kong.

As at 31 December 2020, none of the Directors, Supervisors, or chief executive officers or their respective spouse or children under 18 years of age has any rights to acquire the shares or debentures of the Company or any of its associated corporations, nor exercise any of these rights.

Dealings in securities by Directors and Supervisors

The Company has adopted the Model Code to regulate the dealing in shares of the Company by Directors. Having made specific enquiry of all Directors and Supervisors, all Directors and Supervisors confirmed that they had complied with the Model Code during 2020. The Company was not aware of any non-compliance of Model Code during the reporting period.

VI. Auditors

Baker Tilly China Certified Public Accountants and KPMG, respectively, were the domestic and international auditors of the Company for 2020.

These two audit firms provide audit services for the Company on its financial statements, included the audit of the Company's annual financial statements of 2020, the review of interim financial report, internal control audit and the audits of subsidiaries' statutory financial statements. The aggregate audit fees paid to these two audit firms were RMB12.40 million.

The responsibility statements of Baker Tilly China Certified Public Accountants and KPMG on the financial statements of the Company were set out in the Domestic Auditor's Report and International Auditor's Report respectively.

VII. Trainings for Company Secretary

Yang Duzhi, the Company Secretary, confirmed that he has received no less than 15 hours of relevant professional trainings in 2020.

VIII. Performance Appraisal and Award System of Senior Management

The Remuneration and Appraisal Committee of the Board is responsible for formulating and reviewing remuneration schemes and proposals of the Company, mainly including the performance evaluation criteria and procedures, the major appraisal system, the major award and penalty schemes and systems, based on the terms of reference, responsibilities and importance of the respective positions held by the senior management and the remuneration levels of the relevant positions in the industry. It is also accountable for the establishment of the appraisal standards for senior management of the Company, the review of their performance of duties, and the annual performance appraisal in accordance with the appraisal standards and remuneration policies and schemes of the Company.

The Board of the Company determined the remuneration standards of senior management for the year pursuant to the unified remuneration management system and the annual performance assessment conducted by the remuneration and assessment committee of the Board. In 2020, remuneration of senior management was in compliance with the remuneration management system of the Company. The remuneration was not in violation or inconsistent with the remuneration management system.

IX. Control on Appraisal and Award System

The Company determines the remuneration and compensation of the employees based on their respective function, position and performance. The performance and work efficiency of the employees are assessed to determine if they shall be awarded. The appraisal criteria and award mechanism are fair and open. The appointment of employees is conducted in an open and transparent manner and is in compliance with the relevant laws and regulations.

X. Relationship with Shareholders and Investors

(I) Shareholders

The annual general meeting is considered as an important annual event of the Company. The Directors, Supervisors and senior management have attended the meetings and answered enquires from shareholders to maintain direct communication with shareholders.

Shareholders' right to convene an extraordinary general meeting and a meeting of shareholders of a particular class

According to the Articles of Association of the Company, shareholders individually or in aggregate holding 10% or more of the shares of the Company shall have the right to make a written request to the Board to convene an extraordinary general meeting or class meeting. The Board shall reply in writing on whether agree or not to convene an extraordinary general meeting or class meeting within 10 days after receiving the request in accordance with laws, administrative regulations and the Articles of Association.

Where the Board agrees to convene an extraordinary general meeting or class meeting, a notice convening such meeting shall be issued within five days after the resolution made by the Board. Any change to the original proposal in the notice is subject to the approval by relevant shareholders. Once the notice is issued, the Board may not propose new motions or change or postpone the date of such meeting without obtaining approval from the proposing shareholders.

Where the Board does not agree to convene an extraordinary general meeting or class meeting or fails to give response within 10 days after receiving the request, shareholders individually or in aggregate holding 10% or more of the shares of the Company are entitled to make a written request to the Supervisory Board to convene an extraordinary general meeting or class meeting.

Where the Supervisory Board agrees to convene an extraordinary general meeting or class meeting, a notice convening such meeting shall be issued within five days after receiving the request. Any change to the original proposal in the notice is subject to the approval by the relevant shareholders.

Where the Supervisory Board fails to issue a notice convening such meeting within the prescribed period, the Supervisory Board is deemed not to convene or preside over the general meeting and shareholders individually or in aggregate holding 10% or more of the shares of the Company for over 90 consecutive days may convene and preside over the general meeting.

Where the proposing shareholders convene and hold a meeting because the Board and the Supervisory Board fail to convene such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.

Shareholders' right to propose resolutions at general meetings

According to the Articles of Association of the Company, any shareholders who hold, individually or in aggregate, 3% or more of shares of the Company shall have the right to propose a new resolution. The matters within the scope of authority of the general meeting in the proposal shall be included in the agenda.

Any shareholders who hold, individually or in aggregate, 3% or more of the shares of the Company shall have the right to propose and submit interim proposals in writing to the convener 10 days prior to the convening of a general meeting. The convener shall issue a supplementary notice of general meeting containing the details of the interim proposals within 2 days after receiving the proposal.

Please refer to the Articles of Association of the Company for details of the rights of shareholders.

Shareholders may send their enquiries or suggestions in writing by post to the Board or the Company Secretary at the registered addresses of the Company or by email to the Company. In addition, if the shareholders have any enquiry regarding their shares or dividends, they may contact Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company. The contact information is set out in the "Company Profile" in this annual report.

(II) Investors

The Company is dedicated to the development of investor relationship. It maintains close relationship with its investors through telephone hotline, email and direct contact.

Looking forward, the Company will enhance the communication with investors so as to increase their understanding about the Company and to seek their continuous support and concern.

XI. Stakeholders

The Company fully respects and protects legal rights of the stakeholders such as creditors, employees and consumers. It also attaches importance to the cooperation with its stakeholders, which helps to jointly promote sustainable and healthy development of the Company.

XII. Connected Transactions

The Company did not enter into any connected transaction or continuing connected transaction during the reporting period which are required to be disclosed in this annual report pursuant to Rule 14A.71 of the Hong Kong Listing Rules.

Details of the related party transactions of the Group for the year ended 31 December 2020 are set out in note 35 to the consolidated financial statements contained in this annual report. None of such related party transactions falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Hong Kong Listing Rules.

XIII. Information Disclosure and Transparency

The secretary to the Board is responsible for disclosing information, receiving shareholders visits and answering enquiries. The Company is required to disclose relevant information in a true, accurate, complete and timely manner, maintain good relationship with investors and ensure all shareholders received information equally pursuant to the laws, regulations and requirements of the Articles of Association. The Company is cautious about the accuracy of the information disclosed and the relevant officer will be held responsible for any disclosure of inaccurate information. The Company has further improved the quality and transparency of information disclosure in the annual report. The Company also implemented the Management System for Information Insider and External Information User (內幕信息知情人和外部信息使用人管理制度).

XIV. Remuneration and Retirement Benefits of Employees

The remuneration package of our employees includes salary, bonuses and allowances. Our employees also enjoy medical insurance, housing subsidies, retirement pension and other benefits. The Company participated in the social insurance scheme administrated by relevant government authorities pursuant to applicable regulations. Under the scheme, the Company is required to contribute social insurance for the staff at specific proportion of the monthly salary of the staff.

Details of staff welfare benefits offered by the Company are set out in note 28 to the financial statements prepared under IFRSs.

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of Zoomlion Heavy Industry Science and Technology Co., Ltd.
(Incorporated in the People's Republic of China)

Opinion

We have audited the consolidated financial statements of Zoomlion Heavy Industry Science and Technology Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 109 to 236 which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Revenue recognition on sale of construction machinery</td></tr>
<tr><td colspan="2">Refer to Note 3 to the consolidated financial statements and the accounting policies on pages 145 to 146, 149.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group's revenue is principally derived from the sale of construction machinery and agricultural machinery to a significant number of customers.

Revenue of construction machinery is recognised when the Group satisfies the performance obligation by transferring the control over products promised in the contract with customer, which is the point of time when a customer accepts the machinery and signs on the goods delivery note.

Sales of construction machinery contributed more than 94% of the Group's revenue for the year ended 31 December 2020.

We identified revenue recognition on sale of construction machinery as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there may be an incentive for management to advance or delay the timing of revenue recognition to the incorrect accounting period to meet performance expectations or targets, and also because the Group's construction machinery has a variety of sales model and payment methods, including long-term instalment payment, finance lease or guarantee arrangement, which is more susceptible to misstatement.</td><td>Our audit procedures to assess the recognition of revenue on sale of construction machinery included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition from sales of construction machinery;

• inspecting key customer contracts to identify performance obligations and terms and conditions relating to goods acceptance and the right of return; assessing whether the revenue is recognised when a performance obligation is satisfied; assessing whether the payment terms indicate a significant financing component and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

• comparing, on a sample basis, revenue transactions recorded during the year with the underlying goods delivery and acceptance notes to assess whether the related revenue was recognised in accordance with the Group's accounting policies;

• comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery and acceptance notes to assess whether the related revenue had been recognised in the appropriate financial period;

• inspecting relevant underlying documentation for journal entries relating to revenue raised during the year which were considered to be met other specific risk-based criteria; and

• obtaining external confirmation of, on a sample basis, debtor balances as at the financial year end directly with customers.</td></tr>
</table>

<table>
<tr><th colspan="2">Expected credit loss allowance for trade debtors</th></tr>
<tr><td colspan="2">Refer to Notes 18, 19 and 32(b)(ii) to the consolidated financial statements and the accounting policies on pages 133 to 137.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Trade debtors include trade receivables and receivables under finance lease arrangements. As of 31 December 2020, the Group's gross trade receivables and gross receivables under finance lease arrangements totalled RMB37,475 million and RMB24,977 million, respectively, against which allowances of RMB4,943 million and RMB1,604 million for expected credit losses (ECLs), respectively, were recorded.

Management measures loss allowance at an amount equal to lifetime ECLs of the trade receivables and gross receivables under finance lease arrangements, which takes into account loss given default, probability of default, and forward-looking information. According to the past experience of the Group, the credit loss patterns of different customer groups are significantly different. The Group clusters customers into customer groups based on a number of factors including their ownership background and financial strength, and the industries in which they operate, etc. The Group estimates ECL allowance for trade debtors for each of the customer groups with similar loss patterns.

We identified the ECL allowance for trade debtors as a key audit matter because trade debtors and ECL allowance are material to the Group's financial statements and because the recognition of ECL is inherently subjective and requires significant management judgement.</td><td>Our audit procedures to assess the ECL allowance for trade debtors included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, segmentation of customer groups for trade debtors and customer credit risk assessment, estimate of credit loss and making of related loss allowance;

• evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard;

• obtaining an understanding of the key data and assumptions adopted by the management in the ECL model, including the basis of segmentation of the trade debtors based on the shared credit risk characteristics, historical default data, and the assumptions involved in management's estimated loss rates;

• assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions and forward-looking information;

• assessing whether items in the trade debtors aging report were categorised in the appropriate ageing bracket by comparing a sample of individual items with the underlying goods delivery notes, sales invoices and other relevant underlying documentation; and

• recalculating the loss allowance to assess if this is consistent with the Group policies on a sample basis.</td></tr>
</table>

Independent Auditor's Report

Assessing potential impairment of goodwill and trademarks	
Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies on page 126, pages 129 to 130 and pages 138 to 139.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2020, the aggregate carrying value of the Group's goodwill and trademarks with an indefinite useful life totalled RMB3,290 million which represented 2.8% of the total assets of the Group at the reporting date. These assets have been recognised in the consolidated statement of financial position as a result of the acquisitions of various businesses in previous years. Management performs annual impairment assessments of the cash-generating units ("CGUs") to which goodwill and trademarks have been allocated. Management compares the carrying amount of each CGU with its recoverable amount, which is determined by assessing the value-in-use based on discounted cash flow forecasts. This involves significant management judgement and estimation, particularly in estimating the following: • future revenue growth rates; • future operating margins; and • the discount rates applied.	Our audit procedures to assess the potential impairment of goodwill and trademarks included the following: • assessing and challenging management's impairment assessment models and the allocation of goodwill and trademarks to relevant CGUs, which included assessing whether the impairment assessment models were prepared in accordance with the requirements of the prevailing accounting standards; • comparing the most significant inputs used in the discounted cash flow forecasts, including future revenue growth rates, future operating margins, future changes in working capital and future capital expenditure with the historical performance of the relevant CGUs; and • comparing forecast revenue, operating margins and capital expenditure in the discounted cash flows forecasts with the Group's approved financial budget; • comparing forecast sales volumes with publicly available market forecasts, assessing the expected operating margin with reference to the trends for selling prices and forecast steel and labour costs and assessing whether forecast capital expenditure was consistent with the Group's plans for asset retirement and replacement in the forecast period; • engaging our internal valuation specialists to assist us in assessing the discount rates applied in the cash flow forecasts by benchmarking against other comparable companies in the same industry;

Independent Auditor's Report

Assessing potential impairment of goodwill and the trademarks	
Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies on page 126, pages 129 to 130 and pages 138 to 139.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified assessing potential impairment of goodwill and trademarks as a key audit matter because of the inherent level of complex and subjective management judgement required in assessing the variable factors and assumptions in the valuation process and because of the potential for management bias in considering the variable factors and assumptions.	• performing sensitivity analyses of the key assumptions adopted in the discounted cashflow forecasts, including the discount rates and future revenue growth rates, and considering the resulting impact on the impairment assessments and whether there were any indicators of potential management bias; and • considering the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill and trademarks, including the key assumptions adopted, with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tse, Wong Pui.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB millions	2019 RMB millions
Revenue	3	65,109	43,307
Cost of sales and services		(46,492)	(30,314)
Gross profit		18,617	12,993
Other income	4	1,462	1,017
Sales and marketing expenses		(4,046)	(3,780)
General and administrative expenses		(2,366)	(2,231)
Impairment loss on trade and other receivables and receivables under finance lease	5(c)	(1,682)	(462)
Research and development expenses		(3,345)	(1,516)
Profit from operations		8,640	6,021
Net finance costs	5(a)	(154)	(1,165)
Share of profits less losses of associates	14	182	188
Profit before taxation	5	8,668	5,044
Income tax	6	(1,297)	(759)
Profit for the year		7,371	4,285

The notes on pages 119 to 236 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB millions	2019 RMB millions
Profit attributable to:			
Equity shareholders of the Company		**7,296**	4,381
Non-controlling interests		**75**	(96)
		7,371	4,285
Profit for the year		**7,371**	4,285
Earnings per share (cents)			
Basic	9	**97.75**	58.30
Diluted	9	**96.73**	57.92

The notes on pages 119 to 236 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB millions	2019 RMB millions
Profit for the year		**7,371**	4,285
Other comprehensive income for the year (after tax)			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)		**(89)**	26
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside mainland PRC		**(32)**	(29)
Total other comprehensive income for the year		**(121)**	(3)
Total comprehensive income for the year		**7,250**	4,282
Total comprehensive income attributable to:			
Equity shareholders of the Company		**7,175**	4,378
Non-controlling interests		**75**	(96)
Total comprehensive income for the year		**7,250**	4,282

The notes on pages 119 to 236 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020

(Expressed in RMB)

	Note	2020 RMB millions	2019 RMB millions
Non-current assets			
Property, plant and equipment	10	**7,342**	6,735
Right-of-use assets	11	**3,068**	2,433
Intangible assets	12	**1,965**	2,043
Goodwill	13	**2,054**	2,017
Interests in associates	14	**3,388**	3,909
Other financial assets	15	**2,703**	2,644
Trade and other receivables	18	**14,131**	9,072
Receivables under finance lease	19	**13,008**	7,771
Pledged bank deposits	20	**175**	84
Deferred tax assets	27(b)	**1,453**	1,271
Total non-current assets		**49,287**	37,979
Current assets			
Inventories	16	**14,652**	11,772
Other current assets		**1,374**	1,413
Financial assets at fair value through profit or loss	17	**4,284**	4,311
Trade and other receivables	18	**23,972**	20,839
Receivables under finance lease	19	**10,365**	9,229
Pledged bank deposits	20	**2,223**	1,415
Cash and cash equivalents	21	**10,086**	5,073
Total current assets		**66,956**	54,052
Total assets		**116,243**	92,031
Current liabilities			
Loans and borrowings	22(a)	**2,964**	7,312
Trade and other payables	23	**40,387**	25,012
Financial liabilities at fair value through profit or loss		**—**	37
Contract liabilities	24	**2,777**	1,934
Lease liabilities	25	**90**	88
Income tax payable	27(a)	**710**	186
Total current liabilities		**46,928**	34,569
Net current assets		**20,028**	19,483
Total assets less current liabilities		**69,315**	57,462

The notes on pages 119 to 236 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020

(Expressed in RMB)

	Note	2020 RMB millions	2019 RMB millions
Non-current liabilities			
Loans and borrowings	22(b)	16,337	14,515
Lease liabilities	25	320	329
Deferred tax liabilities	27(b)	490	455
Other non-current liabilities	29	4,318	2,666
Total non-current liabilities		21,465	17,965
NET ASSETS		47,850	39,497
CAPITAL AND RESERVES			
Share capital	30(a)	7,938	7,875
Reserves		38,768	30,952
Total equity attributable to equity shareholders of the Company		46,706	38,827
Non-controlling interests		1,144	670
TOTAL EQUITY		47,850	39,497

Approved and authorised for issue by the board of directors on 30 March 2021.

Zhan Chunxin
Chairman and Chief Executive Officer

Du Yigang
Vice-president

The notes on pages 119 to 236 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

(Expressed in RMB)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB millions (Note 30(a))	Capital reserve RMB millions (Note 30(b)(i))	Statutory surplus reserve RMB millions (Note 30(b)(ii))	Exchange reserve RMB millions (Note 30(b)(iii))	Fair value reserve (non-recycling) RMB millions (Note 30(b)(v))	Other reserves RMB millions (Note 30(d))	Retained earnings RMB millions	Total RMB millions	Non-controlling interests RMB millions	Total equity RMB millions
Balance at 31 December 2018 and 1 January 2019		7,809	13,134	3,333	(1,239)	(12)	33	15,106	38,164	567	38,731
Changes in equity for 2019											
Profit for the year		–	–	–	–	–	–	4,381	4,381	(96)	4,285
Other comprehensive income		–	–	–	(29)	26	–	–	(3)	–	(3)
Total comprehensive income		–	–	–	(29)	26	–	4,381	4,378	(96)	4,282
Appropriation for surplus reserve		–	–	222	–	–	–	(222)	–	–	–
Cash dividends		–	27	–	–	–	–	(1,861)	(1,834)	–	(1,834)
Repurchase of own shares		–	(2,145)	–	–	–	–	–	(2,145)	–	(2,145)
Share incentive scheme											
– Share option scheme		71	278	–	–	–	–	–	349	–	349
– Restricted share scheme		(5)	193	–	–	–	–	–	188	–	188
Contributions in a subsidiary		–	(291)	–	–	–	–	–	(291)	291	–
Acquisition of non-controlling interests in subsidiaries		–	(15)	–	–	–	–	–	(15)	(140)	(155)
Dividends declared by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(9)	(9)
Contribution from non-controlling shareholders in a subsidiary		–	33	–	–	–	–	–	33	57	90
Safety production fund		–	–	–	–	–	10	(10)	–	–	–
Balance at 31 December 2019		7,875	11,214	3,555	(1,268)	14	43	17,394	38,827	670	39,497

The notes on pages 119 to 236 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

(Expressed in RMB)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB millions (Note 30(a))	Capital reserve RMB millions (Note 30(b)(i))	Statutory surplus reserve RMB millions (Note 30(b)(ii))	Exchange reserve RMB millions (Note 30(b)(iii))	Fair value reserve (non-recycling) RMB millions (Note 30(b)(v))	Other reserves RMB millions (Note 30(d))	Retained earnings RMB millions	Total RMB millions	Non-controlling interests RMB millions	Total equity RMB millions
Balance at 31 December 2019 and 1 January 2020		7,875	11,214	3,555	(1,268)	14	43	17,394	38,827	670	39,497
Changes in equity for 2020											
Profit for the year		–	–	–	–	–	–	7,296	7,296	75	7,371
Other comprehensive income		–	–	–	(32)	(2)	–	(87)	(121)	–	(121)
Total comprehensive income		–	–	–	(32)	(2)	–	7,209	7,175	75	7,250
Appropriation for surplus reserve		–	–	369	–	–	–	(369)	–	–	–
Cash dividends	30(c)	–	10	–	–	–	–	(1,662)	(1,652)	–	(1,652)
Share incentive scheme											
– Share option scheme	26	66	250	–	–	–	–	–	316	–	316
– Restricted share scheme	26	(3)	1,804	–	–	–	–	–	1,801	–	1,801
Acquisition of non-controlling interests in subsidiaries		–	7	–	–	–	–	–	7	(7)	–
Dividends declared by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(35)	(35)
Acquisition of a subsidiary	13	–	–	–	–	–	–	–	–	173	173
Contribution from non-controlling shareholders in a subsidiary		–	232	–	–	–	–	–	232	268	500
Safety production fund	30(d)	–	–	–	–	–	16	(16)	–	–	–
Balance at 31 December 2020		7,938	13,517	3,924	(1,300)	12	59	22,556	46,706	1,144	47,850

The notes on pages 119 to 236 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB millions	2019 RMB millions
Operating activities			
Profit before taxation		**8,668**	5,044
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	**585**	612
Depreciation of right-of-use assets	5(c)	**129**	118
Amortisation of intangible assets	5(c)	**188**	205
Share of profits less losses of associates		**(182)**	(188)
Gain on disposal of interests in associates	4	**(489)**	—
Interest income	5(a)	**(596)**	(539)
Interest expense	5(a)	**942**	1,673
Gain on disposal of property, plant and equipment and intangible assets	4	**(267)**	(8)
Net realised and unrealised gains on financial assets at FVPL	4	**(452)**	(753)
Loss on troubled debt restructurings	4	**216**	—
Loss on disposal of trade receivables and receivables under finance lease	4	**62**	—
Dividend income from financial assets at FVOCI	4	**(17)**	(36)
Impairment loss on goodwill	5(c)	**—**	30
Impairment loss on intangible assets	5(c)	**6**	6
Share incentive scheme expenses	5(b)	**598**	135
		9,391	6,299
Increase in inventories		**(2,613)**	(1,708)
Increase in trade and other receivables		**(8,234)**	(3,460)
Increase in receivables under finance lease		**(7,392)**	(4,618)
Increase in contract liabilities		**840**	332
Increase in trade and other payables		**16,140**	9,896
Cash generated from operations		**8,132**	6,741
Income tax paid		**(900)**	(773)
Net cash generated from operating activities carried forward		**7,232**	5,968

The notes on pages 119 to 236 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB millions	2019 RMB millions
Net cash generated from operating activities brought forward		**7,232**	5,968
Investing activities			
Payment for purchase of property, plant and equipment		**(806)**	(1,082)
Payment for purchase of right-of-use assets		**(188)**	(127)
Payment for purchase of intangible assets		**(107)**	(128)
Proceed from proposed disposal of property, plant, equipment and right-of-use assets		**938**	1,375
Payment for investments in associates		**—**	(301)
Proceeds from disposal of interests in associates		**1,056**	—
Payment for acquisition of financial assets at FVOCI		**(251)**	(250)
Proceeds from disposal of financial assets at FVOCI		**159**	318
Payment for acquisition of financial assets at FVPL		**(14,898)**	(19,130)
Proceeds from disposal of financial assets at FVPL		**15,221**	29,193
Dividends from associates		**48**	45
Dividends income from financial assets at FVOCI		**11**	36
Proceeds from disposal of property, plant and equipment and intangible assets		**489**	133
Net cash inflow/(outflow) from acquisition of a subsidiary	13	**13**	(165)
Interest received		**190**	253
Increase in pledged bank deposits		**(899)**	(186)
Net cash generated from investing activities		**976**	9,984
Financing activities			
Proceeds from loans and borrowings	21(a)	**58,618**	42,525
Proceeds from exercise of share options	26	**266**	303
Proceeds on contributions from non-controlling shareholders		**500**	10
Repayments of loans and borrowings	21(a)	**(60,927)**	(56,533)
Payment for forfeiture of restricted shares	26	**(2)**	(14)
Payment for repurchase of own shares	30(e)	**—**	(2,145)
Interest paid	21(a)	**(903)**	(1,707)
Dividends paid to equity shareholders	30(c)	**(1,712)**	(1,801)
Proceeds from issue of restricted shares	26	**1,074**	—
Dividends paid by subsidiaries to non-controlling interests		**(35)**	(9)
Payment for acquisition of non-controlling interests		**(36)**	(203)
Capital element of lease rentals paid	21(a)	**(75)**	(64)
Interest element of lease rentals paid	21(a)	**(12)**	(10)

The notes on pages 119 to 236 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB millions	2019 RMB millions
Net cash used in financing activities		**(3,244)**	(19,648)
Net increase/(decrease) in cash and cash equivalents		**4,964**	(3,696)
Cash and cash equivalents at 1 January		**5,073**	8,754
Effect of foreign exchange rate changes		**49**	15
Cash and cash equivalents at 31 December	21	**10,086**	5,073

The notes on pages 119 to 236 form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2020

1 Principal activities of reporting entity, organisation and basis of preparation

(a) Principal activities of reporting entity

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

(b) Organisation

The Company was incorporated in the People's Republic of China on 31 August 1999 by six founding shareholders with registered and issued share capital of 100 million ordinary shares with a par value of RMB1 per share. Upon the Company's incorporation, Construction Machinery Research Institute of Changsha, the Ministry of Construction ("Research Institute"), a state-owned entity, held 74.7% equity interest in the Company and the other five founding shareholders held 25.3% equity interest in the Company in aggregate. These founding shareholders are hereinafter referred to as the non-public shareholders.

On 12 October 2000, the Company completed an initial public offering of 50 million newly issued A Shares with a par value of RMB1 per share to public shareholders in the Shenzhen Stock Exchange of China ("SZSE"). Upon the initial public offering, the public shareholders owned 33.3% of the equity interest in the Company. The equity interest of Research Institute and the other five non-public shareholders in the Company was then reduced to 49.8% and 16.9%, respectively.

During the years from 2001 to 2009, the Company completed several stock splits in the form of bonus shares to achieve wider distribution and improve marketability of the ordinary shares. As a result, the Company's share capital increased from RMB150 million to RMB1,673 million.

In July 2006, the public shareholders accepted the share reform proposal offered by the non-public shareholders whereby the non-public shareholders transferred a total of 54 million A Shares to the public shareholders, in exchange for the approval for the listing of all shares held by the non-public shareholders. After the share transfer, the equity interest in the Company held by Research Institute and the other five non-public shareholders was reduced from 49.8% and 16.9% to 41.9% and 14.1%, respectively, while the public shareholders' equity interest in the Company was increased from 33.3% to 44.0%.

In December 2008, Research Institute was deregistered and the 41.9% equity interest of the Company held by Research Institute was transferred to Research Institute's shareholders, consisting of 25.0% equity interest transferred to Hunan State-owned Assets Supervision and Administration Commission of the People's Government of Hunan Province ("Hunan SASAC"), and 16.9% equity interest transferred to the four other shareholders of Research Institute.

Notes to the consolidated financial statements

For the year ended 31 December 2020

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(b) Organisation (continued)

In February 2010, the Company completed a Non-public Offering of 297,954,705 A Shares to nine institutional investors. In August 2010, the Company further conducted a stock split in the form of bonus shares. Following the stock split, the Company's share capital was increased to approximately RMB4,928 million comprising 4,927,636,762 A Shares, among which Hunan SASAC held 21.4% equity interest.

On 23 December 2010, the Company completed a Global Offering of 869,582,800 newly issued H Shares with a par value of RMB1 per share to institutional and public shareholders in The Stock Exchange of Hong Kong Limited. In this connection, Hunan SASAC and Hunan Development Investment Group Co., Ltd. ("Hunan Development Group"), the Company's state-owned shareholders, transferred a total of 86,958,280 A Shares to the National Council for Social Security Fund of the PRC ("NSSF"), which were converted into H Shares on a one-for-one basis. Upon the completion of the Global Offering, the share capital of the Company was increased to approximately RMB5,797 million, comprising 4,840,678,482 A Shares and 956,541,080 H Shares. After the Global Offering, Hunan SASAC held 16.77% equity interest in the Company.

On 5 January 2011, the underwriters of the Global Offering exercised the over-allotment option in full. As a result, 130,437,400 H Shares with a par value of RMB1 per share were additionally issued by the Company. In this connection, Hunan SASAC and Hunan Development Group transferred a total of additional 13,043,740 A Shares to the NSSF, which were converted into H Shares on a one-for-one basis. Upon completion of the issuance of new H Shares and conversion of A Shares into H Shares, the share capital of the Company was increased to approximately RMB5,928 million, comprising 4,827,634,742 A Shares and 1,100,022,220 H Shares.

On 3 June 2011, the Company further conducted a stock split in the form of bonus shares. Following the stock split, the Company's share capital was increased to approximately RMB7,706 million, comprising 6,275,925,164 A Shares and 1,430,028,886 H Shares, among which Hunan SASAC held 16.19% equity interest.

During the period from July to September 2015, the Company repurchased 41,821,800 H Shares of its own share capital with an aggregate consideration of approximately RMB128 million. These H Shares were then cancelled during the year. As a result of the repurchase and cancellation of the H Shares, the share capital of the Company was decreased to approximately RMB7,664 million, comprising 6,275,925,164 A Shares and 1,388,207,086 H Shares, and the Company's equity interest held by Hunan SASAC was increased to 16.35%.

During the period from May to June 2017, the Company repurchased 38,845,086 A Shares of its own share capital with a total consideration of approximately RMB170 million, which were then cancelled in July 2017. As a result of the repurchase and cancellation of the A Shares, the share capital of the Company was decreased to approximately RMB7,625 million, comprising 6,237,080,078 A Shares and 1,388,207,086 H Shares.

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(b) Organisation (continued)

In November 2017, the Company adopted a share option and restricted share scheme (the "Share Incentive Scheme"). Pursuant to this scheme, it issued 168,760,911 restricted A Shares, which will be unlocked for trading upon completion of certain period of services and meeting the performance target, and the share capital of the Company was increased to approximately RMB7,794 million, comprising 6,405,840,989 A Shares and 1,388,207,086 H Shares (the "First Grants"). The Company's equity interest held by Hunan SASAC was correspondingly decreased to 16.08%.

In September 2018, the Company issued additional 18,554,858 share options and additional 18,554,858 restricted shares under the Share Incentive Scheme adopted in 2017 (Note 26), and the share capital of the Company was increased to approximately RMB7,813 million, comprising 6,424,395,847 A Shares and 1,388,207,086 H Shares.

During the period from August to November 2018, the Company forfeited 4,066,300 restricted A Shares of its own share capital with a total consideration of approximately RMB9 million, which were then cancelled in November 2018. As a result of the forfeiture and cancellation of the A Shares, the share capital of the Company was decreased to approximately RMB7,809 million, comprising 6,420,329,547 A Shares and 1,388,207,086 H Shares. The Company's equity interest held by Hunan SASAC was decreased to 16.05%.

During the period from April to September 2019, the Company forfeited 4,937,804 restricted A Shares of its own share capital with a total consideration of approximately RMB10 million, which were then cancelled in July and October 2019. As a result of the forfeiture and cancellation of the A Shares, the share capital of the Company was decreased to approximately RMB7,804 million, comprising 6,415,391,743 A Shares and 1,388,207,086 H Shares.

During 2019, 71,376,029 share options were exercised, the share capital of the Company was increased to approximately RMB7,875 million, comprising 6,486,767,772 A Shares and 1,388,207,086 H Shares. The Company's equity interest held by Hunan SASAC was correspondingly decreased to 15.92%.

During 2020, the Company forfeited 3,232,375 restricted A Shares of its own share capital with a total consideration of approximately RMB6 million, which were then cancelled in 2020. As a result of the forfeiture and cancellation of the A Shares, the share capital of the Company was decreased to approximately RMB7,872 million, comprising 6,483,535,397 A Shares and 1,388,207,086 H Shares.

During 2020, 65,948,050 share options were exercised, the share capital of the Company was increased to approximately RMB7,938 million, comprising 6,549,483,447 A Shares and 1,388,207,086 H Shares. The Company's equity interest held by Hunan SASAC was correspondingly decreased to 15.79%.

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(c) Basis of preparation

(i) Statement of compliance

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.

The IASB has issued certain amendments to IFRSs that are first effective for the current accounting period of the Group. Note 1(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(ii) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for the re-measurement of equity investments (Note 2(e)) and derivative financial instruments (Note 2(f)) to fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and the major sources of estimation uncertainty are disclosed in Note 36.

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(d) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, Definition of a Business
- Amendment to IFRS 16, Covid-19-Related Rent Concessions

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Significant accounting policies

(a) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (Note 2(b)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (Note 2(j)(iii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (Note 2(e)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

2 Significant accounting policies (continued)

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interest, but no adjustments are made to goodwill and no gain or loss is recognised.

2 Significant accounting policies (continued)

(b) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (Note 2(e)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (Note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

The details of the Group's principal subsidiaries are set out in Note 37.

(c) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Notes 2(e) and 2(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees, any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the any other long-term interests that in substance form part of the Group's net investment in the associate.

2 Significant accounting policies (continued)

(c) Associates (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(e)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (Note 2(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 Significant accounting policies (continued)

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 32(a). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(t)(vi));

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Significant accounting policies (continued)

(e) Other investments in debt and equity securities (continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(t)(v).

(f) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses (Note 2(j)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

2 Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

Construction in progress represents buildings and various machinery, plant and equipment under construction and pending installation, and is stated at cost less impairment losses (Note 2(j)). Cost comprises direct costs of construction as well as interest charges and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the periods of construction.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment, are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised as income or expense on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— buildings	25 to 35 years
— machinery, plant and equipment	5 to 30 years
— motor vehicles	10 years
— office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reassessed annually.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (Note 2(v)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (Note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

2 Significant accounting policies (continued)

(h) Intangible assets (other than goodwill) (continued)

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— technical know how	10 to 15 years
— software, patents, operating and similar rights	2 to 10 years
— customer relationships	8 to 15 years
— capitalised development costs	5 to 10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

The Group's intangible asset that is determined to have an indefinite useful life consists of trademarks.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

2 Significant accounting policies (continued)

(i) Leased assets (continued)

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the consolidated financial statements

For the year ended 31 December 2020

2 Significant accounting policies (continued)

(i) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(t)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

2 Significant accounting policies (continued)

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables);

— lease receivables; and

— financial guarantee contracts issued.

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), listed equity securities designated at FVPL (recycling), structured deposits, wealth management products, security investment funds and derivative financial instruments and etc. are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Notes to the consolidated financial statements

For the year ended 31 December 2020

2 Significant accounting policies (continued)

(j) Credit losses and impairment of assets (continued)

(i) **Credit losses from financial instruments and lease receivables** (continued)

Measurement of ECLs (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 Significant accounting policies (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(t)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

2 Significant accounting policies (continued)

(j) Credit losses and impairment of assets (continued)

(i) **Credit losses from financial instruments and lease receivables** (continued)

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 Significant accounting policies (continued)

(j) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see Note 2(t)(viii)). The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs) on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee and a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(j)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the payments that are guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2 Significant accounting policies (continued)

(j) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets;

— goodwill; and

— investments in subsidiaries, associates in the Company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 Significant accounting policies (continued)

(j) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets (continued)

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 Significant accounting policies (continued)

(l) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(t)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(j)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value, except for financial guarantee liabilities measured in accordance with Note 2(j)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 Significant accounting policies (continued)

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of borrowings, together with any interest and fees payable, using the effective interest method.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Further information of the Group's retirement plans is set out in Note 28.

(ii) Share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

The fair value of the selected current employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the granted shares measured as of the grant date less the proceeds received from the employees, and recorded in the capital reserve until each unlocking date and record it under reserves attributable to equity shareholders of the Company. The proceeds received from the employees is firstly recorded as other payables.

2 Significant accounting policies (continued)

(q) Employee benefits (continued)

(ii) Share-based payment (continued)

During the vesting period, the number of share options and restricted shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options and restricted shares that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the share option or restricted share is exercised or released (when it is included in the amount recognised in share capital for the shares issued) or the share option or restricted share expires or is forfeited or cancelled (when it is released directly to retained profits) after the end of vesting period.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 Significant accounting policies (continued)

(r) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 Significant accounting policies (continued)

(r) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Significant accounting policies (continued)

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted and taken possession of the goods. Revenue excludes value added tax and is after deduction of any trade discounts.

In the comparative period, revenue from sales of goods was recognised when goods were delivered to the customers' premises, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership.

(ii) Finance income under finance lease

Where the Group provides finance leasing of its machinery products to customers, the Group recognises profit or loss equivalent to the profit or loss resulting from an outright sale of the machinery products being leased at normal selling prices and finance income over the period of the lease. Finance income implicit in finance lease is recognised over the period of the lease so as to produce an approximately constant periodic rate of return on the outstanding net investment in the lease for each accounting period. Commission paid to dealers for acquisition of finance lease contract is included in the carrying value of the assets and amortised to the profit or loss over the expected life of the lease as an adjustment to finance income.

2 Significant accounting policies (continued)

(t) Revenue and other income (continued)

(iii) Rental income from operating lease

Rental income receivable under operating lease is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Rendering of services

The Group recognises revenue from rendering of services including maintenance service, technical consultation services etc. over the period of the service.

(v) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(j)(i)).

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(viii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see Note 2(j)(ii)).

2 Significant accounting policies (continued)

(u) Translation of foreign currencies

The presentation currency of the Group is Renminbi ("RMB"). The functional currency of the Company and its subsidiaries in the mainland PRC is RMB and the functional currency of the Company's subsidiaries in Europe is Euro ("EUR"). The functional currency of the Company's subsidiaries in the Hong Kong Special Administrative Region ("HKSAR") is United States Dollars ("USD") as the major operating and financing activities of these entities are transacted in USD.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss and are reported in net finance costs on a net basis.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of the Company's subsidiaries outside the mainland PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside mainland PRC, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to the profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Costs relating to factoring of receivables under finance lease is considered to be direct cost of finance lease income and is therefore recorded in cost of services.

2 Significant accounting policies (continued)

(w) Profit distributions

Distributions of profit proposed in the profit appropriation plan to be approved after the end of the reporting period are not recognised as a liability at the end of the reporting period but are disclosed in the notes separately.

(x) Related parties

For the purposes of these financial statements, a related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) both entities are joint ventures of the same third party.

  (iv) one entity is a joint venture of a third party and the other entity is an associate of the third party.

  (v) the entity is a post-employment benefit plan for the benefit of employees of the Group or an entity related to the Group.

  (vi) the entity controlled or jointly controlled by a person identified in (a).

  (vii) the person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies (continued)

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Revenue and segment reporting

(a) Revenue

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.

Notes to the consolidated financial statements

For the year ended 31 December 2020

3 Revenue and segment reporting (continued)

(a) Revenue (continued)

(i) Disaggregation of revenue

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

	2020 RMB millions	2019 RMB millions
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
Construction machinery		
— Concrete machinery	18,984	13,870
— Crane machinery	34,893	22,124
— Others	7,463	4,916
Agricultural machinery	2,644	1,583
	63,984	42,493
Revenue from other sources		
Rental income from construction machinery		
— Concrete machinery	1	32
— Crane machinery	4	23
— Others	38	26
	43	81
Financial services	1,082	733
	1,125	814
	65,109	43,307

3 Revenue and segment reporting (continued)

(a) Revenue (continued)

(i) Disaggregation of revenue (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 3(b)(i) and 3(b)(iv) respectively.

The Group's customer base is diversified and none of the customer with whom transactions have exceeded 10% of the Group's revenues. Details of concentrations of credit risk arising from this customer are set out in Note 32(b)(ii).

(ii) Total future minimum lease payments receivable by the Group

Total future minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 RMB millions	2019 RMB millions
Within 1 year	**79**	36
After 1 year but within 5 years	**25**	9
After 5 years	**6**	—
	110	45

3 Revenue and segment reporting (continued)

(b) Segment reporting

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

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

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

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

Others primarily research, develop, manufacture and sell of other machinery products, including road construction and pile foundation machinery, earth working machinery, material handling machinery and systems, specialised vehicles and vehicle axles. None of these segments met any of the quantitative thresholds for determining reportable segments for the years ended 31 December 2020 and 2019.

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.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(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 2020 and 2019 is set out below:

	2020			2019		
	Point in time RMB millions	**Over time RMB millions (Note)**	**Total RMB millions**	Point in time RMB millions	Over time RMB millions (Note)	Total RMB millions
Reportable segment revenue:						
Construction machinery						
– Concrete machinery	**18,984**	**1**	**18,985**	13,870	32	13,902
– Crane machinery	**34,893**	**4**	**34,897**	22,124	23	22,147
– Others	**7,463**	**38**	**7,501**	4,916	26	4,942
Agricultural machinery	**2,644**	**–**	**2,644**	1,583	–	1,583
Financial services	**–**	**1,082**	**1,082**	–	733	733
	63,984	**1,125**	**65,109**	42,493	814	43,307

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

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Information about profit or loss

	2020 RMB millions	2019 RMB millions
Reportable segment profit:		
Construction machinery		
— Concrete machinery	**5,000**	3,810
— Crane machinery	**10,825**	7,256
— Others	**1,271**	1,127
Agricultural machinery	**444**	68
Financial services	**1,077**	732
	18,617	12,993

(iii) Reconciliations of segment profit

	2020 RMB millions	2019 RMB millions
Reconciliation of segment profit:		
Total reportable segment profit	**18,617**	12,993
Gross profit	**18,617**	12,993
Other income	**1,462**	1,017
Sales and marketing expenses	**(4,046)**	(3,780)
General and administrative expenses	**(2,366)**	(2,231)
Impairment loss on trade and other receivables and receivables under finance lease	**(1,682)**	(462)
Research and development expenses	**(3,345)**	(1,516)
Net finance costs	**(154)**	(1,165)
Share of profits less losses of associates	**182**	188
Profit before taxation	**8,668**	5,044

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(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.

	2020 RMB millions	2019 RMB millions
Revenue from external customers		
— Mainland PRC	**61,277**	39,738
— Outside PRC	**3,832**	3,569
Total	**65,109**	43,307

	2020 RMB millions	2019 RMB millions
Specified non-current assets		
— Mainland PRC	**9,560**	8,462
— Outside PRC	**850**	706
Total	**10,410**	9,168

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For the year ended 31 December 2020

4 Other income

	2020 RMB millions	2019 RMB millions
Government grants (Note)	**531**	223
Net realised and unrealised gains on financial assets at FVPL	**452**	753
Dividend income from financial assets at FVOCI	**17**	36
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	**267**	8
Gain on disposal of associates	**489**	—
Loss on disposal of trade receivables and receivables under finance lease	**(62)**	—
Loss on troubled debt restructurings	**(216)**	—
Others	**(16)**	(3)
	1,462	1,017

Note: Government grants mainly represent operating subsidies and other grants. There were no unfulfilled conditions and other contingencies attached to these grants.

5 Profit before taxation

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

(a) Net finance costs:

	2020 RMB millions	2019 RMB millions
Interest income	(596)	(539)
Interest on loans and borrowings	930	1,663
Interest on lease liabilities (Note 21(a))	12	10
Net exchange (gain)/loss	(192)	31
	154	1,165

(b) Staff costs:

	2020 RMB millions	2019 RMB millions
Salaries, wages and other benefits	3,761	2,908
Share incentive scheme expenses (Note 26(c))	598	135
Contributions to retirement schemes (Note 28)	631	440
	4,990	3,483

5 Profit before taxation (continued)

(c) Other items:

	2020 RMB millions	2019 RMB millions
Cost of inventories sold (Note 16)	**46,492**	30,314
Depreciation charge		
— owned property, plant and equipment (Note 10)	**585**	612
— right-of-use assets, land use rights (Note 11)	**54**	50
— right-of-use assets, plant, machinery and equipment (Note 11)	**75**	68
Amortisation of intangible assets (Note 12)	**188**	205
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets (Note 4)	**267**	8
Auditors' remuneration:		
— audit services	**10**	10
Product warranty costs (Note 23(b))	**211**	162
Impairment losses:		
— trade receivables (Note 18(c))	**1,257**	425
— receivables under finance lease (Note 19(c))	**262**	1
— other receivables	**163**	36
— inventories	**87**	180
— goodwill (Note 13)	**—**	30
— intangible assets (Note 12)	**6**	6

6 Income tax

Income tax in the consolidated statement of comprehensive income represents:

(a) Taxation charged to profit or loss:

	2020 RMB millions	2019 RMB millions
Current tax — PRC income tax	**1,470**	747
Current tax — Income tax in other tax jurisdictions	**13**	12
Deferred taxation	**(186)**	—
Tax expenses	**1,297**	759

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

	2020 RMB millions	2019 RMB millions
Profit before taxation	**8,668**	5,044
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (Note (i))	**2,167**	1,261
Tax effect of non-deductible expenses	**104**	115
Current year loss for which no deferred tax assets was recognised	**19**	107
Tax effect of non-taxable income (Note (i))	**(85)**	(168)
Tax effect of tax concessions (Note (ii))	**(725)**	(460)
Additional deduction for qualified research and development expenses (Note (iii))	**(183)**	(96)
Actual income tax expenses	**1,297**	759

6 Income tax (continued)

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

Notes:

(i) The PRC statutory income tax rate is 25% (2019: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2019: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. In 2020 and 2019, 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% (2019: 19.0% 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 2020 and accordingly are subject to income tax at 15% for the years from 2020 to 2022.

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

7 Directors' and supervisors' emoluments

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors'/ supervisors' fee RMB thousands	Salaries, allowances and other benefits RMB thousands	Discretionary bonuses RMB thousands	Contributions to retirement scheme RMB thousands	Share incentive scheme RMB thousands	Total RMB thousands
For the year ended 31 December 2020						
Executive director						
ZHAN Chunxin	–	1,342	1,342	16	3,575	6,275
Non-executive directors						
HE Liu	–	–	–	–	–	–
ZHAO John Huan	–	–	–	–	–	–
Independent non-executive directors						
LIU Guiliang	150	–	–	–	–	150
YANG Changbo	150	–	–	–	–	150
LAI Kin Keung	150	–	–	–	–	150
ZHAO Songzheng	150	–	–	–	–	150
Supervisors						
WANG Minghua	–	–	–	–	–	–
HE Jianming	–	842	842	16	661	2,361
LIU Xiaoping	–	557	557	16	160	1,290
	600	2,741	2,741	48	4,396	10,526

7 Directors' and supervisors' emoluments (continued)

	Directors'/ supervisors' fee RMB thousands	Salaries, allowances and other benefits RMB thousands	Discretionary bonuses RMB thousands	Contributions to retirement scheme RMB thousands	Share incentive scheme RMB thousands	Total RMB thousands
For the year ended 31 December 2019						
Executive director						
ZHAN Chunxin	–	1,342	1,342	16	2,130	4,830
Non-executive directors						
HE Liu	–	–	–	–	–	–
ZHAO John Huan	–	–	–	–	–	–
Independent non-executive directors						
LIU Guiliang	150	–	–	–	–	150
YANG Changbo	150	–	–	–	–	150
LAI Kin Keung	150	–	–	–	–	150
ZHAO Songzheng	150	–	–	–	–	150
Supervisors						
WANG Minghua	–	–	–	–	–	–
HE Jianming	–	842	842	16	1,491	3,191
LIU Xiaoping	–	507	507	16	361	1,391
	600	2,691	2,691	48	3,982	10,012

None of these directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the year (2019: Nil).

8 Individuals with highest emoluments

Of the five highest paid individuals of the Group, one (2019: one) individual was director or supervisor of the Company, whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining four (2019: four) individuals are as follows:

	2020 RMB thousands	2019 RMB thousands
Salaries, allowances and other benefits in kind	**7,336**	7,336
Share incentive scheme expenses	**39,986**	6,815
Contributions to retirement scheme	**64**	64
	47,386	14,215

The emoluments of the non-director/supervisor employees among the five highest paid individuals are within the following bands:

	2020 Number	2019 Number
RMB3,000,001 — RMB6,000,000	**—**	4
RMB6,000,001 — RMB9,000,000	**—**	—
RMB9,000,001 — RMB12,000,000	**2**	—
RMB12,000,001 — RMB15,000,000	**2**	—

None of these employees received any inducements or compensation for loss of office, or waived any emoluments during the year (2019: Nil).

Notes to the consolidated financial statements

For the year ended 31 December 2020

9 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 RMB7,296 million (2019: RMB4,381 million) and the weighted average of 7,464 million ordinary shares (2019: 7,514 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020 millions	2019 millions
Issued ordinary shares at 1 January	**7,427**	7,809
Effect of shares repurchased (Note 30(e))	**–**	(219)
Effect of restricted A shares issued (Note 26(b))	**–**	(117)
Effect of restricted A shares unlocked (Note 26(b))	**9**	9
Effect of share options exercised (Note 26(a))	**28**	32
Weighted average number of ordinary shares at 31 December	**7,464**	7,514

(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 RMB7,296 million (2019: RMB4,381 million) and the weighted average number of ordinary shares of 7,543 million shares (2019: 7,564 million shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2020 millions	2019 millions
Weighted average number of ordinary shares at 31 December	**7,464**	7,514
Effect of deemed issue of restricted A shares (Note 26(b))	**45**	45
Effect of exercisable options (Note 26(a))	**34**	5
Weighted average number of ordinary shares (diluted) at 31 December	**7,543**	7,564

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

Notes to the consolidated financial statements

For the year ended 31 December 2020

10 Property, plant and equipment

	Buildings RMB millions	Machinery, plant and equipment RMB millions	Motor vehicles and office equipment RMB millions	Construction in progress RMB millions	Total RMB millions
Cost:					
Balance at 1 January 2019	5,137	3,616	767	638	10,158
Additions	52	107	105	931	1,195
Acquisition from business combination	7	162	7	1	177
Transferred from construction in progress	338	283	16	(637)	–
Disposals	(20)	(116)	(72)	–	(208)
Transfer to inventory	–	(63)	–	–	(63)
Effect of exchange rate difference	1	8	1	–	10
Balance at 31 December 2019	5,515	3,997	824	933	11,269
Balance at 1 January 2020	**5,515**	**3,997**	**824**	**933**	**11,269**
Acquisition from business combination	**71**	**370**	**7**	**–**	**448**
Additions	**152**	**182**	**120**	**458**	**912**
Transferred from construction in progress	**26**	**123**	**9**	**(158)**	**–**
Disposals	**(215)**	**(103)**	**(63)**	**–**	**(381)**
Effect of exchange rate difference	**(1)**	**23**	**(5)**	**–**	**17**
Balance at 31 December 2020	**5,548**	**4,592**	**892**	**1,233**	**12,265**
Accumulated depreciation and impairment:					
Balance at 1 January 2019	(1,332)	(2,099)	(650)	–	(4,081)
Depreciation charge for the year	(194)	(348)	(70)	–	(612)
Write off impairment	–	28	–	–	28
Written back on disposals	4	47	54	–	105
Transfer to inventory	–	29	–	–	29
Effect of exchange rate difference	–	(3)	–	–	(3)
Balance at 31 December 2019	(1,522)	(2,346)	(666)	–	(4,534)
Balance at 1 January 2020	**(1,522)**	**(2,346)**	**(666)**	**–**	**(4,534)**
Depreciation charge for the year	**(188)**	**(318)**	**(79)**	**–**	**(585)**
Written back on disposals	**62**	**102**	**46**	**–**	**210**
Effect of exchange rate difference	**–**	**(17)**	**3**	**–**	**(14)**
Balance at 31 December 2020	**(1,648)**	**(2,579)**	**(696)**	**–**	**(4,923)**
Net book value:					
Balance at 31 December 2020	**3,900**	**2,013**	**196**	**1,233**	**7,342**
Balance at 31 December 2019	3,993	1,651	158	933	6,735

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10 Property, plant and equipment (continued)

As at 31 December 2020, the carrying amount of machinery, plant and equipment leased out under operating leases is RMB88 million (31 December 2019: RMB91 million), which mainly represents machinery reprocessed from customers. The lease term generally ranges from 1 to 4 years (2019: 1 to 4 years). These operating leases does not contain contingent lease rentals. The future minimum lease payments under non-cancellable operating lease in the aggregate are receivable as follows:

	2020 RMB millions	2019 RMB millions
Within 1 year	**79**	14
After 1 year but within 2 years	**19**	12
After 2 years but within 3 years	**3**	9
Thereafter	**9**	5
	110	40

11 Right-of-use assets

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset is as follows:

	Note	**2020 RMB millions**	2019 RMB millions
Land use rights, carried at depreciated cost	(i)	**2,610**	2,020
Plant, machinery and equipment, carried at depreciated cost	(ii)	**458**	413
		3,068	2,433

11 Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 RMB millions	2019 RMB millions
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights, carried at depreciated cost	54	50
Plant, machinery and equipment, carried at depreciated cost	75	68
	129	118
Interest on lease liabilities (Note 5(a))	12	10
Expense relating to short-term leases	26	25
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	22	20

During the year, additions to right-of-use assets were RMB862 million. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 21 and 25, respectively.

(i) Land use rights

Land use rights are mainly located in Hunan Province and Anhui Province, the PRC, and are held on medium-term leases of 20 to 50 years from the dates of acquisition.

Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on ratable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Plant, machinery and equipment

The Group leases production plant under operating leases expiring from 2 to 12 years. None of the leases includes an option to purchase the leased equipment at the end of the lease term. Some of the leases includes an option to renew the lease or variable lease payments.

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12 Intangible assets

	Trademarks RMB millions	Technical know how RMB millions	Software, patents, operating and similar rights RMB millions	Customer relationships RMB millions	Capitalised development costs RMB millions	Total RMB millions
Cost:						
Balance at 1 January 2019	1,263	184	451	581	857	3,336
Additions	–	6	42	–	80	128
Acquisition from business combination	–	1	–	–	–	1
Disposals	–	–	(2)	–	(23)	(25)
Effect of exchange rate difference	(2)	(1)	–	–	–	(3)
Balance at 31 December 2019	1,261	190	491	581	914	3,437
Balance at 1 January 2020	**1,261**	**190**	**491**	**581**	**914**	**3,437**
Acquisition from business combination	**–**	**–**	**1**	**–**	**–**	**1**
Additions	**–**	**44**	**33**	**–**	**40**	**117**
Disposals	**–**	**(1)**	**(1)**	**–**	**(17)**	**(19)**
Effect of exchange rate difference	**14**	**7**	**–**	**10**	**6**	**37**
Balance at 31 December 2020	**1,275**	**240**	**524**	**591**	**943**	**3,573**
Accumulated amortisation and impairment:						
Balance at 1 January 2019	(39)	(137)	(274)	(386)	(347)	(1,183)
Amortisation for the year	–	(20)	(39)	(52)	(94)	(205)
Impairment losses	–	–	–	–	(6)	(6)
Balance at 31 December 2019	(39)	(157)	(313)	(438)	(447)	(1,394)
Balance at 1 January 2020	**(39)**	**(157)**	**(313)**	**(438)**	**(447)**	**(1,394)**
Amortisation for the year	**–**	**(28)**	**(31)**	**(44)**	**(85)**	**(188)**
Impairment losses	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Effect of exchange rate difference	**–**	**(6)**	**–**	**(9)**	**(5)**	**(20)**
Balance at 31 December 2020	**(39)**	**(191)**	**(344)**	**(491)**	**(543)**	**(1,608)**
Net book value:						
Balance at 31 December 2020	**1,236**	**49**	**180**	**100**	**400**	**1,965**
Balance at 31 December 2019	1,222	33	178	143	467	2,043

13 Goodwill and business combination

	2020 RMB millions	2019 RMB millions
Balance at 1 January	**2,017**	2,046
Addition	**—**	6
Impairment loss	**—**	(30)
Effect of exchange rate difference	**37**	(5)
Balance at 31 December	**2,054**	2,017

The goodwill arose from the acquisition of the following entities:

		Carrying amount	
Name of entity	**Date of acquisition**	**2020 RMB millions**	2019 RMB millions
CIFA	September 2008	**1,554**	1,519
Zoomlion Earth Working Machinery (formerly "Shaanxi Xinhuanggong Machinery Co., Ltd.")	June 2008	**85**	85
Hunan Zoomlion Axle Co., Ltd.	June 2008	**12**	12
m-tec	April 2014	**34**	32
Zoomlion Agriculture Machinery Co., Ltd. (formerly "Zoomlion Heavy Machinery Co., Ltd.")	January 2015	**363**	363
Wilbert TowerCranes GmbH	June 2019	**6**	6
		2,054	2,017

13 Goodwill and business combination (continued)

Since June 2017, the Group involved in a restructuring plan of a formed customer, Wuhan Yida Construction Service Co., Ltd. and its wholly-owned subsidiaries (collectively "Wuhan Yida"). On 9 November 2020 (the "Acquisition Date"), the restructuring plan was completed, and the Group acquired 56.93% interest of Wuhan Yida. The cost of the acquisition was RMB230 million, being the net carrying amount of the trade and other receivables and receivables under finance lease due from Wuhan Yida. The fair value of identifiable net assets acquired, non-controlling interests and goodwill recognised were RMB403 million, RMB173 million and nil, respectively.

The revenue and the results contributed by Wuhan Yida for the period since acquisition date were insignificant to the Group. The Group's revenue and results for the year would not be materially different had the acquisition occurred on 1 January 2020.

The following table summarises the purchase price allocation of the fair value of the identifiable assets acquired and liabilities assumed in respect of the above acquisition of Wuhan Yida at the acquisition date.

	RMB millions
Property, plant and equipment	448
Intangible assets	1
Inventories	4
Other current assets	36
Trade and other receivables	162
Cash and cash equivalents	13
Total assets acquired	**664**
Trade and other payables	(261)
Total liabilities assumed	**(261)**
Non-controlling interests	(173)
Goodwill	—
Total cost of acquisition	**230**
Non-cash cost of acquisition	(230)
Cash acquired	13
Net cash inflow	**13**

13 Goodwill and business combination (continued)

On 19 June 2019, the Company completed the acquisition of 100% interest in Guoyu Europe Holding GmbH and its wholly-owned subsidiary, Wilbert TowerCranes GmbH (collectively "Wilbert") with a cash consideration of EUR22 million (equivalent to RMB171million). The purpose of the business combination was to broaden the Group's business in tower cranes and construction machinery.

The acquisition was accounted for under the acquisition method. The Company allocated the purchase price to identifiable assets acquired and liabilities assumed based on their fair values. Management determined the fair values of the identifiable assets acquired and liabilities assumed based on valuation performed by an independent appraiser.

Goodwill impairment test

The recoverable amounts of the respective cash-generating units have been determined by a value-in-use calculation, which used cash flow projections based on financial budgets approved by management. The cash flow projections covered a period of five years and adopted pre-tax discount rates ranging from approximately 8.91% to 17.31% (2019: 11.72% to 15.99%). The discount rates were determined based on the applicable weighted average cost of capital of the acquirees, which reflects the time value of money and the specific risks relating to the respective acquirees' businesses. The cash flow projections have taken into account the historical financial performance, expected sales growth rates and profit margins of the respective acquirees, market conditions and other available information. The assumptions used are based on management's past experience of the specific market, having made reference to external sources of information. Cash flows beyond the five-year period are extrapolated using estimated growth rates from 2.5% to 3.0% (2019: 2.5% to 3.0%), which does not exceed the long-term average growth rate for the business in which the respective cash-generating units operate.

14 Interests in associates

	2020 RMB millions	2019 RMB millions
Infore Environment Technology Group Co., Ltd. ("Infore Environment")	**3,040**	2,933
Aggregate carrying amount of individually material associates in the consolidated financial statements	**3,040**	2,933
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**348**	976
Total	**3,388**	3,909

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

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14 Interests in associates (continued)

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

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital (millions)	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activities
Infore Environment (Note)	Incorporated	China	RMB3,163	12.63%	12.63%	Environmental construction and project operation

Note: Infore Environment is listed on the main board of Shenzhen Stock Exchange. On 31 December 2020, the quoted market price of Infore Environment was RMB8.14 (2019: RMB6.17) per share and the fair value of the investment in Infore Environment was RMB3,249 million (2019: RMB2,463 million).

	2020 RMB millions	2019 RMB millions
Amounts of the Group's share of Infore Environment		
Profit from operations	151	178
Other comprehensive income	—	—
Total comprehensive income	151	178

	2020 RMB millions	2019 RMB millions
Aggregate amounts of the Group's share of individually immaterial associates		
Profit from operations	31	10
Other comprehensive income	—	—
Total comprehensive income	31	10

15 Other financial assets

	Note	2020 RMB millions	2019 RMB millions
Financial assets at FVOCI			
Equity securities	(i)	**2,279**	2,367
Financial assets at FVPL			
Listed equity securities	(ii)	**271**	127
Securities investment funds	(iii)	**153**	150
Total		**2,703**	2,644

Notes:

(i) The equity securities comprises equity funds and other unlisted equity securities. The aggregate fair value of equity funds and unlisted equity securities was RMB1,618 million and RMB661 million respectively at 31 December 2020 (2019: RMB1,264 million and RMB1,103 million). The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of RMB17 million (2019: RMB36 million) were received on investments in equity securities during the year ended 31 December 2020 (see Note 4). A gain accumulated in the fair value reserve (non-recycling) of RMB2 million in relation to partial disposal of equity securities was transferred to retained earnings during the year (2019: a loss accumulated of RMB0.4 million loss).

(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 RMB271 million, based on their quoted market prices as at 31 December 2020 (2019: RMB127 million).

(iii) The Group invests its spare cash in securities investment funds offered by fund management institutions. The underlying assets of the products are a wide range of government and corporate bonds, asset-backed securities, bond repurchases, bank deposits and other financial instruments. The Group evaluates these products on a fair value basis in accordance with the accounting policy set out in Note 2(e).

Notes to the consolidated financial statements

For the year ended 31 December 2020

16 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2020 RMB millions	2019 RMB millions
Raw materials	**4,360**	2,509
Work in progress	**2,801**	2,611
Finished goods (Note)	**7,491**	6,652
	14,652	11,772

Note: The Group takes various measures to recover overdue debtors including repossession of sold machinery. These reprocessed machinery are normally subject to rebuild and are expected to be either resale or leased out under operating leases. The Group estimated the net realisable value of these machinery taking into account the expected selling price in the current second-hand machinery market.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss was presented in Note 5(c).

17 Financial assets at fair value through profit or loss

	2020 RMB millions	2019 RMB millions
Financial assets carried at fair value through profit or loss:		
— Wealth management products (Note)	**3,363**	3,953
— Securities investment funds (Note 15(iii))	**921**	358
	4,284	4,311

Note: The Group invests its spare cash in wealth management products and structured deposits offered by banks and other financial institutions. These products generally have a pre-set maturity and expected return, with its underlying assets being a wide range of government and corporate bonds, central bank bills, money market funds as well as other listed and unlisted equity securities in the PRC. The Group evaluates these products on a fair value basis in accordance with the accounting policy set out in Note 2(e).

18 Trade and other receivables

	2020 RMB millions	2019 RMB millions
Trade receivables (Notes (a) and (b))	**37,475**	30,437
Less: loss allowance (Note (c))	**(4,943)**	(5,146)
	32,532	25,291
Less: trade receivables due after one year	**(14,131)**	(9,072)
	18,401	16,219
Bills receivable (Note (d))	**2,532**	1,748
	20,933	17,967
Amounts due from related parties (Note 35(b))	**185**	181
Prepayments for purchase of raw materials	**706**	644
Prepaid expenses	**366**	623
VAT recoverable	**938**	771
Deposits	**164**	197
Others	**680**	456
	23,972	20,839

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

Notes to the consolidated financial statements

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18 Trade and other receivables (continued)

(a) Trading terms and factoring of trade receivables

The Group generally allows certain customers with appropriate credit standing to make payments in instalments over a maximum period of 42 months ("instalment payment method"). Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2020, the weighted average discount rate was approximately 4.75% (2019: 4.75%) per annum. As at 31 December 2020, trade receivables due after one year of RMB14,131 million (31 December 2019: RMB9,072 million) were presented net of unearned interest of RMB1,559 million (31 December 2019: RMB826 million).

(b) Ageing analysis of trade receivables

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

	2020 RMB millions	2019 RMB millions
Within 1 year	**25,143**	16,984
Over 1 year but less than 2 years	**3,460**	3,086
Over 2 years but less than 3 years	**1,273**	1,641
Over 3 years but less than 5 years	**1,681**	2,698
Over 5 years	**975**	882
	32,532	25,291

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

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.

18 Trade and other receivables (continued)

(c) Impairment of trade receivables

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

	2020 RMB millions	2019 RMB millions
Balance at 1 January	5,146	5,912
Impairment losses recognised	1,257	425
Reclassification from loss allowance of receivables under finance lease (Note 19(c))	232	22
Uncollectible amounts written off	(1,620)	(307)
Written off upon debt-equity swap	(46)	—
Written off upon sale of trade receivables (Note)	(26)	(906)
Balance at 31 December	4,943	5,146

Note: During the year ended 31 December 2020, RMB26 million of loss allowance for trade receivables were written off due to disposal of certain receivables in a bulk sale (2019: RMB906 million).

(d) As at 31 December 2020, bills receivable of RMB2,532 million (2019: RMB1,748 million) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the year.

Bills receivable represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 6 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorses bills receivable to suppliers in order to settle trade payables.

18 Trade and other receivables (continued)

(d) (continued)

As at 31 December 2020, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the 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 2020, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB2,015 million (31 December 2019: RMB1,387 million).

As at 31 December 2020, bills receivable of RMB294 million (31 December 2019: RMB358 million) were discounted to banks or other financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred. Since the Group has continuing involvement in the transferred assets, these discounted bills receivable were therefore not derecognised. As at 31 December 2020, bills receivable of RMB873 million (31 December 2019: RMB559 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.

19 Receivables under finance lease

	2020 RMB millions	2019 RMB millions
Gross investment	**26,112**	19,406
Unearned finance income	**(1,135)**	(760)
	24,977	18,646
Less: loss allowance (Note (c))	**(1,604)**	(1,646)
	23,373	17,000
Less: receivables under finance lease due after one year	**(13,008)**	(7,771)
Receivables under finance lease due within one year	**10,365**	9,229

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of un-reimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for a period ranging from 2 to 5 years (2019: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 50% of the product price (2019: 5% to 40%) and pay a security deposit ranging from 1% to 15% of the product price (2019: 1% to 10%). At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

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19 Receivables under finance lease (continued)

(a) Ageing analysis of receivables under finance lease

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

	2020 RMB millions	2019 RMB millions
Present value of the minimum lease payments		
Within 1 year	**11,546**	10,670
Over 1 year but less than 2 years	**6,455**	4,223
Over 2 years but less than 3 years	**3,981**	2,498
Over 3 years	**2,995**	1,255
	24,977	18,646
Unearned finance income		
Within 1 year	**719**	468
Over 1 year but less than 2 years	**273**	192
Over 2 years but less than 3 years	**107**	76
Over 3 years	**36**	24
	1,135	760
Gross investment		
Within 1 year	**12,265**	11,138
Over 1 year but less than 2 years	**6,728**	4,415
Over 2 years but less than 3 years	**4,088**	2,574
Over 3 years	**3,031**	1,279
	26,112	19,406

19 Receivables under finance lease (continued)

(b) Overdue analysis

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

	2020 RMB millions	2019 RMB millions
Not yet due	**21,986**	13,360
Within 1 year past due	**392**	1,621
Over 1 year but less than 2 years past due	**449**	1,114
Over 2 years past due	**2,150**	2,551
Total past due	**2,991**	5,286
	24,977	18,646
Less: loss allowance	**(1,604)**	(1,646)
	23,373	17,000

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

(c) Impairment of receivables under finance lease

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

	Note	2020 RMB millions	2019 RMB millions
Balance at 1 January		**1,646**	1,667
Impairment losses recognised		**262**	1
Written off upon debt-equity swap		**(39)**	—
Written off upon sale of receivables under finance lease		**(33)**	—
Reclassification to loss allowance of trade receivables	18(c)	**(232)**	(22)
Balance at 31 December		**1,604**	1,646

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19 Receivables under finance lease (continued)

(d) The Group monitors the credit risk arising from finance lease arrangement through various control measures as set out in Note 32(b)(ii). Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, finance income under finance lease is recognised in accordance with the accounting policies as set out in Note 2(t)(ii).

20 Pledged bank deposits

The pledged bank deposits primarily represent cash maintained at banks as security for guarantees of payment relating to the issuance of bills payable to certain vendors of the Group, for guarantees given by the Group to banks in respect of loans provided by such banks to certain customers for purchase of the Group's products (Note 34(a)) and for receivables that have been factored to banks. Upon maturity of the bills payable, which generally range from 3 to 6 months, or upon full repayment of the customers' loans or receivables, the restriction on the bank deposits is released.

21 Cash and cash equivalents

	2020 RMB millions	2019 RMB millions
Cash at bank and on hand		
— RMB denominated	**8,752**	3,826
— USD denominated	**418**	632
— EUR denominated	**667**	366
— HKD denominated	**27**	4
— Other currencies	**222**	245
	10,086	5,073

21 Cash and cash equivalents (continued)

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Note	Bank loans and other borrowings RMB million (Note 22)	Deposits due to an associate RMB million (Note 22)	Lease liabilities RMB million (Note 25)	Total RMB million
At 1 January 2019		35,650	39	334	36,023
Changes from financing cash flows:					
Capital element of lease rentals paid		—	—	(64)	(64)
Interest element of lease rentals paid		—	—	(10)	(10)
Proceeds from loans and borrowings		41,250	1,275	—	42,525
Repayments of loans and borrowings		(55,251)	(1,282)	—	(56,533)
Interest paid		(1,707)	—	—	(1,707)
Total changes from financing cash flows		(15,708)	(7)	(74)	(15,789)
Exchange adjustments		120	—	—	120
Other changes:					
Loans and borrowings acquired from business combination	13	52	—	—	52
Increase in lease liabilities from entering into new lease during the year		—	—	147	147
Change in interest payable		18	—	—	18
Interest on loans and borrowings	5(a)	1,663	—	—	1,663
Interest on lease liabilities	5(a)	—	—	10	10
Total other changes		1,733	—	157	1,890

21 Cash and cash equivalents (continued)

(a) Reconciliation of liabilities arising from financing activities (continued)

	Note	Bank loans and other borrowings RMB million (Note 22)	Deposits due to an associate RMB million (Note 22)	Lease liabilities RMB million (Note 25)	Total RMB million
At 31 December 2019		21,795	32	417	22,244
Changes from financing cash flows:					
Capital element of lease rentals paid		—	—	(75)	(75)
Interest element of lease rentals paid		—	—	(12)	(12)
Proceeds from loans and borrowings		57,648	970	—	58,618
Repayments of loans and borrowings		(59,929)	(998)	—	(60,927)
Interest paid		(903)	—	—	(903)
Total changes from financing cash flows		(3,184)	(28)	(87)	(3,299)
Exchange adjustments		(231)	—	—	(231)
Other changes:					
Loans and borrowings acquired from business combination	13	—	—	—	—
Increase in lease liabilities from entering into new lease during the year		—	—	68	68
Change in interest payable		(13)	—	—	(13)
Interest on loans and borrowings	5(a)	930	—	—	930
Interest on lease liabilities	5(a)	—	—	12	12
Total other changes		917	—	80	997
At 31 December 2020		19,297	4	410	19,711

21 Cash and cash equivalents (continued)

(b) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020 RMB millions	2019 RMB millions
Within operating cash flows	**48**	45
Within financing cash flows	**87**	74
	135	119

These amounts relate to the following:

	2020 RMB millions	2019 RMB millions
Lease rentals paid	**135**	119

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22 Loans and borrowings

(a) Short-term loans and borrowings

	Note	2020 RMB millions	2019 RMB millions
Secured short-term bank loans			
— RMB denominated	(i)	**10**	48
Pledged short-term bank loans	(ii)	**816**	358
Unsecured short-term bank loans			
— RMB denominated	(iii)	**825**	3,803
— USD denominated	(iv)	**12**	490
— EUR denominated	(v)	**1,296**	340
— RUB denominated		**—**	4
Deposits due to an associate		**4**	32
		2,963	5,075
Add: current portion of long-term loans and borrowings	22(b)	**1**	2,237
		2,964	7,312

Notes:

(i) As at 31 December 2020, RMB denominated secured short-term bank loan of RMB10 million (31 December 2019: RMB48 million) bore interest at a fixed rate of 4.15% were secured by certain land and properties and will be repayable in full in 2021.

(ii) As at 31 December 2020, RMB denominated pledged short-term bank loan of RMB816 million (31 December 2019: RMB358 million) bore interest at rates ranging from 2.00% to 3.10% per annum were pledged by financial assets and bank acceptance bills and will be repayable in full in 2021.

(iii) As at 31 December 2020, RMB denominated unsecured short-term bank loans of RMB825 million (31 December 2019: RMB3,803 million) bore interest at rates ranging from 2.05% to 4.00% per annum and will be repayable in full in 2021.

(iv) As at 31 December 2020, USD denominated unsecured short-term bank loans of RMB12 million (31 December 2019: RMB490 million) bore interest at a fixed rate of 1.43% per annum and will be repayable in full in 2021.

(v) As at 31 December 2020, EUR denominated unsecured short-term bank loans of RMB1,296 million (31 December 2019: RMB340 million) bore interest at a fixed rate of 1.00% per annum and will be repayable in full in 2021.

22 Loans and borrowings (continued)

(b) Long-term loans and borrowings

	Note	2020 RMB millions	2019 RMB millions
Unsecured long-term bank loans			
— RMB denominated	(i)	**500**	2,801
— EUR denominated	(ii)	**1,623**	1,561
— USD denominated	(iii)	**806**	717
RMB medium-term notes	(iv)	**4,993**	4,988
Guaranteed USD senior notes	(v)	**3,424**	3,692
Debentures	(vi)	**4,992**	2,993
		16,338	16,752
Less: current portion of long-term loans and borrowings	22(a)	**(1)**	(2,237)
		16,337	14,515

Notes:

(i) As at 31 December 2020, RMB denominated unsecured long-term bank loans of RMB500 million (31 December 2019: RMB2,801 million) bore interest at rates ranging from 3.70% to 5.18% per annum and will be repayable in 2022. Such loans were subject to the fulfilment of certain financial covenants of the Group. As at 31 December 2020, the Group was in compliance with these financial covenants.

(ii) As at 31 December 2020, EUR denominated unsecured long-term bank loans of RMB1,623 million (31 December 2019: RMB1,561 million) bore interest at rates ranging from 0.85% to 4.00% per annum and will be repayable from 2022 to 2028.

(iii) As at 31 December 2020, USD denominated unsecured long-term bank loans of RMB805 million (31 December 2019: RMB717 million) bore interest at rates ranging from 1.00% to 2.78% per annum and will be repayable from 2022 to 2028.

As at 31 December 2020, USD denominated unsecured long-term bank loan of RMB1 million (31 December 2019: Nil) bore interest at rates of 1.44% per annum and will be repayable in full in 2021.

(iv) In December 2018, the Company issued 5-year RMB medium-term notes with principal amount of RMB2,500 million. The notes bore interest at a fixed rate of 4.49% per annum and will mature in December 2023. Interest on the notes will be payable yearly in arrears in December, beginning from December 2018.

In October 2019, the Company issued 5-year RMB medium-term notes with principal amount of RMB2,500 million. The notes bore interest at a fixed rate of 3.75% per annum and will mature in October 2024. Interest on the notes will be payable yearly in arrears in October, beginning from October 2019.

22 Loans and borrowings (continued)

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

(v) In December 2012, Zoomlion H.K. SPV Co., Limited issued 10-year senior notes with principal amount of USD600 million. The senior notes were guaranteed by the Company, bear interest at a fixed rate of 6.13% per annum and will mature in December 2022. Interest on the notes will be payable half-yearly in arrears in June and December of each year, beginning from June 2013.

In December 2016, senior notes with the carrying amount of USD19.20 million (RMB equivalent 132 million) was repurchased at the quoted market price of USD19.10 million (RMB equivalent 131 million) and the difference of RMB1 million between the purchase price and the carrying amount was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

In December 2018, senior notes with the carrying amount of USD49.10 million (RMB equivalent 329 million) was repurchased at the quoted market price of USD48.60 million (RMB equivalent 325 million) and the difference of RMB4 million between the purchase price and the carrying amount was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

In April 2020, senior notes with the carrying amount of USD5.0 million (RMB equivalent 35 million) was repurchased at the quoted market price of USD4.9 million (RMB equivalent 34 million) and the difference of RMB1 million between the purchase price and the carrying amount was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

(vi) In December 2018, the Company issued 5-year RMB debentures with principal amount of RMB2,000 million. The debentures bore interest at a fixed rate of 4.65% per annum and will mature in December 2023. Interest on the debentures will be payable yearly in arrears in December, beginning from December 2018.

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

In March 2020, the Company issued 5-year RMB debentures with principal amount of RMB2,000 million. The debentures bore interest at a fixed rate of 3.30% per annum and will mature in December 2025. Interest on the debentures will be payable yearly in arrears in March, beginning from March 2021.

(c) Except as disclosed in Note 22(b)(i) above, none of the Group's loans and borrowings contains any financial covenants.

23 Trade and other payables

	2020 RMB millions	2019 RMB millions
Trade creditors	**13,663**	9,301
Bills payable	**18,921**	9,760
Trade creditors and bills payable (Note (a))	**32,584**	19,061
Accrued staff costs	**1,177**	786
VAT payable	**869**	640
Sundry taxes payable	**165**	125
Security deposits (Note 29)	**1,015**	607
Dividends payable	**263**	313
Amounts due to non-controlling shareholders of certain subsidiaries	**138**	254
Payable for acquisition of property, plant and equipment	**293**	284
Locked restricted share (Note 26)	**—**	100
Product warranty provision (Note (b))	**158**	99
Interest payable	**89**	81
Financial guarantees issued (Note 34)	**65**	67
Amounts due to related parties (Note 35(b))	**2**	3
Other accrued expenses and payables	**3,569**	2,592
	40,387	25,012

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.

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23 Trade and other payables (continued)

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

	2020 RMB millions	2019 RMB millions
Due within 1 month or on demand	**5,989**	5,119
Due after 1 month but within 3 months	**13,327**	5,935
Due after 3 months but within 6 months	**9,591**	7,619
Due after 6 months but less than 12 months	**3,677**	388
	32,584	19,061

(b) Product warranty provision

	RMB millions
Balance at 1 January 2019	82
Provision for the year	162
Utilisation during the year	(145)
Balance at 31 December 2019 and 1 January 2020	**99**
Provision for the year	**211**
Utilisation during the year	**(152)**
Balance at 31 December 2020	**158**

A provision for warranties is recognised when the underlying products are sold. Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within predominantly 3 to 12 months from the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities.

24 Contract liabilities

	2020 RMB millions	2019 RMB millions
Contract liabilities		
Receipts in advance from customers	**2,777**	1,934
	2,777	1,934

	2020 RMB millions	2019 RMB millions
Balance at 1 January	**1,934**	1,602
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(4,035)**	(2,690)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	**4,878**	3,022
Balance at 31 December	**2,777**	1,934

Notes to the consolidated financial statements

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25 Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	2020		2019	
	Present value of the minimum lease payments RMB millions	**Total minimum lease payments RMB millions**	Present value of the minimum lease payments RMB millions	Total minimum lease payments RMB millions
Within 1 year	**90**	**90**	88	88
After 1 year but within 2 years	**97**	**107**	74	82
After 2 years but within 5 years	**102**	**114**	115	128
After 5 years	**121**	**138**	140	160
	320	**359**	329	370
	410	**449**	417	458
Less: total future interest expenses		**(39)**		(41)
Present value of lease liabilities		**410**		417

26 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.

26 Share incentive scheme (continued)

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.

On 10 September 2020, 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 8,682,207 share options and 8,711,715 restricted shares granted to the Participants under Second Grants were vested or unlocked.

On 7 November 2020, 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 45,913,580 share options and 46,072,212 restricted shares granted to the Participants under First Grants were vested or unlocked.

26 Share incentive scheme (continued)

(a) Share options

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

	Number of instruments	Vesting conditions	Contractual life of option
Options granted to directors: — on 1 November 2017	2,288,520	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 3 exercise periods or tranches, whose percentages of options exercisable are 40%, 30% and 30% respectively, subject to certain performance conditions as the conditions of exercise.	0.25 years
Options granted to employees: — on 1 November 2017	166,472,391	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 3 exercise periods or tranches, whose percentages of options exercisable are 40%, 30% and 30% respectively, subject to certain performance conditions as the conditions of exercise.	0.25 years
Options granted to employees: — on 10 September 2018	18,554,858	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 2 exercise periods or tranches, whose percentages of options exercisable are 50% and 50% respectively, subject to certain performance conditions as the conditions of exercise.	0.33 years
	187,315,769		

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26 Share incentive scheme (continued)

(a) share options (continued)

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

	2020		2019	
	Weighted average exercise price RMB	Number of options	Weighted average exercise price RMB	Number of options
Outstanding at the beginning of the year	4.10	106,335,610	4.52	182,843,029
Exercised during the year	4.04	(65,948,050)	4.25	(71,376,029)
Forfeited during the year	4.13	(5,052,820)	4.08	(5,131,390)
Outstanding at the end of the year	3.88	35,334,740	4.10	106,335,610
Exercisable at the end of the year	3.88	35,334,740	4.12	47,017,998

(iii) Fair value of share options and assumptions

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

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

26 Share incentive scheme (continued)

(a) share options (continued)

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

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

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

(b) Restricted shares

The number of restricted shares are as follows:

	2020 Number of restricted shares	2019 Number of restricted shares
Outstanding at the beginning of the year	**58,016,302**	117,371,631
Vested during the year	**(54,783,927)**	(54,417,525)
Forfeited during the year	**(3,232,375)**	(4,937,804)
Granted during the year	**390,449,924**	—
Outstanding at the end of the year	**390,449,924**	58,016,302
Contractual life of restricted shares	**1.23 years**	0.81 years

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

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

26 Share incentive scheme (continued)

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

Management estimates the expected yearly percentage of the Participants that will leave the Group at the end of the vesting period/locking period in order to determine the amount of share incentive scheme expenses to be recognised in the consolidated statement of comprehensive income. As at 31 December 2020, 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 2020, share incentive scheme expenses of RMB598 million (2019: RMB135 million) were recognised in the consolidated statement of comprehensive income.

27 Income tax in the consolidated statement of financial position

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

	2020 RMB millions	2019 RMB millions
Provision for PRC income tax (Note)	**694**	177
Provision for income tax in other tax jurisdictions	**16**	9
	710	186

Note: Income tax payable after one year is recognised in other non-current liabilities (see Note 29).

27 Income tax in the consolidated statement of financial position (continued)

(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 2020

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

27 Income tax in the consolidated statement of financial position (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

Year ended 31 December 2019

	Balance at 31 December 2018 RMB millions	Acquisition from business combination RMB millions	Credited/ (charged) to profit or loss RMB millions	Credited/ (charged) to reserves RMB millions	Balance at 31 December 2019 RMB millions
Deferred tax assets arising from:					
Receivables	825	–	(111)	–	714
Inventories	135	–	20	–	155
Accrued expenses	101	–	35	–	136
Tax losses	137	–	57	–	194
Others	78	–	(5)	(1)	72
Total	1,276	–	(4)	(1)	1,271
Deferred tax liabilities arising from:					
Property, plant and equipment	(14)	(23)	(8)	–	(45)
Intangible assets	(348)	–	14	1	(333)
Right-of-use assets	(42)	–	2	–	(40)
Others	(25)	–	(4)	(8)	(37)
Total	(429)	(23)	4	(7)	(455)

As at 31 December 2020, deferred tax assets in respect of tax losses totalling RMB258 million (31 December 2019: RMB422 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.

28 Employee benefits plans

As stipulated by the regulations of the PRC, the Company and its subsidiaries in the PRC participate in various defined contribution retirement plans organised by municipal and provincial governments for the Group's PRC employees. These entities are required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employee, subject to certain salary limits. A member of the above plans is entitled to a pension equal to a fixed percentage of the salary prevailing at his or her retirement date. In addition, pursuant to Italian Law, CIFA and its Italian subsidiaries are required to contribute to a government-mandated pension fund at 13.5% of the employee's salary each month. Pursuant to Germany Law, m-tec and Wilbert are required to contribute to a government-mandated pension fund at the range from 9.2% to 9.5% of the employee's salary each month. Contributions to these retirement plans are charged to profit or loss as the related employee service is provided (Note 5(b)). The Group has no other material obligation for the payment of benefits associated with these plans beyond the contributions described above.

29 Other non-current liabilities

Other non-current liabilities primarily represent security deposits received from customers that finance their purchase of the Group's machinery products through finance lease arrangement, deferred income of government grants related to assets and long-term income tax. The Group requires such customers to pay deposits as part of the credit risk control measures. The security deposits will be refunded to customers upon receipt of the final lease payment. The amount of security deposits expected to be refunded after one year are classified as non-current liabilities, and the amounts expected to be refunded within one year are classified as current liabilities under the caption "Trade and other payables".

30 Capital and reserves

(a) Share capital

	2020 RMB millions	2019 RMB millions
Ordinary shares issued and fully paid:		
At 1 January	**7,875**	7,809
Own shares repurchased and cancelled (Note 1)	**(3)**	(5)
Share incentive scheme (Notes 1 and 26)	**66**	71
At 31 December	**7,938**	7,875
6,549,483,447 A Shares of RMB1.00 each 1,388,207,086 H Shares of RMB1.00 each (2019: 6,486,767,772 A Shares of RMB1.00 each 1,388,207,086 H Shares of RMB1.00 each)	**7,938**	7,875

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The restricted shares issued are subject to the unlocking conditions as detailed in Note 26. The forfeited restricted shares will not be entitled to the declared dividends.

All ordinary shares rank equally with regard to the Company's residual assets.

30 Capital and reserves (continued)

(b) Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated reserves is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual component of reserves between the beginning and the end of the year are as follows:

	The Company	
	2020	2019
	RMB millions	RMB millions
Capital reserve		
Balance at 1 January	**13,091**	14,738
Repurchase of own shares (Note 30(e))	**—**	(2,145)
Share incentive scheme (Note 26)		
— Share option scheme	**1,796**	277
— Restricted share scheme	**234**	194
Cash dividends (Note 30(c))	**10**	27
Balance at 31 December	**15,131**	13,091
Statutory surplus reserve		
Balance at 1 January	**3,554**	3,332
Appropriation (Note 30(b)(ii))	**369**	222
Balance at 31 December	**3,923**	3,554
Other reserve		
Balance at 1 January	**16**	12
Other comprehensive income	**(157)**	4
Balance at 31 December	**(141)**	16

30 Capital and reserves (continued)

(b) Reserves (continued)

	The Company	
	2020	2019
	RMB	RMB
	millions	millions
Retained earnings		
Balance at 1 January	**13,585**	13,554
Appropriation (Note 30(b)(ii))	**(369)**	(222)
Safety production fund (Note 30(d))	**(3)**	(4)
Cash dividends (Note 30(c))	**(1,662)**	(1,861)
Profit for the year	**3,160**	2,118
Balance at 31 December	**14,711**	13,585
Total		
Balance at 1 January	**30,246**	31,636
Balance at 31 December	**33,624**	30,246

(i) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

30 Capital and reserves (continued)

(b) Reserves (continued)

(ii) Statutory surplus reserve

Under PRC rules and regulations, the Company and its PRC subsidiaries are required to set aside 10% of the net income determined in accordance with the PRC accounting rules and regulations to a statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of any dividend to shareholders. For the year ended 31 December 2020, the Company transferred RMB369 million (2019: RMB222 million), being 10% of the current year's net profit as determined in accordance with PRC accounting rules and regulations, to this reserve.

The statutory surplus reserve is non-distributable other than in liquidation and can be used to make good previous years' losses, if any, and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issuance is not less than 25% of the registered capital. No such statutory surplus reserve is required for the Group's subsidiaries outside the mainland PRC.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's subsidiaries outside the mainland PRC which are dealt with in accordance with the accounting policies set out in Note 2(u).

(iv) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under IFRS 9 held at the end of the reporting period (see Note 2(e)).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 2(e)).

30 Capital and reserves (continued)

(c) Cash dividends

Pursuant to the shareholders' approval at the third extraordinary general meeting held on 16 September 2020, an interim dividend in respect of the six-month period ended 30 June 2020 of RMB0.21 per share based on 7,919 million ordinary shares in issue, totaling RMB1,662 million was declared, in which RMB10 million was declared to restricted shareholders who are expected to be unlocked. The forfeited restricted shares will not be entitled to the declared dividends. As at 31 December 2020, RMB263 million dividends are not paid and will be fully paid by March 2021.

Pursuant to the shareholders' approval at the Annual General Meeting held on 21 June 2019, a final cash dividend of RMB0.25 per share based on 7,460 million ordinary shares in issue, totaling RMB1,861 million in respect of the year ended 31 December 2018 was declared, in which RMB27 million was declared to restricted shareholders who are expected to be unlocked and RMB2 million was declared to restricted shareholders who are not expected to be unlocked. The forfeited restricted shares will not be entitled to the declared dividends, and was fully paid by March 2020.

(d) Safety production fund

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside from profit after tax an amount to a legal reserve at different rates ranging from 0.05% to 2% of the total revenue recognised for the previous year. The reserve can be utilised for improvements of safety on the manufacturing work, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred, and at the same time the corresponding amounts of safety reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

30 Capital and reserves (continued)

(e) Repurchase of own shares

During 2019, the Company repurchased its own shares on the Shenzhen Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share RMB	Lowest price paid per share RMB	Aggregated price paid RMB millions
May to June/2019	390,449,924	6.29	5.07	2,145

The total amount paid for the repurchased shares of RMB2,145 million was paid wholly out of capital reserve.

31 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide investment returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Management regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Management monitors its capital structure on the basis of the debt-to-equity ratio. For this purpose, the Group defines debt as total loans and borrowings and defines equity as all components of equity attributable to equity shareholders of the Company.

During 2020, the Group's strategy, which was unchanged from 2019, was to maintain the debt-to-equity ratio at less than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

31 Capital management (continued)

As at 31 December 2020, the Group's debt-to-equity ratio was as follows:

	2020 RMB millions	2019 RMB millions
Current liabilities:		
Short-term loans and borrowings	**2,964**	7,312
Lease liabilities	**90**	88
Total current liabilities	**3,054**	7,400
Non-current liabilities:		
Long-term loans and borrowings	**16,337**	14,515
Lease liabilities	**320**	329
Total non-current liabilities	**16,657**	14,844
Total debt	**19,711**	22,244
Total equity attributable to equity shareholders of the Company	**46,706**	38,827
Debt-to-equity ratio	**42.20%**	57.29%

32 Financial instruments — fair values and risk management

(a) Accounting classifications and fair values

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis was categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

32 Financial instruments — fair values and risk management (continued)

(a) Accounting classifications and fair values (continued)

(i) **Financial assets and liabilities measured at fair value** (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020		
		Level 1	Level 2	Level 3
	RMB millions	RMB millions	RMB millions	RMB millions
Recurring fair value measurements				
Financial assets:				
Fair value through other comprehensive income				
— Bills receivable	**2,532**	**—**	**2,532**	**—**
— Equity securities	**2,279**	**—**	**1,618**	**661**
Fair value through profit or loss				
— Wealth management products	**3,363**	**—**	**3,363**	**—**
— Listed equity securities	**271**	**271**	**—**	**—**
— Securities investment funds	**1,074**	**—**	**1,074**	**—**
Financial liabilities:				
Fair value through profit or loss	**—**	**—**	**—**	**—**

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

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For the year ended 31 December 2020

32 Financial instruments — fair values and risk management (continued)

(a) Accounting classifications and fair values (continued)

(i) **Financial assets and liabilities measured at fair value** (continued)

Fair value hierarchy (continued)

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

For unlisted equity securities without an active market, the Group establishes the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, price/earnings ratios and price/book value ratios of comparable listed companies adjusted for lack of marketability discount, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs. If none of the valuation techniques results in a reasonable estimate on the fair value, the investment is stated in the statement of financial position at cost less impairment losses.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2020 RMB millions	2019 RMB millions
Unlisted equity securities:		
At 1 January	**1,103**	904
(Disposal)/acquisition of investments in equity securities	**(442)**	199
At 31 December	**661**	1,103
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**—**	—

32 Financial instruments — fair values and risk management (continued)

(a) Accounting classifications and fair values (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements (continued)

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020 and 2019 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount at 31 December 2020	**Fair value at 31 December 2020 categorised into Level 1**	Carrying amount at 31 December 2019	Fair value at 31 December 2019 categorised into Level 1
Guaranteed USD senior notes	**3,424**	**3,587**	3,692	3,673
RMB medium-term notes	**4,993**	**5,057**	4,988	5,052
Debentures	**4,992**	**5,064**	2,993	3,036

(b) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

— credit risk (Note 32(b)(ii))
— liquidity risk (Note 32(b)(iii))
— interest rate risk (Note 32(b)(iv))
— currency risk (Note 32(b)(v))

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(i) Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management of the Company have established a risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to bank deposits, wealth management products, trade and other receivables, receivables under finance lease, financial guarantees and endorsed bills with full recourse which were derecognised by the Group. The maximum exposure to credit risk is represented by the carrying amount of these financial assets and guarantee obligations as disclosed in Note 34(a).

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's background and financial strengths, past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as the economic environment in which the customer operates. Trade receivables under credit sales arrangement are normally due within 1 to 3 months from the date of billing, and an upfront payment ranging from 30% to 50% (2019: 30% to 50%) of the product price is normally required from the customer. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2019: 6 to 42 months), customers are normally required to make an upfront payment ranging from 30% to 50% (2019: 30% to 50%) of the product price. Collaterals such as properties, machinery or third party guarantees are generally required for customers with lower credit ratings. In addition, credit insurance coverage is required for overseas sales. Certain customers are required to pay by letters of credit.

In respect of receivables under finance lease, individual credit evaluations are performed which are similar to those of credit and instalment sales. The risk management committee is responsible for the establishment of credit risk management policies, the supervision on the implementation of such policies and determination of the key terms of the lease contracts, including interest rate, lease period and percentage of deposit, etc. The risk management committee members are also responsible for approval of each leasing transaction within their respective authority. Credit review department, legal department, finance department and information technology department are collectively responsible for credit risk management and monitoring of settlement of receivables under finance lease. The Group's credit risk management procedures include pre-lease investigation, lease approval, lease payment collection and management, as well as recovery measures in case of customer default.

Debtors overdue by 3 months or more are handled by risk management department which is responsible for recovering debts through legal and other actions, including repossession and subsequent sale of machineries in case of customer default. Action taken to various overdue debts are assessed by taking into consideration of the customers' current financial position, future business plan, the fair value of pledged assets and possibility of additional collateral.

The Group measures loss allowances for trade receivables and lease receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. According to the past experience of the Group, the loss patterns of different customer groups are significantly different. The Group classifies customers into customer groups based on a number of factors including their ownership background and financial strength, and the industries in which they operate, etc. The Group estimates loss allowance for trade receivables for each of the customer groups with similar loss patterns.

Notes to the consolidated financial statements

For the year ended 31 December 2020

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

The following table provides information about Group's exposure to credit risk and ECLs for trade receivables:

	2020		
	Expected loss rate %	**Gross carrying amount RMB millions**	**Loss allowance RMB millions**
Within 1 year	**1.7%**	**25,585**	**(442)**
Over 1 year but less than 2 years	**9.6%**	**3,828**	**(368)**
Over 2 years but less than 3 years	**32.0%**	**1,872**	**(599)**
Over 3 years but less than 5 years	**50.9%**	**3,427**	**(1,746)**
Over 5 years	**64.7%**	**2,763**	**(1,788)**
		37,475	**(4,943)**

	2019		
	Expected loss rate %	Gross carrying amount RMB millions	Loss allowance RMB millions
Within 1 year	2.9%	17,494	(510)
Over 1 year but less than 2 years	9.7%	3,418	(332)
Over 2 years but less than 3 years	25.4%	2,199	(558)
Over 3 years but less than 5 years	40.9%	4,564	(1,866)
Over 5 years	68.1%	2,762	(1,880)
		30,437	(5,146)

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for receivables under finance lease:

	2020		
	Expected loss rate %	**Gross carrying amount RMB millions**	**Loss allowance RMB millions**
Current (not past due)	**1.1%**	**17,228**	**(182)**
1–30 days past due	**3.7%**	**2,476**	**(92)**
31–60 days past due	**8.8%**	**570**	**(50)**
61–90 days past due	**22.9%**	**275**	**(63)**
More than 90 days past due	**27.5%**	**4,428**	**(1,217)**
		24,977	**(1,604)**

	2019		
	Expected loss rate %	Gross carrying amount RMB millions	Loss allowance RMB millions
Current (not past due)	0.8%	11,582	(94)
1–30 days past due	4.3%	698	(30)
31–60 days past due	14.0%	301	(42)
61–90 days past due	16.0%	188	(30)
More than 90 days past due	24.7%	5,877	(1,450)
		18,646	(1,646)

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

Loss allowances for receivables under finance lease are measured at an amount equal to lifetime ECLs. Thus, past due receivables under finance lease refer to the net amounts caused by receivables under finance lease deducting unearned finance income whose all or part of principals or interests have overdue for more than 1 day.

Expected loss rates are based on actual loss experience over the past few years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Credit risk in respect of other receivables is limited as the balance mainly includes prepayments to tax authorities and reputable suppliers, deposits to landlord, and debts due from related parties.

The Group measures a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Bank deposits, wealth management products and structured deposits are placed with financial institutions that have high credit ratings. Given their credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 December 2020, 0.2% (31 December 2019: 0.1%) of the total trade and bills receivables was due from the Group's largest customer and 0.5% (31 December 2019: 1.9%) of the total trade and bills receivables was due from the Group's five largest customers respectively. As at 31 December 2020, 96.2% and 96.6% (31 December 2019: 94.1% and 95.2%) of total impaired trade receivables and receivables under finance lease was due from the Group's customers located in Mainland PRC.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18. Overdue analysis of the Group's receivables under finance lease is set out in Note 19.

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

In the normal course of business, certain customers of the Group may finance their purchase of the Group's machinery products through bank loans or leasing arrangements provided by third party financial institutions. The Group provides guarantees to banks and other financial institutions for such bank loans and financing provided to the customers. Pursuant to the guarantee arrangements, the Group agrees to pay any outstanding loan principal and interest due to the banks and other financial institutions should such customers default.

Details of the Group's exposure and credit control policy in respect of such guarantees provided are disclosed in Note 34(a).

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash and committed lines of funding from financial institutions to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current prevailing rates at the end of the reporting period) and the earliest date the Group would be required to repay, other than endorsed bills with full recourse which were derecognised by the Group (Note 18(d) for details).

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32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

	As at 31 December 2020					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	**19,301**	**21,099**	**3,685**	**6,314**	**10,940**	**160**
Trade and other payables	**40,387**	**40,387**	**40,387**	**–**	**–**	**–**
Lease liabilities	**410**	**449**	**90**	**107**	**114**	**138**
Other non-current liabilities	**4,318**	**4,318**	**–**	**2490**	**1,485**	**343**
	64,416	**66,253**	**44,162**	**8,911**	**12,539**	**641**
Financial guarantees issued						
Maximum amount guaranteed	**65**	**11,416**	**8,382**	**2,518**	**516**	**–**

	As at 31 December 2019					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	21,827	24,248	8,151	827	14,913	357
Trade and other payables	25,012	25,012	25,012	–	–	–
Lease liabilities	417	458	88	82	128	160
Other non-current liabilities	2,666	2,666	–	189	937	1,540
	49,922	52,384	33,251	1,098	15,978	2,057
Financial guarantees issued						
Maximum amount guaranteed	67	6,255	5,435	544	276	–

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's working capital requirements and repay its borrowings and obligations when they become due.

(iv) Interest rate risk

The Group's interest rate risk exposure arises primarily from lease liabilities, short-term and long-term loans and borrowings. These borrowings bearing interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The following table sets out the interest rate profile of the Group's borrowings as at 31 December 2020.

	2020		2019	
	Effective interest rate %	Amount RMB millions	Effective interest rate %	Amount RMB millions
Fixed rate borrowings:				
Lease liabilities	2.6%	410	2.6%	417
Short-term loans and borrowings	1.6%	2,737	3.5%	7,249
Long-term loans and borrowings	4.5%	13,968	4.8%	12,563
		17,115		20,229
Variable rate borrowings:				
Short-term loans and borrowings	3.3%	227	0.7%	63
Long-term loans and borrowings	2.1%	2,369	1.4%	1,952
		2,596		2,015
Total borrowings:		19,711		22,244
Fixed rate borrowings as a percentage of total borrowings		86.8%		90.9%

Notes to the consolidated financial statements

For the year ended 31 December 2020

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

The following table indicates the change in the Group's profit or loss after taxation and retained earnings and other components of consolidated equity that would arise if it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant:

	Profit or loss		Retained profits	
Effect in millions of RMB	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2020				
Variable rate borrowings	**(19)**	**19**	**(19)**	**19**
31 December 2019				
Variable rate borrowings	(15)	15	(15)	15

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and the change was applied to the Group's debts outstanding at the end of the reporting period which had exposure to interest rate risk. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the next reporting period end. The analysis is performed on the same basis for 2019.

(v) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, loans and borrowings and cash balances that are denominated in a foreign currency, that is, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US dollars, Euro, and HK dollars.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(v) Currency risk (continued)

	Exposure to foreign currencies risk (expressed in equivalent RMB millions)					
	2020			2019		
	USD	**EUR**	**HKD**	USD	EUR	HKD
Trade debtors	**890**	**700**	**6**	684	1,067	119
Cash and cash equivalents	**420**	**668**	**27**	632	366	4
Trade creditors	**(44)**	**(416)**	**(2)**	(3)	(482)	—
Loans and borrowings	**(4,242)**	**(2,918)**	**—**	(4,899)	(1,901)	—
Notional amounts of forward exchange contracts used as economic hedges	**—**	**—**	**—**	—	—	—
Net exposure arising from recognised assets and liabilities	**(2,976)**	**(1,966)**	**31**	(3,586)	(950)	123

The following table indicates the change in the Group's profit or loss after taxation and retained earnings and other components of consolidated equity that would arise if foreign exchange rates to which the Group's financial assets and liabilities have significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant:

	Profit or loss		Retained profits	
Effect in millions of RMB	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
31 December 2020				
USD (5% movement)	**(112)**	**112**	**(112)**	**112**
EUR (5% movement)	**(74)**	**74**	**(74)**	**74**
31 December 2019				
USD (5% movement)	(134)	134	(134)	134
EUR (5% movement)	(36)	36	(36)	36

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For the year ended 31 December 2020

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(v) Currency risk (continued)

Other than the amounts as disclosed above, the amounts of other financial assets and liabilities of the Group are substantially denominated in the functional currency of the respective entity within the Group.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit or loss after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2019.

33 Commitments

(a) Capital commitments

As at 31 December 2020, the Group had capital commitments as follows:

	2020 RMB millions	2019 RMB millions
Authorised and contracted for		
— property, plant and equipment	**1,121**	182
	1,121	182

34 Contingent liabilities

(a) Financial guarantee issued

Certain customers of the Group from time to time may finance their purchase of the Group's machinery products through bank loans, and the Group provides guarantees to the banks for the amount drawn by customers. Under the guarantee arrangement, in the event of customer default, the Group is required to repossess the machinery collateralised the bank loans, and is entitled to sell the machinery and retain any net proceeds in excess of the guarantee payments made to the banks. As at 31 December 2020, the Group's maximum exposure to such guarantees was RMB5,770 million (31 December 2019: RMB4,542 million). The terms of these guarantees coincide with the tenure of bank loans which generally range from 1 to 5 years. The Group, when called upon by the banks to fulfil its guarantee obligations, has historically been able to sell the repossessed machinery for proceeds that are not significantly different from the amount of the guarantee payments. For the year ended 31 December 2020, the Group made payments of RMB48 million (2019: RMB58 million) to the banks for repossession of machinery under the guarantee arrangement as a result of customer default.

Certain customers of the Group finance their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, the Group provides guarantee to the third-party leasing companies that in the event of customer default, the Group is required to make payment to the leasing companies for the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 31 December 2020, the Group's maximum exposure to such guarantees was RMB130 million (31 December 2019: RMB231 million). The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. For the year ended 31 December 2020, there was no payment made for repossession of machinery incurred (2019: Nil) under the guarantee arrangement as a result of customer default.

Certain customers of the Group finance their purchase of the Group's agricultural machinery products through cargo-backed loans in the form of bank acceptance notes provided by the banks. The Group undertakes the joint liability guarantee for these customers. In the event of customer default, the Group is required to make payments to the banks for the outstanding amounts due from the customers when the bank acceptance notes are due. As at 31 December 2020, the Group's maximum exposure to such guarantees was RMB82 million (31 December 2019: RMB72 million). For the year ended 31 December 2020, there was no payment to banks incurred (2019: Nil) under the guarantee arrangement as a result of customer default.

34 Contingent liabilities (continued)

(a) Financial guarantee issued (continued)

In 2019, the Group sold certain trade and other receivables ("Sold Assets") with a face value of RMB1,443 million and with net book value of RMB1,298 million to a third-party financial institution for RMB1,290 million. The Group undertakes to provide payment to the third-party financial institution should any shortage, between actual cash inflows from the Sold Assets and the planned cash inflows of RMB1,443 million. The payment for the shortage will be compensated by future cash inflows from the Sold Assets. As at 31 December 2020, the outstanding planned cash inflows were RMB950 million (31 December 2019: RMB1,120 million) and the payment for the shortage was RMB377 million (31 December 2019: RMB60 million).

During 2019 and 2020, the Group issued 3-year Asset-backed Securities ("ABS") and Asset-backed Notes ("ABN") for some of the trade and other receivables and receivables under finance lease ("Underlying Assets") with a face value of RMB6,554 million which bore interest at rates ranging from 2.40% to 4.2% per annum for priority tranches and 8% to 10% per annum for inferior tranches. The Group undertakes to provide payment to the ABS&ABN plans should any shortage, between actual cash inflows from the Underlying Assets and the planned cash inflows of RMB6,554 million. The payment for the shortage will be compensated by future cash inflows from the Underlying Assets. As at 31 December 2020, the outstanding planned payment due to the ABS&ABN plans was approximately RMB4,861 million (31 December 2019: RMB350 million), none of which has any shortage as at 31 December 2020 (31 December 2019: Nil).

(b) Contingent liabilities in respect of legal claims

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of any unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

35 Related party transactions

(a) Transactions with related parties

	2020 RMB millions	2019 RMB millions
Transactions with associates:		
Sales of products	**256**	348
Purchase of raw materials and finished goods	**54**	22
Payment for acquisition of receivables under commercial factoring	**599**	910
Payment for acquisition of finance lease assets	**230**	554
Proceeds from borrowings	**970**	1,275
Repayments of borrowings	**998**	1,282

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

(b) Outstanding balances with related parties

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

35 Related party transactions (continued)

(c) Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key management personnel compensation are as follows:

	2020 RMB thousands	2019 RMB thousands
Short-term employee benefits	25,304	24,704
Retirement scheme contributions	256	256
Share incentive scheme	118,605	17,771
	144,165	42,731

Total emoluments are included in "staff costs" as disclosed in Note 5(b).

(d) Contributions to retirement plans

The details of the Group's employee benefit plans are disclosed in Note 28.

36 Accounting estimates and judgements

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. Management bases the assumptions and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set forth in Note 2 to the financial statements. Note 13 contains information about significant assumptions and their risk factors relating to goodwill impairment.

Management reviews estimations and underlying assumptions ongoing basis. Revisions to accounting estimations are recognised in the period in which the estimations are revised and in any future periods affected.

Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

The Group's management determines the loss allowance for expected credit losses on trade, finance lease, bills and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. The Group's management reassesses the loss allowance at each reporting period end.

(b) Warranty provision

As explained in Note 23(b), the Group makes product warranty provision based on its best estimate of the expected settlement under the sales agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

36 Accounting estimates and judgements (continued)

(c) Write-down of inventories

As described in Note 2(k), the Group writes down the cost of inventories to net realisable value when the net realisable value of inventories is lower than the cost. The Group estimates the net realisable value of inventories by taking into account the recent selling prices and forecasted market demand. However, the actual realised value of the inventories may be significantly different from the estimated amount at the end of the reporting period.

(d) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered “impaired”, and an impairment loss would be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(j)(iii). The carrying amounts of the Group’s long-lived assets, including property, plant and equipment, intangible assets and investments in subsidiaries and associates are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill and trademarks with indefinite useful lives, the impairment testing is performed at least annually at the end of each year. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group’s long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(e) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual value, if any. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group’s historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

36 Accounting estimates and judgements (continued)

(e) Depreciation and amortisation (continued)

Amortisation of intangible assets is recognised on a straight-line basis over the respective intangible assets' estimated useful lives. Management reviews the estimated useful lives annually in order to estimate the amount of amortisation expense to be recorded during any reporting period. The estimated useful lives are based on the estimated periods over which future economic benefits will be received by the Group and take into account the level of future competition, the risk of technological or functional obsolescence and the expected changes in the regulatory and social environment. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(f) Determining the lease term

As explained in policy Note 2(i), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

37 Investments in subsidiaries

The following list contains particulars of subsidiaries as at 31 December 2020 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

		Proportion of ownership interest			
Name of company	**Particulars of issued and paid up capital (millions)**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Zoomlion Agriculture Machinery Co., Ltd (formerly "Zoomlion Heavy Machinery Co., Ltd.")	RMB1,200	67.51%	67.51%	–	Manufacture of agriculture machinery
CIFA S.P.A	EUR15	100%	–	100%	Manufacture of concrete machinery

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For the year ended 31 December 2020

37 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid up capital (millions)	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shaanxi Zoomlion Earth Working Machinery Co., Ltd.	RMB254	100%	100%	–	Manufacture of earth working machinery
Hunan Zoomlion Axle Co., Ltd.	RMB466	88.86%	88.86%	–	Manufacture of motor vehicle components
Zoomlion Material Handling Equipment Co., Ltd.	RMB100	100%	100%	–	Manufacture of material handling machinery
Zoomlion Finance and Leasing (Beijing) Co., Ltd.	RMB1,502	100%	100%	–	Leasing of equipment and machinery
Hunan Zoomlion International Trade Co., Ltd.	RMB50	100%	100%	–	Trading of equipment and machinery
Hunan Teli Hydraulic Co., Ltd.	RMB180	77.61%	77.61%	–	Manufacture of hydraulic products
Hunan Zoomlion Special Vehicles Co., Ltd.	RMB69	100%	100%	–	Manufacture of specialised vehicles
Zoomlion Finance and Leasing (China) Co., Ltd.	RMB280	100%	–	100%	Leasing of equipment and machinery
Hunan Zoomlion Crawling Crane Ltd.	RMB360	100%	100%	–	Manufacture of crawling cranes
Hunan Zoomlion Hardware Co., Ltd.	RMB100	100%	100%	–	Manufacture of components
Shanghai Zoomlion Pile Foundation Machinery Co., Ltd.	RMB50	100%	100%	–	Manufacture of pile foundation Machinery
Hunan Zoomlion Intelligent Technology Co., Ltd.	RMB50	100%	100%	–	Research and manufacture of machine software
Hunan Zoomlion Concrete Machinery Site Equipment Co., Ltd.	RMB451	100%	100%	–	Manufacture of concrete machinery
Zoomlion H.K. SPV Co., Limited	USD25	100%	–	100%	Bond issuance

37 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid up capital (millions)	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
m-tec mathis technik GmbH	EUR3	100%	–	100%	Manufacture of concrete machinery
Zoomlion Commercial Factoring (China) Co., Ltd.	USD100	100%	–	100%	Commercial factoring services
Anhui Zoomlion Earth Working Machinery Co., Ltd.	RMB500	100%	100%	–	Manufacture of earth working machinery
Zoomlion Finance Co., Ltd.	RMB1,500	100%	75%	25%	Financial services
Shaanxi Zoomlion Culture Tourism Development Co., Ltd.	RMB220	100%	100%	–	Exploitation and management of tourism resource
Hunan Zoomlion Hoisting Machinery Co., Ltd.	RMB500	100%	100%	–	Manufacture of hoisting machinery
Zoomlion Sales Co., Ltd.	RMB100	100%	100%	–	Sales of equipment and machinery
Wilbert TowerCranes GmbH	EUR4	100%	100%	–	Manufacture of tower cranes
Hunan Zoomlion engineering hoisting equipment Co., Ltd	RMB200	100%	100%	–	Manufacture of hoisting machinery
Hunan Zoomlion Construction Hoisting Machinery Co. Ltd	RMB800	100%	100%	–	Manufacture of concrete machinery
ZValley Co,. Ltd.	RMB50	100%	100%	–	Research and manufacture of machine software
Changsha Wisdom New Town Machinery Manufacturing Limited	RMB800	100%	100%	–	Manufacture of concrete machinery

All of the above subsidiaries are incorporated and operate in the PRC, except for CIFA which are incorporated and operate in Italy, and m-tec and Wilbert which are incorporated and operate in Germany. All of the above subsidiaries are limited liability companies.

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For the year ended 31 December 2020

38 Company-level statement of financial position

	2020 RMB millions	2019 RMB millions
Non-current assets		
Property, plant and equipment	**2,181**	2,490
Right-of-use assets	**720**	712
Intangible assets	**127**	146
Investments in subsidiaries	**20,912**	17,755
Interests in associates	**2,600**	3,041
Other financial assets	**724**	746
Trade and other receivables	**13,529**	8,092
Pledged bank deposits	**175**	84
Deferred tax assets	**551**	428
Total non-current assets	**41,519**	33,494
Current assets		
Inventories	**6,775**	6,779
Other current assets	**1,374**	1,413
Financial assets at fair value through profit or loss	**3,283**	3,950
Trade and other receivables	**66,496**	52,492
Pledged bank deposits	**1,913**	835
Cash and cash equivalents	**6,905**	2,561
Total current assets	**86,746**	68,030
Total assets	**128,265**	101,524

38 Company-level statement of financial position (continued)

	Note	2020 RMB millions	2019 RMB millions
Current liabilities			
Loans and borrowings		**5,853**	11,925
Trade and other payables		**62,695**	30,686
Financial liabilities at fair value through profit or loss		**—**	37
Contract liabilities		**2,608**	7,961
Lease liabilities		**22**	21
Income tax payable		**298**	76
Total current liabilities		**71,476**	50,706
Net current assets		**15,270**	17,324
Total assets less current liabilities		**56,789**	50,818
Non-current liabilities			
Loans and borrowings		**12,230**	10,578
Lease liabilities		**27**	36
Deferred tax liabilities		**14**	24
Other non-current liabilities		**2,956**	2,059
Total non-current liabilities		**15,227**	12,697
Net assets		**41,562**	38,121
Capital and reserves			
Share capital	30(a)	**7,938**	7,875
Reserves	30(b)	**33,624**	30,246
Total equity		**41,562**	38,121

39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to IFRS3, Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37, Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to IFRS 4, Extension of the temporary exemption from applying IFRS 9	1 January 2023
IFRS 17, Insurance contracts	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

40 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	As at 31 December 2020 RMB millions	As at 31 December 2019 RMB millions
Total equity reported under PRC GAAP	**47,887**	39,534
— Acquisition-related costs incurred on prior year business combination	**(37)**	(37)
Total equity reported under IFRSs	**47,850**	39,497

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

	2020 RMB millions	2019 RMB millions
Total comprehensive income for the year reported under PRC GAAP	**7,234**	4,272
— Safety production fund (Note)	**16**	10
Total comprehensive income for the year reported under IFRSs	**7,250**	4,282

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.

(c) There is no material difference between the consolidated cash flow of the Group reported under PRC GAAP and IFRSs.

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41 Impacts of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group have assessed various accounting estimates and other matters, including but not limited to provision for expected credit losses, inventory provisions and revenue recognition. Based on the assessment performed, there was no material impact on the financial information of the Group. The Group will monitor the developments of COVID-19 epidemic closely, assess and react actively to its impacts on the financial position and operating results of the Group.

42 Non-adjusting events after the reporting period

Pursuant to a resolution passed at the directors' meeting on 30 March 2021, a final dividend in respect of the year ended 31 December 2020 of RMB0.32 per share totaling RMB2,540 million (2019: Nil) was proposed for shareholders' approval at the forthcoming Annual General Meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

On 3 February 2021, the Company allotted and issued a total of 193,757,462 H Shares to one subscriber at a subscription price of HKD5.863 per H Share. The total amount of gross proceeds from the additional issuance of H Shares is approximately HKD1,136 million (equivalent to RMB948 million).

On 5 February 2021, the Company allotted and issued a total of 511,209,439 A Shares to eight subscribers at a subscription price of RMB10.17 per A Share. The total amount of gross proceeds from the non-public issuance of A Shares is approximately RMB5,199 million.


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