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)

2021
Annual Report

* For identification purpose only

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
Fax: (86 731) 85651157
E-mail: 157@zoomlion.com

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,

2021 was the 100th Anniversary of the founding of the Communist Party of China and the first year for the 14th Five-Year Plan. It was also a year for Zoomlion to reform, innovate, and strive for excellence. All employees of Zoomlion secured the implementation of the strategies and the achievement of performance with extreme thinking and strong execution. After withstanding the test of the market, we achieved stable, high-quality and resilient development.

In 2021, Zoomlion accelerated creating an industrial highland for advanced manufacturing. While consolidating and expanding our industrial segments, we implemented strategies and went through cycles in echelon development. As the market leader, we constantly innovated and iterated our technologies and products, focusing on new materials, new energy and new digital techniques. The digital transformation continued to empower development, and all links of research and development, manufacturing, marketing and management were connected end-to-end. Industrial interconnection, agricultural interconnection, interconnection of ten thousand people and interconnection of all things became light and controllable. Our overseas market expanded rapidly, and we achieved rapid growth under a new model, becoming a growth pole with huge space. The construction of Zoomlion Smart Industry City was fully accelerated, and the comprehensive innovation and upgrade of intelligence, digitalization and greenization reconstructed the core competitiveness of the enterprise. The beauty of the integration of industrial civilization, nature and the city made people excited. Our workload was continuously optimized by attracting talents from the globe. Employees had a sense of gain and a sense of belonging, and the Company had cohesion and combat power.

2022 is the year of the 20th National Congress of the Communist Party of China and the second year for the 14th Five-Year Plan. The just-concluded National Two Sessions (namely the NPC and the CPPCC) sent a strong signal of stabilizing growth, expanding domestic demand and innovation-driven development, pointing out the direction for economic and social development in the coming period.

Zoomlion will seize the historical opportunity of a new round of scientific and technological transformation, grasp the principles underlying technologies and products, and adhere to the path of high-quality development. We will take steady and long-term progress as the general keynote, deeply grasp the dynamic balance between scale and efficiency, and achieve the ultimate in technology, quality, cost and service. Through our extreme efforts, uncertainty becomes certainty, impossibility becomes possibility, and possibility becomes reality. In the development of the industrial echelon, we will make solid efforts to optimize new energy, new materials and new digital techniques, so as to create a new type of intelligent and green enterprise. The Company will create greater value for customers and bring more returns to shareholders.

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

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Principal Financial Data and Indicators

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

Unit: RMB

	2021	2020	Change	2019
Operating income	**67,130,626,817.29**	65,108,942,242.75	3.11%	43,307,395,375.43
Net profit attributable to shareholders of the Company	**6,269,768,140.19**	7,280,671,792.59	-13.88%	4,371,456,570.63
Net profit attributable to equity shareholders of the Company after extraordinary items	**5,828,383,686.81**	6,308,545,968.50	-7.61%	3,514,297,528.88
Net cash flow from operating income	**2,624,725,832.05**	7,421,753,673.31	-64.63%	6,219,349,490.09
Basic earning per share	**0.76**	0.98	-22.45%	0.58
Diluted earning per share	**0.74**	0.97	-23.71%	0.58
Return on net assets	**11.56%**	16.70%	-5.14%	10.82%

	End of 2021	End of 2020	Change	End of 2019
Total assets	**122,018,160,397.82**	116,274,938,529.14	4.94%	92,068,028,637.66
Net assets attributable to shareholders of the Company	**56,867,851,034.55**	46,743,743,472.54	21.66%	38,863,231,588.26

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	2021	2020	2019	2018	2017
Revenue	**67,131**	65,109	43,307	28,697	23,273
Profit before taxation	**7,357**	8,668	5,044	2,650	1,252
Income tax	**(938)**	(1,297)	(759)	(682)	6
Profit for the year	**6,419**	7,371	4,285	1,968	1,258
Profit attributable to:					
Equity shareholders of the Company	**6,303**	7,296	4,381	2,031	1,342
Non-controlling interests	**116**	75	(96)	(63)	(84)
Basic earnings per share (RMB)	**0.76**	0.98	0.58	0.27	0.18
Diluted earnings per share (RMB)	**0.75**	0.97	0.58	0.27	0.18
Gearing ratio (%) (Note)	**52.24%**	58.84%	57.08%	58.54%	54.05%

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	2021	2020	2019	2018	2017
Non-current assets	**49,268**	49,287	37,979	28,657	25,218
Current assets	**72,714**	66,956	54,052	64,762	57,894
Current liabilities	**49,675**	46,928	34,569	39,623	24,488
Net current assets	**23,039**	20,028	19,483	25,139	33,406
Total assets less current liabilities	**72,307**	69,315	57,462	53,796	58,624
Non-current liabilities	**14,047**	21,465	17,965	15,065	20,434
Net assets	**58,260**	47,850	39,497	38,731	38,190
Total equity attributable to equity shareholders of the Company	**56,831**	46,706	38,827	38,164	37,540
Non-controlling interest	**1,429**	1,144	670	567	650

Principal Financial Data and Indicators

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	6,269,768,140.19	7,280,671,792.59	56,867,851,034.55	46,743,743,472.54
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	31,928,492.70	16,598,314.07		
Under IFRSs	6,301,696,632.89	7,297,270,106.66	56,831,322,434.55	46,707,214,872.54

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 2021 together with the audited financial statements of the Group.

I. Operation Review of 2021

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

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

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

During the Reporting Period, the Company achieved revenue of RMB67,131 million, representing a year-on-year increase of 3.11%; net profit attributable to the parent company amounted to RMB6,303 million, representing a year-on-year decrease of 13.61%. The major work carried out by the Company during the Reporting Period was as follows:

1. Strive to make a breakthrough in the industrial echelon

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

(1) Continued stabilization and improvement in construction machinery

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

Report of the Board of Directors

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

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

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

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

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

(2) *Potential businesses continued to make breakthroughs and achievements*

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

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

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

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

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

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

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

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

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

2. Accelerate the progression of digitalized transformation

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

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

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

3. Fruitful results in intelligent manufacturing

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

(1) Rapid development in intelligent manufacturing. The host park and key component park of various product lines in Smart Industry City have constructed in full scale. The first medium to large excavators in the excavating park with the intelligent production lines have started operations, and the project of "Excavation Machinery Intelligent Manufacturing Demonstration Plant" was shortlisted to the "National Intelligent Manufacturing Pilot Demonstration Factories". The second phase of the tower crane smart factory has operated in the industrial park, forming the production structure of one "smart factory", two "lighthouse workshops", three "smart warehouses" and four "lights-out production lines" and consolidating the Company's industry foundation of being world number one in the tower crane. Changde Key Hydraulic Components (Hydraulic Valves) Intelligent Industrial Park has completed construction and put into production, which enhanced the independently controllable production capacity in the production of high-end hydraulic valves. Mixer Truck Intelligent Manufacturing Park at the international leading level has operated. Intelligent Manufacturing Parks such as High-end Hydraulic Oil Cylinders, Axles for Construction Vehicles, Changde Agricultural Machinery and Maanshan Infrastructure Construction Machinery were under construction successively according to schedule.

(2) Accelerated the transformation and application of intelligent manufacturing technologies. Flexible intelligent production lines were built through integrating artificial intelligence ("AI") technology and smart devices. An effective and synergic business chain was built through integrating intelligent control algorithm and digital system. We continuously facilitated the application of more than 150 industry leading advance intelligent manufacturing technologies. 56 key technologies of whole manufacturing process were successfully deployed in the intelligent production line, which accelerated the intelligent upgrading of manufacturing. Among which, more than 25 advance technologies were first initiated in the industry, which comprehensively facilitated the intelligent development of the Company to play a leading role in the industry.

4. Creating an innovative technological highland by "triple" integration

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

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

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

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

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

(3) Major breakthroughs in new energy products

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

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

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

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

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

5. Deepen the global "localization" strategy

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

(1) The overseas market of construction machinery products continued to grow rapidly. During the Reporting Period, the Company's overseas revenue increased by more than 51.05% year-on-year. The large-tonnage crawler crane products were exported to overseas markets in batches. The export order of 2000-ton crawler crane is the largest tonnage crane exported

to overseas countries by China, gradually making breakthroughs the global high-end crawler crane market. The Company participated in the construction of the Jakarta-Bandung High-speed Railway Project with its concrete and crane equipment, assisting in the construction of the "Belt and Road" project. The aerial work machinery distribution network has covered key markets in the five continents of the world, successfully achieving the breakthrough of "agents + major customers + end customers", and gradually establishing a global sales network and service outlets. An European factory was officially completed in Italy. Tower cranes, truck cranes, and aerial operating machinery realized the production and sales of local languages, helping the in-depth expansion of the European market.

(2) Accelerating the promotion of overseas management reform. The Company reformed its overseas business model with Internet mindset, classified the aviation ports, deeply cultivated the lower-tier cities and radiated the areas. The Company rapidly integrated local language-oriented employees, empowered training, and stimulated vitality. The end-to-end management has been mapped and interlocked. The whole line has been accelerated to build a brand-new overseas business system based on end-to-end, digitization and localization. The construction of local language-oriented business and operation system in 17 key countries has been completed, and breakthroughs have been made in overseas markets. The Company completed the construction of local language-oriented business and operation systems in 17 key countries, and made breakthroughs in overseas markets.

(3) Accelerating the expansion and upgrading of overseas manufacturing bases. CIFA S.p.A., a subsidiary of the Company in Italy expands and upgrades into a comprehensive global company covering concrete, engineering and construction products. Integrate the synergy between the world's leading agricultural machinery manufacturer, Labe (a subsidiary of the Company), and the agricultural machinery sector to accelerate the "going out" of agricultural machinery; the base in Belarus is in full operation, bringing radiation effect to Eastern Europe and Central Asia, creating new overseas business growth points. The construction of the industrial park in India has commenced, bringing radiation effect to the markets such as the Middle East and South Asia.

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

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

(1) Promoting end-to-end management in depth. The common business integration was fully applied to realize information exchange and process interconnection, and improve the decision-making efficiency of the entire business chain. We will improve the end-to-end risk

control management system, build a solid risk control defense line, create a risk intelligent early warning platform with perception and thinking, deepen the application of artificial intelligence technology, actively discover business risks, and promote the steady growth of business.

(2) Strengthening the construction of supply chain system. The Company continued to promote the centralized procurement and integration of common materials in multiple categories and strategic procurement of key materials, optimized the layout of the supply chain, promoted the localization of overseas suppliers and local suppliers in other provinces on the premise of ensuring the resource advantages, optimized the layout of the supply chain, ensured the safety of supply, and achieved cost reduction and efficiency enhancement.

(3) To create excellent service capabilities. We will coordinate and promote the strategic layout of smart services, make efforts to build a smart service platform, promote the digital and intelligent upgrading of services, strengthen service standardization and refined management, establish a comprehensive guarantee for customers, build a service brand of "sincere service and care", improve customer satisfaction and loyalty, and make customer experience smoother and more efficient.

(4) Strengthening the construction of talent team. Adhering to the human resources management concept of "keeping strategy at the same frequency and business at the same time", the Company will focus on the development direction of the Company, introduce high-quality talents with the concept of "inducing phoenix to build a nest", and provide targeted remuneration and development platform, so as to attract, retain and make good use of talents. We will innovate the human resources management mechanism, optimize the training model and management platform, start the organization to improve efficiency, continuously enrich the back line's resource guarantee, and build a talent "pool" to help the Company achieve high performance and high-quality development.

II. Analysis of Financial position

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

Report of the Board of Directors

III. Business Outlook of the Group

(1) Industry development trend and market outlook

1. Construction machinery market

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

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

2. Agricultural machinery market

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

Report of the Board of Directors

(2) Operation initiatives in 2022

1. Continue to strengthen scientific research and innovation. Adhering to the philosophy of "product is the root and technology is the foundation", the Company will continue to further promote the product 4.0A project, do well in green, digital and intelligent special projects, maintain the leading advantages of product technology performance, maintain the ability advantages of new technology empowerment and rapid incubation of new industries, and maintain the advantages of industry technology voice. The Company will continue to improve the incentive mechanism of the product platform, further enhance the innovation momentum of technical personnel, maintain the mechanism advantages of research and development, and make technological innovation as the source power for the sustainable development of the Company.

2. To achieve market breakthroughs in a steady manner. Adhering to the philosophy of"pursuing quality, efficiency, scale and sustainability", the Company will grasp the direction, pace and strength of its strategies to achieve a dynamic balance between scale and efficiency. The Company will re-establish the dominant position in market competition based on the four extreme standards of technology, quality, cost and service. The Company will deepen the end-to-end market and performance partnership system, realize the flattening of organizational structure, and fully activate the vitality of front-line teams.

3. Accelerating the development of overseas business. The Company will continue to promote the reform and development of overseas business with the "mindset of global village", and fully replicate the model of "airport + ground force"; deeply cultivate the market with the local language-oriented team, accelerate the construction of local language-oriented business and operation system through the integration of organization, resources, technology and operation mode; continue to deepen the development of overseas key markets with the differentiated marketing strategy of "one country, one policy" and "one region, one policy".

4. Consolidate and strengthen the industrial echelon. On the basis of strengthening and optimizing the construction machinery segment, we will accelerate the cultivation of new building materials, intelligent agricultural machinery and intelligent agriculture segments to create new performance growth points.

5. Accelerating digital transformation. The Company will promote the digital transformation of corporate operation and management, improve the level of refined management, reduce costs and increase efficiency potential, and risk prevention and control capabilities. We will continue to deepen the end-to-end transformation of management, open up the research, production, supply, sales and service of enterprises, and establish a future-oriented digital management system.

6. Strengthening the construction of talent team. The Company will continue to increase the introduction of high-end talents with the concept of "inducing phoenix to build a nest" to build a good career platform for talents, so as to attract, retain and make good use of talents, and help the Company to achieve high-performance and high-quality development.

7. Accelerating the construction of smart industrial city. We will build a core carrier for advanced enterprises in the future, realize the comprehensive connection and intelligent collaborative utilization of production factors with digital technology, build a world-class lighthouse factory of "facing the future and leading in the following 3 decades", and build a smart industrial city into an important state of advanced manufacturing industry and a scientific and technological innovation highland with core competitiveness.

IV. Profit Distribution and Bonus Dividend

According to the profit distribution plan for 2021 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 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 Association 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.

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.

Report of the Board of Directors

VII. Major suppliers and customers

Total purchases by the Company from the top five suppliers amounted to RMB6,968,222,325.44, accounting for 14.63% of the aggregate annual purchase of the Company and total purchases by the Company from the largest supplier accounted for 4.87% 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 RMB2,340,739,763.06, accounting for 3.49% of the aggregate annual sales of the Company and the total sales to the largest customer of the Company accounted for 0.85% 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 RMB23.14 million in aggregate.

IX. Human Resources

As at 31 December 2021, the Company had employed a total of 26,036 employees. Details of the Company's staff costs and employee benefit plans for 2021 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.

XI. Distributable Reserves

The Company's distributable reserves, calculated in accordance with applicable PRC statutory provisions, were RMB25,369 million as at 31 December 2021.

XII. Employee Benefit Plans

During the year ended 31 December 2021, the Group had no forfeited contributions under its retirement benefit schemes which may be used to reduce existing level of contributions.

XIII. Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 16 April 2021, the Company and the State-owned Assets Supervision and Administration Commission of Hunan Province People's Government (acting through two of its wholly-owned subsidiaries) entered into an equity transfer agreement, pursuant to which the Company agreed to dispose of 81% equity interest in a wholly-owned subsidiary (the "Target") at the total consideration of RMB1,626,952,800.

Following completion of the disposal, the Target became held as to 19% by the Company and ceased to be a subsidiary. Please refer to the Company's announcement dated 16 April 2021 for details.

Save as disclosed, the Company did not conduct any material acquisitions or disposal of subsidiaries, associates and joint ventures during the year.

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. Specifically, the construction machinery segment provides concrete machinery, crane machinery, road construction machinery, pile foundation machinery, work-at-height machinery, fire machinery, mining 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.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for 2021.

	Year Ended 31 December	
	2021	2020
	RMB	RMB
	millions	millions
Revenue	**67,131**	65,109
Cost of sales and services	**(51,280)**	(46,492)
Gross profit	**15,851**	18,617
Other income	**1,413**	1,462
Sales and marketing expenses	**(3,473)**	(4,046)
General and administrative expenses	**(1,983)**	(2,366)
Impairment loss on trade and other receivables and receivables under finance lease	**(746)**	(1,682)
Research and development expenses	**(3,865)**	(3,345)
Profit from operations	**7,197**	8,640
Net finance income/(costs)	**6**	(154)
Share of profits less losses of associates	**154**	182
Profit before taxation	**7,357**	8,668
Income tax	**(938)**	(1,297)
Profit for the year	**6,419**	7,371

Management Discussion and Analysis

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.

The following table sets forth the breakdown of our consolidated turnover by our operating segments for 2021:

	Year Ended 31 December	
	2021	2020
	RMB	RMB
	millions	millions
Revenue from contracts with customers within the scope of IFRS 15		
Construction machinery		
— Concrete machinery	**16,379**	18,984
— Crane machinery	**36,309**	34,893
— Others	**10,644**	7,463
Agricultural machinery	**2,907**	2,644
	66,239	63,984
Revenue from other sources		
Rental income from construction machinery		
— Concrete machinery	**1**	1
— Crane machinery	**185**	4
— Others	**5**	38
	191	43
Financial services	**701**	1,082
	892	1,125
	67,131	65,109

Management Discussion and Analysis

Revenue

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

Cost of sales and services

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

Gross profit

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

Other income

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

Sales and marketing expenses

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

General and administrative expenses

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

Net finance income/costs

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

Profit for the year

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

Management Discussion and Analysis

Cash Flow

As of 31 December 2021, we had RMB13,190 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 2021:

	Year Ended 31 December	
	2021	2020
	RMB	RMB
	millions	millions
Net cash generated from operating activities	**2,189**	7,232
Net cash (used in)/generated from investing activities	**(1,397)**	976
Net cash generated from/(used in) financing activities	**2,420**	(3,244)
Net increase in cash and equivalents	**3,212**	4,964
Effect of foreign exchange rate changes	**(108)**	49
Cash and cash equivalents at the beginning of the period	**10,086**	5,073
Cash and cash equivalents at the end of the period	**13,190**	10,086

Operating activities

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

Investing activities

In 2021, net cash used in investing activities was RMB1,397 million, consisting primarily of: (i) proceeds from disposal of financial assets at FVPL of RMB21,684 million; (ii) proceeds from proposed disposal of property, plant and equipment and right-of-use assets of RMB1,188 million; (iii) interest received of RMB436 million; (iv) proceeds from disposal of property, plant and equipment and intangible assets of RMB161 million; (v) proceeds from

Management Discussion and Analysis

disposal of financial assets at fair value through other comprehensive income ("FVOCI") of RMB889 million; (vi) proceeds from disposal of interests in subsidiary of RMB1,444 million; and (vii) decrease in pledged bank deposits of RMB421 million and offset by the following items: (i) payment for acquisition of financial assets of RMB23,110 million; (ii) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB2,915 million; and (iii) payment for acquisition of financial assets at FVOCI of RMB1,189 million.

Financing activities

In 2021, net cash generated from financing activities was RMB2,420 million, consisting primarily of: (i) repayments of loans and borrowings assets of RMB62,951 million; (ii) cash dividends paid to equity shareholders of RMB3,041 million; and (iii) interest payments of RMB907 million and added (i) proceeds from loans and borrowings of RMB63,027 million; (ii) proceeds from exercise of share options of RMB136 million; (iii) proceeds on contributions from non-controlling shareholders of RMB196 million; and (iv) proceeds from issuance of new shares of RMB6,088 million.

Working Capital and Indebtedness

The table below sets forth the details of our current assets and liabilities as of 31 December 2021:

	31 December	
	2021 RMB millions	2020 RMB millions
Current assets		
Inventories	**13,501**	14,652
Other current assets	**1,156**	1,374
Financial assets at fair value through profit or loss	**6,408**	4,284
Trade and other receivables	**32,108**	23,972
Receivables under finance lease	**4,496**	10,365
Loans and advances	**80**	—
Pledged bank deposits	**1,775**	2,223
Cash and cash equivalents	**13,190**	10,086
Total current assets	**72,714**	66,956
Current liabilities		
Loans and borrowings	**11,011**	2,964
Trade and other payables	**36,600**	40,387
Contract liabilities	**1,874**	2,777
Lease liabilities	**93**	90
Income tax payable	**97**	710
Total current liabilities	**49,675**	46,928
Net current assets	**23,039**	20,028

Management Discussion and Analysis

Our net current asset increased from RMB20,028 million as at 31 December 2020 to RMB23,039 million as at 31 December 2021.

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 2021, 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 2021) and the earliest date the Company would be required to repay:

	As at 31 December 2021					
	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	18,905	19,845	11,687	3,781	4,153	224
Trade and other payables	36,600	36,600	36,600	–	–	–
Lease liabilities	413	452	93	95	102	162
Other non-current liabilities	5,428	5,428	–	3,257	1,681	490
	61,346	62,325	48,380	7,133	5,936	876
Financial guarantees issued and payment commitments						
Maximum exposure	94	14,412	5,514	3,060	5,838	–

Management Discussion and Analysis

	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	–	2,490	1,485	343
	64,416	66,253	44,162	8,911	12,539	641
Financial guarantees issued and payment commitments						
Maximum exposure	65	11,416	8,382	2,518	516	–

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, wealth management products, 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.

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 lease liabilities, short-term and long-term bank and other borrowings. These borrowings 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, Euro and HK dollars.

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.

Over the past year, the Company further optimised the ESG governance structure under the leadership of the Board, by specifying the responsibilities of the Board Secretary Office for ESG matters and establishing an ESG special group under the Board Secretary Office, so as to better manage and publish various ESG-related policies and promote the sustainable development of the business. Coordinated by the Board Secretary Office, the ESG special group is responsible for identifying ESG topics important to the Company's operation and stakeholders, promoting functional departments to implement ESG policies and reporting to the Board on a periodic basis. The Board also takes on its responsibilities for overseeing the Company's overall ESG vision as well as short-, medium-, and long-term strategies and considering ESG-related risks and opportunities. The Board convenes a meeting at least twice a year to review various ESG goals and progress, including formulating ESG management guidelines and strategies, confirming the key topics identified by the ESG special group, monitoring ESG matters, reviewing progress against goals, and approving ESG reports. Each functional department of the Company is responsible for carrying out ESG-related activities, complying with ESG-related internal policies, and collecting and reporting ESG-related data.

Basis of Preparation

This report marks the sixth 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 July 2020) to the Main Board Listing Rules of the Hong Kong Stock Exchange ("the HKEx Listing Rules"). The report covers a period from 1 January 2021 to 31 December 2021. Previous activities relating to certain reporting aspects are also considered retrospectively. This report has been prepared in the same way as in previous years.

Release Cycle

The report is prepared annually. The Environmental, Social and Governance Report for the next reporting period (2022) is expected to be released in April 2023. This report is available on the website of Hong Kong Stock Exchange and the Company's official website.

Environmental, Social and Governance Report

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. There is no change in the reporting scope of this year's report from that of the previous year.

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.

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

We conducted a materiality assessment during the year to identify the ESG topics important to our business and stakeholders. The Board participates in assessing, sorting and identifying important ESG-related matters in the materiality assessment. The steps to conduct materiality assessment are as follows:

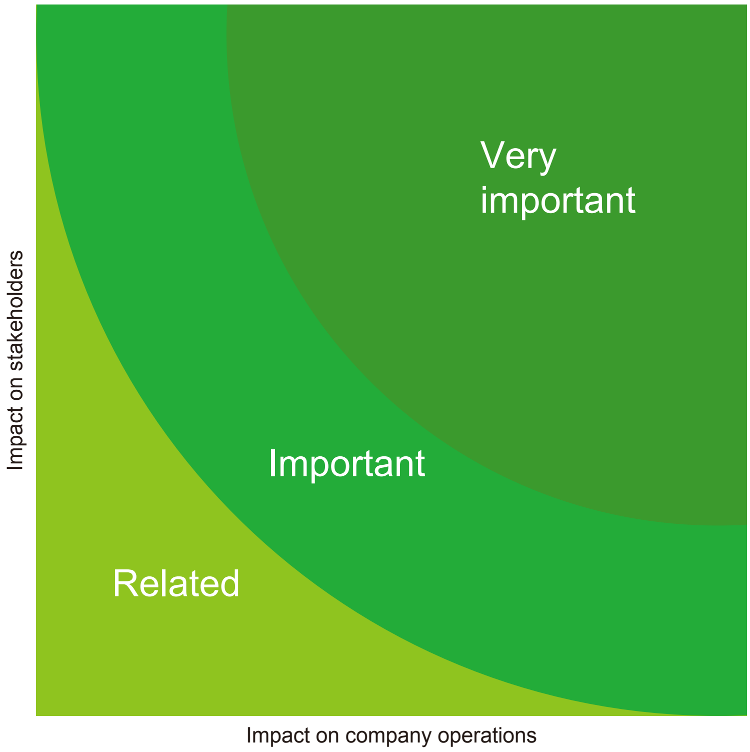
1. The ESG special group identifies the ESG topics applicable to the Company based on its business status and selects 23 key ESG topics for materiality analysis for the year, with reference to the ESG Guide of the HKEx and the *Material Map* of the Sustainability Accounting Standards Board (SASB) of the United States.

2. The ESG special group determines the rating of each ESG topic according to their materiality after internal meetings, taking into account, among other things, the Company's main values, policies, strategies, operations management system, goals and objectives, and the impact of related activities on environment and society.

Environmental, Social and Governance Report

3. The ESG special group presents the results in the form of materiality assessment matrix; and the Board determines the final assessment results.

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

On 15 March 2021, President Xi Jinping stressed efforts to incorporate the peaking of carbon emissions and carbon neutrality into the overall layout of building an ecological civilisation at the ninth meeting of the Central Committee for Financial and Economic Affairs. He called for a spirit of perseverance in achieving the goals of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060. Zoomlion, as a leading company in the industry, continues to implement a safe 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 2021, Zoomlion invested a total of RMB41 million in environmental protection.

Environmental, Social and Governance Report

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 2021, arranged by the Company's senior management, the environmental management department of the headquarters initiated and organised hidden environmental hazard detection and rectification activities at each business unit, to form a three-waste monitoring system that features self-examination, online monitoring, and special monitoring, and actively dealt with abnormal emissions by analysing the problem and transforming the hardware. Besides, for the problems that could be solved immediately, the department took immediate remedial actions. In regard of the engineering practices to start technological transformation, the department proactively implemented "one enterprise, one policy" in environmental protection, and studied and developed measures to ensure continuous compliance of environmental data with regulations. In 2021, there was no outburst of environmental pollution accidents or regulatory talk or penalty from government authorities. 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.

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 2021, and their environmental protection facilities were running normally and effectively and met the design and emission standards. In 2021, 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.

By adhering to the philosophy of "technologies as the roots, products as the fundamentals", the Company has always put technological innovation as its priority. In 2021, it invested approximately RMB3.9 billion in research and development. The Company builds a scientific research system based on three "good" standards, namely, "a good team, a batch of good products and a good mechanism", and takes off nearly 300 major products annually. The Company developed a new 2,000-ton all-terrain crane with the largest tonnage in the world and continued to lead the development of wind power lifting industry; the Company upholds the concept of green development, by launching a number of industry-first new energy products to the market. To facilitate the wind power industry development, the Company developed the world's largest wind-powered electric boom tower crane LW2340-180 and delivered to the customer officially in 2021; over the years, the Company has been focusing on research and development of new energy products in order to enhance energy efficiency, reduce resource consumption, reduce pollutant emissions and promote green transformation and development.

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 2021, 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	2021 (tonne[1])	2020 (tonne[1])
Sulphur dioxide	**0.18**	0.18
Nitrous oxides	**25.97**	25.69

In addition, greenhouse gases emitted by the Company in 2021 were mainly generated from the burning of fossil fuels and the consumption of electricity. The Company generated approximately 208,096.31 tonnes of greenhouse gases in 2021 (2020: 204,410.92 tonnes), with a greenhouse gas emission intensity of 3.10 tonnes per million revenue in Renminbi (2020: 3.13 tonnes per million revenue in Renminbi), a decrease of 1% from the previous year. The related emission data are as follows:

Sources of greenhouse gas	Total greenhouse gas emissions in 2021 (Unit: ton[2])	Greenhouse gas emission intensity in 2021 (Unit: tonnes per million revenue in Renminbi)	Total greenhouse gas emissions in 2020 (Unit: ton)[2]	Greenhouse gas emission intensity in 2020 (Unit: tonnes per million revenue in Renminbi)
Directly generated	**60,116.92**	**0.90**	55,525.41	0.85
Indirectly generated	**147,979.39**	**2.20**	148,885.51	2.28
Total	**208,096.31**	**3.10**	204,410.92	3.13

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, 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

The total amount of hazardous waste produced by the Company in 2021 is 4,219.80 tons.

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 Safe 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. The Company will hand over the hazardous waste to the unit with disposal qualification for treatment, and hand over the waste with utilization value to the unit with utilization qualification for treatment. Subsequently, the Company will change the process to reduce the generation of hazardous waste. The company is building a smart industry town and after starting its production, the hazardous waste generated will be greatly reduced. 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 2021, 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 2021 were as follows:

Variety of energy	Unit	**Total consumption in 2021**	Total consumption in 2020
Kerosene	Tonne	**—**	—
Un-leaded petrol	Tonne	**350.29**	314.50
Purchased electricity	10,000 kWhs	**23,041.00**	23,206.00
Freshwater	10,000 cubic metres	**357.10**	340.21
Natural gas (for cooking)	10,000 cubic metres	**1,355.00**	1,162.00
Diesel (for contingency power-generation equipment)	Tonne	**9,622.04**	9,520.70

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 3,430.25 kwh per million revenue in RMB (2020: 3,556.91 kwh per million revenue in RMB), water consumption density is 53.16 tonnes per million revenue in RMB (2020: 52.15 tonnes per million revenue in RMB) and natural gas is 201.73 cubic metres per million revenue in RMB (2020: 178.11 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.

During the year, the Company did not experience any issue in sourcing water that is fit for purpose.

3.3 Environment and Natural Resources

We devote ourselves on introducing and developing green manufacturing technology. Since 2009, the Company has set up a special new energy R&D institution, which currently has more than 60 R&D personnel. They are committed to the core technology research of new energy engineering machinery, and R&D and industrialisation promotion of whole machinery products and key components, forming a dedicated R&D team for new energy engineering machinery that specialises in chassis control, top-mounted control, motor control, battery management, electrical safety, fuel cell development, power system integration and matching and other technologies. In this way, they create an innovative new energy product chain that integrates production, technology and R&D functions. According to the national strategy of "peak carbon dioxide emissions and carbon neutrality", the Company insists on producing green products by transforming green energy into the core of 4.0A 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 focuses on developing new-energy construction machinery. With the aim of achieving closed-loop application of new-energy construction machinery, we have made breakthroughs in key technologies such as reliable operation of electric drive system, green power transmission chain, integrated control, etc. On 26 November 2021, the Company held a press conference on "New Energy Products and New Technology of Carbon Fiber Composites" with the theme of "Green Intelligent Manufacturing to Lead the Future of Dual Carbon". In the conference, the world's first pure electric concrete pump truck is released, which adopts customised and specialised pure electric chassis and reduces the comprehensive energy consumption by more than 46% compared with fuel pump truck, and it can be connected to 380V industrial electricity without charging pile, which is super convenient. The world's first 60m-class hybrid pump truck is released, with a maximum power system output 23% higher than that of traditional fuel trucks, and the first across the industry to have automatic power mode switching function, thereby reducing comprehensive energy consumption by 15%. The pure electric wide-body dump truck with largest capacity in China is successfully developed, load capacity of up to 75 tonnes, full vehicle wire control, it can achieve the whole process of autonomous operation of loading-transportation-unloading in the mining scenario with driverless technology, the whole vehicle adopts no power interruption dual motor tandem drive, with peak power of 620kW, maximum climbing degree of 36%. The world's first 0m-class electric straight boom aerial work platform is launched, using lithium design, low noise, zero emissions and environmental; its pump control system uses permanent magnet synchronous motor drive, wide frequency efficiency, low-speed operation efficiency increases by 100% compared with the traditional asynchronous motor, power battery using 400V high-voltage system, with same power consumption compared with the low-voltage system, with current down by 80%, heat loss down by 96%. A total of 8 series and 16 new energy products were released at the press conference, making us a pioneer across the world as well as the industry in many fields.

In respect of agricultural machinery, we focus on green, intelligent, high-end products and technology development, and continue to lead in terms of the development of industry technology. CL2404 Tractor, equipped with domestic advanced CVT, full electro-hydraulic control, automatic gear shifting and power reversal, with satellite navigation and driverless function, filling the domestic gap in such field. Series of RV paddy field tractors, light weight, high ground clearance, flexible cornering, superior sealing performance, good reliability, is the first choice among the domestic paddy field tractors. Wheeled orchard work platform, characterised by efficient and low loss rate for fruit picking operation, pure electric drive, energy-saving and environmental, quiet and comfortable operation, chassis auto-levelling, four-wheel steering, four-wheel drive, straight-line driving and other functions, which have greatly enhanced their adaptability, and is the lead in terms of the overall technology level within our country. The big data platform based on AI and autonomous driving has been well established and begins to empower. The invention of “A Grain Unloading Device, A Special Agricultural Machinery and Grain Unloading Method” has won the 22nd China Patent Award of Excellence, and the “Threshing Device” has obtained the 8th Anhui Provincial Patent Silver Award.

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 2021, according to the Company’s strategy, human resources department closely follows the business needs, enhances “strategic insight, business dialogue, and employee empathy”, leverages the “nails” spirit against the changing environment, proactively attracts key talents, empowers the core team, stimulates employee vitality, continues to promote the “efficient synergy, co-creation and symbiosis” working mode, so as to drive the Company’s high-quality and sustainable development, and create a win-win scenario for both employees and the Company as a whole.

1. **Regularly update the Company’s system to protect the rights and interests of employees**

   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 have expanded accident insurance coverage and purchased accident insurance for all regular employees, 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, including the staff work uniform upgrading project to further enhance staff experience and better demonstrate staff spirit, 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.

2. **Sound dispute resolution to build a harmonious internal relationship**

In order to listen to the voice of the lower-level employees, timely understand the thoughts and demands of employees, the Company attempts to establish a multi-channel, multi-network, round-the-clock feedback mechanism. In 2021, the Company has fully implemented the emotional appeal platform with the help of labour unions. All employees can present their demands on the platform at any time, and the branch labour unions shall coordinate and solve their demands in a timely manner. Over the past year, the platform has responded to more than 1,000 demands from employees, with a satisfaction rate of more than 90%, solving the demands of 13 aspects, such as food, clothing, housing and transportation, compensation and benefits, and working environment, effectively safeguarding the legitimate rights and interests of employees and creating a harmonious and peaceful internal relationship. We have actually realised the interconnection between the top management and grass-roots level, by listening to the public opinion and gathering the people's wisdom, thereby laying a solid mass foundation for the scientific decision-making and deployment of the Company's various matters.

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.

3. **Diverse employee care and team cohesion enhancement**

In order to carry forward the fine tradition of the Chinese nation to help the needy and fully reflect the Company's humanistic care for the employees in difficulty, in 2021, we continued to carry out assistance activities for the employees in need. According to statistics of the year, the Company helped a total of 201 internal employees in difficulty, totalling RMB2.0891 million; a total of 276 employees were supported during the Spring Festival, with condolence amount of RMB433,000. Since the establishment of the Company's internal staff assistance fund in 2004, a total of 10,363 employees in difficulties have been supported in the past 18 years, with a disbursement of RMB36 million. In 2021, the Company's labour union continued to carry out more than 100 care activities such as "Being Grateful and Struggling Together", high-temperature consolation event, craftsman model retreat, symposiums for new and young employees, parent-child theatre tours, and consolation event for the families of employees stationed abroad, covering more than 1,000 groups of employee families. The Company's employee care program mainly covers those from outdoor debugging, after-sales service, outdoor testing and newly relocated industrial park personnel totalling 6,378 staffs, with a consolation amount of RMB300,000. Each business unit carried out various kinds of consolation activities, so that the employees can fully feel the Company's care and warmth in the midst of the intense production activities.

The Company continued to improve the canteen food, and the canteens of industrial parks took active actions, as a result, the average taste value of dishes improved from 3.9 points in January to 4.2 points at the end of the year; the variety of dishes enriched from more than 10 varieties in January to more than 20 varieties at present. In order to find the improvement point, the canteens of industrial parks made fully use of the WeChat group and the symposium to widely solicit the opinions and suggestions from employees, elaborated the menu, improved the food precisely and served the employees finely, and therefore, the satisfaction of the staff canteen food improved from 77.9% in January to 90.2% at present, up by 12.3%.

The Company gave full play to the carrier function of various cultural and sports activities, so as to increase cohesion, such as, providing a better platform for young employees to show themselves, communication and learning from each other. In 2021, the labour unions of the Company's business units made full use of business time, during which more than 100 sessions of ball, interest development, fun games and other activities were carried out. The Company's Youth League Committee has established eight associations, such as

Happy Parents Association and Star Academy. Through the activities organised by these associations, a total of 1,146 new young employees were attracted to join us during the May 4 recruitment period, and the total number of members of these eight associations reached 2,530. In order to give full play to their role of connection, to establish an effective platform for the growth of young employees and enrich their cultural life, and to create a strong "Home-Zoomlion" atmosphere across the Company, which is "knowledgeable and courteous, harmonious and peaceful, live and work in peace, vibrantly and lively", the Company continued to promote the branding activity with the theme of "Zoomlion Youth Talk."

In order to safeguard the rights and interests of employees according to the law, as well as to better understand their demands, the Company has put on line a platform specifically for employees' demands. This year, the Company's labour union handled a total of 1,030 employee demands, with 94.2% employee satisfaction. It solved the demands in 13 aspects, such as food, clothing, housing and transportation, salary and benefits, office environment, etc., all of which effectively safeguarded the legitimate rights and interests of employees and helped to create a harmonious and peaceful internal relationship.

In order to further stimulate the vitality of front-line talents, the Company organised four "100" project activities in 2019. In 2021, the Company's business units carried out four "100" activities of team leader training, craftsmen training, mentorship, minor reform and minor amendment, led by "100" five-star teams. Pumping Machine(泵送), Engineering Crane (工起), Construction Lifting Machinery (建起) and other business units carried out team leader training and the establishment of five-star team. The craftsmen club was established, with 104 official members and 184 reserve members. Under the coordination and organisation of the craftsmen club, the Company achieved excellent results in the "Seventh Staff Skills Competition of Hunan Province", "First Changsha-Zhuzhou-Xiangtan Rongchengbei Staff Vocational Skills Competition" and "Changsha City Masters across the Ten industries and Hundred Excellent Craftsmen Skills Competition". Tan Jiaxin of Engineering Crane Company and Liu Wenwu of Pumping Machine Company won the third and eighth place respectively in the welding group of the provincial competition, Xie Chunqiang and other three contestants took the first four places in the "Rongchengbei" welding competition, Wang Lai and Shen Ju won the second and third places respectively in the "Rongchengbei" CNC skills competition, and 16 employees won the title of "Changsha City Masters across the Ten industries and Hundred Excellent Craftsmen". Tan Jiaxin from Engineering Crane Company and Dai Yatao of the Concrete Machinery Station Division (站類事業部) were awarded the honorary title of "May Day Labour Medal of Hunan Province".

Environmental, Social and Governance Report

Benefited from a solid development, the Company 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 26,036, of which 64.35% are below 35 years old (inclusive), with a sustainable employment structure.

As at 31 December 2021, the breakdown of the Company's employees by category is as follows:

Sex	Number of employees
Male	23,202
Female	2,834
Total	**26,036**

Age group	Number of employees
Below 25 (inclusive)	4,632
26–30 (inclusive)	4,924
31–35 (inclusive)	7,198
36–40 (inclusive)	3,824
41–45 (inclusive)	2,023
46–50 (inclusive)	1,695
Above 51 (inclusive)	1,740
Total	**26,036**

During 2021, the Company's employee turnover rate by category is as follows:

Sex	Active turnover rate
Male	16.6%
Female	8.3%
Total	**15.8%**

Age group	Turnover rate
Below 25 (inclusive)	22.0%
26–30	22.3%
31–35	14.5%
36–40	11.1%
41–45	4.7%
46–50	2.2%
Above 51 (inclusive)	1.6%
Total	**15.8%**

Compliance Statement

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

4.2 Health and Safety

Based on the vision of "Building A World-class Enterprise in terms of Equipment Manufacturing", "Safe Development, Green Development and High-quality Development", the Company has conscientiously studies the important remarks of General Secretary Xi Jinping on safety production, fully implements national regulations and policies on safe and environmental protection, adheres to the policy of "People-oriented, Green Manufacturing", continuously carries out hidden danger management, promotes the essentialisation of safe and environmental management, creates an atmosphere of "Caring for Safety Is Caring for Employees", and continuously improves the level of safe and environmental management.

The Company adopts decentralised management with the principle of level-to-level management, line-to-line responsibility, 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. A Safety Production Committee led by Zhan Chunxin, the Chairman and CEO of the Company, is established. At the beginning of each year, annual KPI indicators are determined, with safety responsibility forms signed with each business units at different levels, and their performance of the indicators will be assessed at the end of the year. The *Safe and Environmental Production Assessment System* formulated by the Company, carries out on-site inspection and management system assessment on each business unit two times a year, and strictly implements the rewards and punishments for each business unit in accordance with the requirements of the system. In 2021, two business units were punished, 3 business units were not rewarded, and 13 business units were rewarded. In 2021, the Company continued to deepen the implementation of safety production standardisation, including ISO45001 and ISO14001 requirements, and continuously improved the safe and environmental management system by carrying out self-assessment and external audit, while proactively organising and rolling out new tools and methods such as skill radar chart, process risk assessment, safe operation observation and padlocking to make up for the shortcomings in the safe and environmental management process and reduce the occurrence of accidents. The Company encourages the business units to completely eliminate accident risks through technical means by carrying out activities such as improvement selection, in the meantime, advocating horizontal analysis of risks, evaluating multiple areas and solving multiple problems even if one risk is identified, thereby striving to create a safe and comfortable operating environment for employees.

The list of safety and environment-related laws and regulations to be collected and updated is increased from 256 in 2020 to 347 in 2021, and each business unit is organised to evaluate the provisions of applicable laws and regulations, so as to deepen the understanding of them, and at the same time the non-conformities are rectified according to the requirements of laws and regulations to ensure legal and compliant production. For the release of new Safe Production Law in 2021, and theme sessions were convened for the convenience of propaganda and implementation, experts were invited to conduct special training on this law. We timely carried out benchmarking study of the revised content of important laws and regulations, such as the Safe Production Law and *Guidelines for Emergency Plan Preparation*. Based on this, we also revised 15 company-level safety management systems, such as Safe Production Assessment Methods, Safe Production Accident Management System and Hazardous Work Approval System.

The Company performs unified management of training resources, standardises safety training at all levels, and supports the improvement of safety knowledge and skills of all workers across the Company, and a column of safe and environmental production is specifically established under Zoomlion Yunxuetang (中聯雲學堂). A total of three sub-columns of occupational health, safety management and environmental protection have been set up, with 43 video training courses currently available, and as at 31 December 2021, a total of 38,917 visits was recorded about safety and environment-related knowledge training on this platform. At the same time, the Company strictly follows the requirements of three-level safety education for new employees, and the completion rate of three-level safety education. In 2021, the completion rate in this regard was 100%. Meanwhile, each business unit also carried out a variety of safety training work, with a total of 1,106 times of various types of safe and environmental training, and the number of trainers reached 127,993 person/time. In 2021, the Company developed a safe and environmental production management APP with self-owned intellectual proprietary rights, and completed the design of the hidden danger investigation module and the safety operation observation module, which is currently on trial.

According to the *Guidelines for Emergency Plan Preparation* revised in 2020, the Company has further revised and improved its "Comprehensive Emergency Plan, Special Emergency Plan, Site Disposal Plan" and emergency plan system. Furthermore, the business units have set up corresponding emergency rescue teams, covering emergency training and sulfur dioxide training, and emergency drills. In addition, the Company has carried out emergency evacuation, fire extinguishing, electric shock, lifting injury, heat stroke, forklift accident, acute poisoning, environmental pollution and other emergency plans in a targeted manner to enhance the staff's emergency management skills through real-life drills to ensure timely and effective response to deal with all types of accidents that may occur.

Based on the requirements of integration, the Company carried out hazard source identification and evaluation and environmental factor identification, conducted comprehensive safety and environmental hazard inspection in all areas of each industrial park, seriously investigated the loopholes and hidden dangers in the control process, and resolutely eliminated hidden dangers before accidents may occur. The Company encouraged each business unit to completely eliminate accident risks through technical means by carrying out activities such as excellent improvement selection, and at the same time advocates risk horizontal analysis, discovering one risk, evaluating multiple areas, solving multiple problems, and striving to create a safe and comfortable operating environment for employees. In 2021, the Company used safety costs of about RMB50 million.

In 2021, the Company still adhered to the idea of "Building A Safe and Green Zoomlion" and the policy of "People-oriented and Green Manufacturing" in its safe and environmental production. The Company vigorously promoted the production safety responsibility system, coordinated the solving of various risks, improved the efficiency of safe and environmental management, introduced new tools and methods, and consolidated basic management through activities such as "Safe Production Month", "Three-Year Action on Safe Production" and "Fight Against Illegalities". To create a stable and harmonious, safe and environmental management atmosphere, to ensure that the work progress in a safe and smooth manner, the overall safe and environmental work is under control, the safe and environmental management level is further improved, and the number of minor injuries continues to decline from 2019 to 2021, i.e., 83, 71, 53, with the rate of minor injuries being 4.3‰, 3.92‰, 2.74‰, which has reduced by 9% and 30% year-on-year respectively.

In accordance with the Law of People's Republic of China on the Prevention & Control of Occupational Diseases, the Company strictly implements occupational health management requirements, and the employee experience rate of occupational hazard positions reached 100%. Each business unit has strengthened the detection, evaluation and control of occupational hazard factors in workplaces, by inviting various testing institutions to conduct professional testing of occupational hazard factor positions, and discussing rectification countermeasures according to the test structure, revising the standards of wearing labour protection articles. At the same time, establish personal occupational health files of employees, so as to continuously track their health status, identify abnormalities and deal with them in time. The Company had no confirmed cases of occupational diseases in 2021.

The number and rate of work-related deaths in each of the past three years (including the reporting year) are as follows:

Year	Death in course of duty	Ratio
2019	0	0
2020	0	0
2021	1	0.038‰

The number of lost weekdays due to work injuries in each of the past three years (including the reporting year) are as follows:

Year	The number of lost weekdays due to work injuries
2019	5,584
2020	7,515
2021	9,984

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

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.

Focus on key tasks and upgrade iterative teams

The Company held various specialised training activities based on the nature and needs of different departments, positions and professions. 1) Build management cadres for management employees. We set up 7 leadership training camps and trained 500 management cadres at all levels to help them meet challenges and drive their growth through strict selection and systematic training. 2) Strengthen the training of technical talents for technical employees. Promote the "Mentorship System" and establish the "Innovation Camp" to empower technical talents at different levels, we have carried out 307 technical talent training programs throughout the year. 3) For sales employees, sharpen the quality of the marketing team. The Company organised 13 periods of special training for marketing recruits, forging marketing reserve talents from the four stages — moulding and empowerment, products learning, marketing practice, recap and advanced training, covering more than 400 employees; weekly live marketing case training, a total of 44 sessions, more than 35,000 participants; organisation of eight marketing elite advanced training sessions, empowering marketing elites throughout their full career life cycle. 4) For manufacturing employees, train intelligent manufacturing talents. In response to the Company's "Lighthouse Factory" and other intelligent manufacturing transformation and upgrading plans, focus on the staff's "sense of happiness", "sense of acquisition", "sense of honour". We have established the Intelligent Manufacturing Site Engineer Talents Development Management Program to clarify transformation direction and development orientation of skilled personnel. Besides, we have carried out the first "welding robot operation engineer certification class" training and assessment, and have certified the Company's first batch of intelligent manufacturing site technology special talents.

By applying the "Internet thinking", integrating online and offline resources, the Company organised 10 periods of training for more than 800 new employees; through a series of actions such as "insulation" before onboarding, innovative centralised training mode, and "warming up" by apprenticeship after onboarding, all of these initiatives have optimised the training of newly recruited graduates.

Starting from the "actual work scenario", the Company organised 29 training sessions for the core backbone of R&D, supply chain, quality, safety and environment, finance, human resources, information technology and other lines of business, with 2,363 participants and 634 hours of total training time, so as to form a common working language and improve work execution. In 2021, the Company actively explored the new track of digital intelligent manufacturing, and ensured the orderly and high quality implementation of all personnel training work through the operation mode of "Four centres and one platform — leadership training centre, professional ability training centre, new employees training centre, training operation management centre, digital learning platform". We have organised more than 2,400 online, offline and mixed training programs throughout the year, with more than 380,000 participants; we have formed a team of more than 800 internal instructors, with a continuous training system established; we have also iterated and upgraded our online learning platform, with 6,790 existing course resources, of which 1,837 has gone online in 2021, and the total average monthly learning hours of the Company has reached 40,000.

Focus on professional ethics education, and build a bottom line to resist corruption and degeneration

The Company has integrated the training course of *The Way of Righteousness* (守正之道) into the training for new employees, with a total of more than 35,000 participants in 2021. Through the mobile learning platform, we have specially set up the columns of "Code of Conduct for Employees" (including professional code of ethics, etc.), "Prevention of Illegal Securities and Futures Activities" and "Information Privacy Learning", and a total of 30,000 participants have completed online learning to enhance employees' awareness of self-discipline.

In 2021, the Company had a total of 26,036 participants in training, with a training coverage rate of 100% and 22.18 hours of training per participant. The data of the Company's employees participating in training by category are as follows:

No.	Level of employees	Male	Ratio of employees trained	Female	Ratio of employees trained
1	Staff	23,036	100%	2,803	100%
2	Middle management (deputy position included for level-2 entity)	246	100%	25	100%
3	Executive	20	100%	6	100%
4	**Total**	**23,202**	**100%**	**2,834**	**100%**

No.	Level of employees	Male	Average number of training hours completed	Female	Average number of training hours completed
1	Staff	23,036	28.42	2,803	29.68
2	Middle management (deputy position included for level-2 entity)	246	18.42	25	21.23
3	Executive	20	17.6	6	17.5
4	**Total**	**23,202**	**22.1**	**2,834**	**22.8**

Strengthen college-enterprise cooperation and integration of production and education in an innovative way

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 college-enterprise cooperation, enhancing industry-school integration, and supporting the upgrading and transformation of smart manufacturing. The Company established a strategic cooperation model of "Enterprise-oriented, Market-oriented, Technology and Talent Training Innovation System with Deep Integration of Production, Learning and Research" with Tsinghua University, Zhejiang University, Hunan University, Central South University, North-western Polytechnic University, Changsha University of Technology and other institutions of higher learning, providing visits and practical internship opportunities for universities and colleges. We have provided more than 1,000 internship positions in total. 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. 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 them, we have started 14 order classes with 10 cooperative colleges and universities, training more than 600 skilled personnel in industrial robots and CNC operators on an order basis. We have established internship training bases with 7 colleges to realise the "talent customisation" in terms of equipment manufacturing. We proactively connect with vocational colleges and universities, and support our employees to improve their education, professional skills and professionalism. From 2021 until now, the new apprenticeship system has opened 8 classes with nearly 400 employees in training; 6 classes have been opened for vocational skill level improvement, training more than 300 employees; more than 200 people have been enrolled in vocational education with a technical college degree. Co-training of teachers, professional and technical personnel and high-skilled employees are encouraged to carry out curriculum development and teaching in vocational colleges, and bring the beneficial experience and practices of enterprises to schools and classrooms.

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 continue to enhance the Company's performance management system and incentive mechanism. In addition, we have 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. We continue to deepen the dual-dimensional appraisal system of "performance + behaviour" and implemented the "four" performance management systems of "comprehensiveness", "differentiation", "fragmentation" and "objectivity". We have strengthened the measure of contribution and output, and continuously focus on the performance and output of employees and their contribution to the achievement of organisational goals. Performance management has covered all employees and are closely related to performance appraisal with employees' personal development, merit evaluation and other aspects so as to stimulate employees' original motivation and create a performance culture in all aspects. We have improved the new fragmented appraisal model, timely recording, regular spot checks, and two-way communication and counselling during the appraisal process to continuously improve performance. By setting up a "three-tier" performance results calibration mechanism and introducing external parties to jointly evaluate the results, so that the results are ensured to be objective and fair. With incentives oriented towards "allocation according to work and allocation according to contribution", the Company continues to make its incentive mechanism more diversified, sustainable and competitive. In addition, during the year, the Company has 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.

Compliance Statement

During the year, no violation of any labour-standard-related laws and 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 "Integrity-based, win-win cooperation", 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.

1. **Localisation and accountability of procurement through supplier assistance and capacity enhancement.**

   In 2021, the Company has 918 Hunan Province suppliers and 1,978 non-Hunan Province suppliers.

   The Company's supply chain system takes "fully green, intelligent supply" as its mission, with an aim to promote the comprehensive development of the upstream and downstream of the supply chain. In terms of helping suppliers to improve their capabilities, we mainly provide them with the following support: First, we provide on-site technical guidance and quality audit and rectification to improve the quality of suppliers, such as providing targeted guidance to suppliers of core structural parts, painting and casting and forging parts to improve their welding, painting and forging quality. Secondly, we work with suppliers to sort out costs and effectively accomplish cost reduction targets by optimising their production processes and improving material utilisation rates. Thirdly, in terms of suppliers' collaborative development, the Company proactively communicates with local governments, suggesting support for the development of local enterprises, encouraging them to upgrade their manufacturing and management, supporting large and medium-sized supporting enterprises to become larger and stronger, thereby forming cluster advantages. At the same time, we suggest the government to take the lead in the integrated planning of industrial parks in Hunan Province and around Changsha, find the right positioning, focus on the development of one or several types of industries, thereby forming a division of labour advantages, and fully and effectively integrate upstream and downstream resources in the supply chain. Fourth, the comprehensive optimisation of supply chain layout, under the premise of ensuring the advantages of resources, we steadily promote the localisation of both overseas suppliers and suppliers from other provinces. Especially for imported parts, by way of the college-enterprise joint cooperation, specific policies and other means to accelerate the planning and implementation of localisation replacement program, in particular, accelerate the localisation replacement of chassis, reducer, pump, motor, axle, engine, etc. Supply chain rearrangement will be conducive to promoting the rapid upgrading of key technologies of domestic suppliers, and to promote the rapid formation of major industrial clusters, as well as conducive to the reduction of subsequent manufacturing costs.

2. **Build a green supply chain management system by continuously optimising the supply chain ecosystem**

The Company is committed to building a supply chain ecosystem of strategic partnership, and forming strong competitiveness through optimised operations, promoting effective interaction among multiple groups, thereby creating a dynamic balance, allowing enterprises and organisations in the ecosystem for a win-win situation, so as to achieve integration and intergrowth, and platform sharing. In 2021, the Company continuously optimised the supply chain ecosystem by introducing excellent supplier resources and strengthening supplier management. In terms of supplier selection, the Company established a company-level supplier selection process and standards, focused on suppliers' sustainable development, safety, environmental protection, occupational health, etc., and performed comprehensive audits to reduce procurement costs and to achieve green procurement. In terms of supplier management, we have established a company-level list of qualified suppliers, unified supplier classification standards, standardised full life cycle management, established a supplier performance evaluation system, and promoted the standardisation of performance evaluation, applied the results of dynamic quantitative evaluation mechanism for suppliers to the construction of supply chain, thereby creating a long-term and stable partnership with those suppliers excelling in the evaluation results.

The Company has established supplier management regulations to manage all suppliers in the whole life cycle. When select new suppliers, the qualification of suppliers will be assessed in accordance with the management regulations. Only after passing the assessment and passing the product trial production can they be included in the list of qualified suppliers, and the qualified suppliers will be continuously supervised and managed in accordance with the management regulations for supplier performance assessment.

According to contact terms, the Company requires the supplier to ensure the product safety, no damage, no deterioration and no pollution according to the national, industrial standards, sample standards or the Company's requirements, including but not limited to the use of environmentally friendly and degradable packaging materials for the product packaging provided by the supplier, and shall not use the materials expressly prohibited by laws and regulations, and conduct follow-up supervision through the audit of the supplier's products.

3. **Build a bright and efficient supply chain information management platform**

Against the backdrop of an era of intelligent connectivity, the Company's supply chain system closely follows the improvement of information technology capability, and is committed to building an intelligent and efficient supply chain management platform and making continuous efforts in the information technology construction of supply chain management. In 2021, the Company launched the supply chain system whole process SRM information system project. Through the enhancement of information technology and intelligent means, the fully integration of system and human intelligence, the Company has built a "future-oriented intelligence" intelligent supply chain management information platform. Besides, we actively promote the digital procurement program and improve the process compliance by leveraging the Internet procurement platform of large enterprises, create a set of bright, transparent and open Internet procurement system to improve procurement efficiency and reduce procurement costs.

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.

The connotation of "Quality Model, Made by Zoomlion": (1) the core competitiveness of products is excellent performance and reliable quality; (2) meet customers' needs, while even exceeding their expectation with excellent products; (3) win the competitive advantage by obtaining the recognition from customers and the market, and finally become the industry benchmark; (4) lead industrial development, develop global vision and stand among the global manufacturing players.

According to the planning of "goal-led", one of the four leading quality management plans of the Company, on the premise of maintaining the continuity and scientificity of indicators, we perform benchmarking analysis of international benchmarks, and combining with the quality management characteristics of the Company, we have established a multi-dimensional and comprehensive standard unified quality goal management system based on the future intelligent industrial city.

Focusing on the quality management theme of "quality target and platform unification", the Company vigorously promotes the solving of quality matters to reduce and eliminate outstanding internal and external quality problems; summarises the Company's quality management best practices and builds a unified quality management standard system; drives quality management maturity evaluation to improve the level of quality management assurance capability; promotes the Z-QMS Phase I quality information management platform to achieve unification; deepens the cultivation of the quality concept of "zero defects" and "consistent high quality" and builds the quality culture of "doing the best".

The Company is one of the earliest machinery industry enterprises that established quality management system according to ISO9001 standard in China, and we have been committed to the construction of quality management system since its establishment, and continues to optimise and improve the system. The Company's quality management system adopts a hierarchical management model of "headquarters + business units": the headquarters coordinates the overall planning, operation and continuous improvement of the Company's system and unifies the organisational system certification; while the business units are responsible for the specific operation and implementation of respective self-owned systems (such as management reviews, internal audits, special audits, etc.) and the corresponding improvements. Since 2020, in order to quantitatively evaluate the effectiveness of the actual operation of the quality management system and its processes, the Company introduced and fully implemented the "quality management system maturity" evaluation method. In 2021, the Company established a team of maturity evaluation professionals trained by external experts, revised 25 process evaluation standards in 4 dimensions, and used the new "quantitative + qualitative" standards to evaluate the operation of the quality management system of business units, and to promote the overall upgrading of the maturity of the Company's system. As a result, the overall rating increased by 7% compared with the previous year. Recently, the Company has been selected as the first enterprise from the machinery industry to share its typical experience in the annual meeting of China Association for Quality, in respect of promoting the quality management system maturity across the whole company.

Maintenance and protection of intellectual property rights

The Company continues to improve its internal intellectual property protection system, further improve its intellectual property protection system and measures from the angle of source governance and ensure the construction of an intellectual property protection network from the aspects of intellectual property system layout, intellectual property transformation and application, and intellectual property daily management. At the same time, further unblock the internal rights protection feedback channels, strengthen the publicity and implementation of intellectual property protection, and gradually enhance the awareness of intellectual property protection of all staff.

The Company fully combines the prominent problems of intellectual property rights protection in high-end equipment manufacturing industry and the difficult problems of intellectual property rights protection in all branches and business units, actively coordinates and cooperates with market supervision and management, intellectual property protection, public security and other departments, strengthens the crackdown on infringement subjects, forms a strong deterrent effect, and actively creates a good atmosphere of intellectual property protection industry.

Quality assurance process and product recall procedures

The Company strictly abides by the requirements of laws and regulations, and its products are in fully compliance with and even stricter than the current national, industry and local standards. The Company implements the quality management of the whole life cycle of the products, and carries out comprehensive control by setting up multiple "quality walls" for product design, incoming parts, production process, products leaving the factory, and special production processes such as welding and painting, etc. Each "quality wall" has quality assessment indexes in place and specifies quality acceptance standards, and therefore, the problems identified shall be corrected immediately and prevented from occurring again.

The Company establishes a sound mechanism for quality risk early-warning and active recall for technical improvement. By establishing a failure database, the failure mode is introduced in the new product design to avoid the recurrence of past quality problems; by conducting daily statistical analysis of the in-plant and market feedback failures, the Company forms an automatic log-on mechanism for improvement projects, and organises comprehensive mapping and rectification of in-process products, inventory products and similar products in the market to avoid significant product quality risks.

Compliance Statement

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

5.3 Incorruptibility Management

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 carries out anti-corruption and integrity work, and proactively creates a clean corporate atmosphere by strengthening the organisation, improving rules and regulations, deepening education and training, serious discipline and accountability, and opening up reporting channels, and other measures to promote the construction of the "Three No's" mechanism — not dare to corruption, unable to corrupt, and no desire to corrupt.

1. **Strengthening the organisation construction**

   The Company continuously consolidates the construction of internal control compliance system, covering the discipline inspection, audit and legal affairs, for the purpose of timely detection of corporate supervision loopholes, effective prevention of management risks arising from corruption, it has played an important role in terms of anti-corruption work. At the same time, for the Company's key projects and corruption-prone areas, a leading group is set up for infrastructure and production line equipment bidding, including a supply chain management committee and other institutions, so that collective decisions will be made on the construction, bidding and procurement of important projects to ensure that power runs in the sunshine.

2. **Improve the rules and regulations**

   The Company has revised and improved the *Code for Executives*, *Eight No's for Management Team*, *Assessment Methods for Senior Management*, etc., putting disciplines and rules at the forefront of everything and further clarifying the subjects and contents of accountability. The Company has formulated and improved the *Bidding Management Regulations*, *Bidding Management Methods for Infrastructure and Production Line Equipment*, *Bidding Management Methods for Production Materials*, *Supervision and Management Regulations*, *Gift and Cash Gift Hand-over System*, *Reporting System*, *Employee Complaints System*, etc., so as to promote the use of power pursuant to the law, the impartial use of power and the clean use of power.

3. **Improve the education and training**

Through a series of early-warning and education initiatives, such as conducting integrity classes in the front line, organising visits to warning education base for management cadres and personnel in key positions, and giving full play to family support, the Company persistently focuses on corruption prevention and guides our management and employees to tighten the string of integrity and self-discipline. For key groups with concentrated power and areas with high risk of violating discipline, the Company has specifically developed four categories of anti-corruption courses, including *Our Incorruptibility Culture* (我們的廉潔文化), *The Way of Righteousness* (守正之道), *Keeping the Bottom Line of Desires* (守注慾望底線), and *Behave with Integrity across Zoomlion* (廉風廉行中聯情). This year, the Company carried out 12 training sessions by categories and areas for management personnel, marketing and risk control personnel, after-sales personnel, manufacturing employees, R&D technicians, bidding and procurement personnel, new employees and others. Through legal and integrity education, the Company attempts to clarify the discipline and give early-warnings and improve the reform based on the actual cases. We have held a special work meeting, with the theme of building a "clean" firewall for intelligent industrial city construction, with more than 400 senior management personnel and employees involved and including letters of commitment to integrity solemnly signed. On the eve of important holidays, the Company releases red-heading documents regarding strict discipline and integrity, etc., to remind the employees to be mindful and behave appropriately, when faced with the temptation of interests.

4. **Clear and open reporting channel**

The Company encourages the board and employees to monitor compliance with the code of business conduct and report violations of laws and disciplines and organisational policies. Whistleblowers can report corruption incidents through post office boxes, e-mails, dedicated telephone lines, work sites, and CEO mailboxes. The supervision department of the company is responsible for all kinds of reporting channels. After the supervision department investigates the reported information, the cases with sufficient evidence are reported to the company's Disciplinary Committee for final handling. The supervision department checks P.O. Boxes on a monthly basis and the e-mail address on a daily basis. The Company protects the rights and interests of whistleblowers in accordance with the law, and keeps confidential the reported matters, the status of the reports received, and the information related to the whistleblowers, achieve 100% reply to real-name reporting.

Compliance Statement

During the year, no violation of any anti-corruption-related laws and 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 rural revitalisation, and the Company fully cooperates with government bodies, charity organisations 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, disaster relief, charitable donations, assistance for the vulnerable and disadvantaged, and youth volunteer work. In 2021, the Company invested more than RMB22.25 million in rural revitalisation, emergency relief, employee care, and other social welfare initiatives. These efforts have benefited more than 10,000 poverty-stricken students, the disabled, seniors without family, people with financial difficulties, and employees with financial difficulties.

1. Rural Revitalisation

For the purpose of realising rural revitalisation through the agricultural industry, Zoomlion relies on the smart farm project, which has been carried out jointly with the government and local farmers in four areas, namely, Xidongting in Changde, Eqiao in Wuhu, Datong Lake in Yiyang and Hejiashan in Changde, to help improve the quality and efficiency of rice production. In terms of agricultural machinery, in March this year, Zoomlion joined hands with farmers in the old revolutionary area of Shaanxi Dingbian to launch an interest-free purchase program for seven large horsepower agricultural tractors to reduce the cost of agricultural machinery purchased by local farmers and improve their operational efficiency. In July 2021, Zoomlion, together with the Agricultural and Rural Bureau of Jiujiang City, Jiangxi Province, contributed eight Zoomlion rice seedling throwers to local grain farmers to help agricultural production and ensure food security. Since Zoomlion's rice seedling throwers were promoted in the main rice producing areas of Jiangxi, Hunan and Anhui, they have been widely recognised and praised by local agricultural departments and large growers. Furthermore, Zoomlion vigorously carried out training and promotion of rice seedling throwers, to accelerate the popularisation of agronomic technology and product application, and make positive contributions to expanding the mechanised rice planting area and promoting stable and increased grain production in different areas.

2. Aid for Public Education

As a co-sponsor of "Love-Changes-Destiny" charity events organised by Hunan Province, the Company continued to donate RMB2 million to the events in 2021. Zoomlion has made donations to the programme for 19 consecutive years, donating a total of RMB30 million and helping 72,000 students from low-income families, making it the largest donor in terms of donation amount and the number of students being supported.

Since the establishment of Zoomlion-customer Alliance Love Charity Fund in 2018, it has gradually clarified that elementary schools in remote towns and villages are the aid beneficiaries; school uniforms, audiovisual rooms, libraries, grants and school supplies are the main items of assistance;

and the funds raised by this Fund are the major forms of assistance, which have helped a large number of poor students complete their studies. Up to now, this Fund has raised nearly RMB4 million, assisting 29 poor schools and benefiting more than 20,000 students in remote areas.

In 2021, Zoomlion-customer Alliance's "Showing Love to Help Schools" event kicked off in Shuangxi Primary School in Guzhang County, Xiangxi, drawing a successful conclusion to the annual "Showing Love to Help Schools" event. So far, in 2021, Zoomlion-customer Alliance donated a total of RMB1.12 million in materials and other supplies to 13 schools, benefiting nearly 4,000 students. The Company continued its efforts in vocational education and infrastructure poverty alleviation in Longshan, Xiangxi. The 60 poor students supported by us had started their internship in the Company in May this year. The construction of the teaching building of Liye Primary School, the key project of infrastructure education and poverty alleviation, was completed in November, which would be officially opened in the fall of 2022, adding 750 seats to the Liye area, effectively alleviating the plight of local school-age children who cannot attend school in time.

3. Emergency Rescue

In July 2021, Henan Province was hardly hit by a once-in-a-century flood. In order to help the local people in terms of flood control and post-disaster reconstruction and quick resumption of production, Zoomlion gave full play to its advantages in emergency rescue by donating 50 sets of excavators and 50 sets of tractors to the disaster area at the first time, with a total value of RMB13.7597 million, making a significant contribution to the flood relief in Henan Province.

4. Sport Relief

Since its association with Hunan weightlifting team in 2003 and the title sponsorship in 2007, Zoomlion has been quietly supporting the development of weightlifting in Hunan Province. To better help the weightlifting team prepare for the Tokyo Olympics, the Company sponsored RMB2.2 million to Hunan weightlifting team in 2021, on top of the donation of RMB1 million in 2020, to help the Hunan sports team achieve excellent results in the Tokyo Olympics and National Games.

5. Organise Youth Volunteering Activities

The Company takes the Youth Volunteer Association of the Youth League Committee as the platform to build its public welfare brand of "Seven Hours from Everyone to Show Our Loving Heart". The Company's public welfare projects have formed four series of theme activities — "Youth Gathering together for Public Welfare", "Helping Students • Building Dreams • Casting Characters, "Giving Love • Sending Warmth" and "Responsibility, Love and Society" under the theme of "Social Responsibility". These activities have promoted the volunteer service spirit of "Dedication, Love, Mutual Help and Progress" among the youth. Throughout the year, we have carried out 11 public welfare activities and donated a total of RMB113,575 in cash or materials.

7 Reference Table for ESG General Disclosures

ESG Index	Key performance	Description	Remark	Reporting
	Environment			
A1	Emissions	General Disclosures Policies on waste gas and greenhouse gas emissions, discharge into water and land, generation of hazardous and non-hazardous wastes, etc.; and Compliance with the relevant laws and regulations that have a material impact on the issuer. 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	Direct (Scope 1) and indirect energy (Scope 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	Hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Intensity not applicable	3.1

Environmental, Social and Governance Report

ESG Index	Key performance	Description	Remark	Reporting
	A1.4	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.	
	A1.5	Description of the emission targets established and the steps taken to achieve them.	The Company is in the process of formulating relevant targets and therefore the related disclosure will be considered in the future.	
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of the waste reduction targets established and the steps taken to achieve them.		3.1
A2	Utilisation of resources	General disclosures 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

ESG Index	Key performance	Description	Remark	Reporting
	A2.2	A2.2 Water consumption in total and intensity (e.g., per unit of production volume per facility).		3.2
	A2.3	Description of the energy efficiency goals established and the steps taken to achieve them.	The materiality assessment of this year indicated that relatively speaking, utilisation of resources is not the most important environmental issue.	
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, and the water efficiency targets established and the steps taken to achieve them.	The materiality assessment of this year indicated that relatively speaking, utilisation of resources is not the most important environmental issue.	
	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, utilisation of resources is not the most important environmental issue.	
A3	Environment and natural resources	General Disclosures Policies on minimising the impact of the issuer 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

Environmental, Social and Governance Report

ESG Index	Key performance	Description	Remark	Reporting
A4	Climate change	General Disclosures Policies on identifying and addressing major climate-related issues that have already had or may have an impact on the issuer.	The materiality assessment of this year indicated that relatively speaking, climate change is not the most important environmental issue.	
	A4.1	Description of significant climate-related issues that have had and may have an impact on the issuer, and actions to address them.	The materiality assessment of this year indicated that relatively speaking, climate change is not the most important environmental.	
	Society			
B1	Employment and labour regulations	General Disclosures Policies on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination as well as other benefits and welfare; and Compliance with the relevant laws and regulations that have a material impact on the issuer.		4.1
	B1.1	Total employment by gender, employment type (full-time or half-time), age group and geographical region.		4.1
	B1.2	Employee turnover rate by gender, age group and geographical region.		4.1

ESG Index	Key performance	Description	Remark	Reporting
B2	Health and safety	General Disclosures Policies on providing a safe working environment and protecting employees from occupational hazards; and Compliance with the relevant laws and regulations that have a material impact on the issuer.		4.2
	B2.1	The number and rate of work-related deaths in each of the past three years (including the reporting year).		4.2
	B2.2	Lost days due to work injury.		4.2
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.		4.2
B3	Development and training	General Disclosures Policies on improving employees' knowledge and skills in performing their duties. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		4.3
	B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).		4.3
	B3.2	The average training hours completed per employee by gender and employee category.		4.3

Environmental, Social and Governance Report

ESG Index	Key performance	Description	Remark	Reporting
B4	Labour standards	General Disclosures Policies on preventing child labour and forced labour; and (a) Pricing policy (b) Compliance with the relevant laws and regulations that have a material impact on the issuer.		4.4
	B4.1	Description of measures to review employment practices to avoid child and forced labour.		4.4
	B4.2	Description of steps taken to eliminate such practices when discovered.		4.4
	Operations			
B5	Supply Chain Management	General Disclosures Policies on managing environmental and social risks of supply chain.		5.1
	B5.1	Number of suppliers by geographical region.		5.1
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.		5.1

Environmental, Social and Governance Report

ESG Index	Key performance	Description	Remark	Reporting
	B5.3	Description of practices relating to identifying environmental and social risks in each segment of the supply chain, and how they are implemented and monitored.		5.1
	B5.4	Description of practices that promote the increased use of environmentally friendly products and services when choosing suppliers, and how they are implemented and monitored.		5.1
B6	Product Responsibility	General Disclosures Policies on health and safety, advertising, labelling and privacy relating to products and services provided as well as remedial measures; and Compliance with the relevant laws and regulations that have a material impact on the issuer.		5.2
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Company's main business rarely involves product recycling, which is not an important environmental issue of the Company.	
	B6.2	Number of products and service related complaints received and how they are dealt with.	The Company rarely receives complaints related to products ,which is not an important environmental issue of the Company.	

ESG Index	Key performance	Description	Remark	Reporting
	B6.3	Description of practices relating to observing and protecting intellectual property rights.		5.2
	B6.4	Description of quality assurance process and recall procedures.		5.2
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	The materiality assessment of this year indicated that relatively speaking, consumer data protection and privacy policies is not the most important environmental.	
B7	Corruption	General Disclosures Policies on preventing bribery, extortion, fraud and money laundering; and Compliance with the relevant laws and regulations that have a material impact on the issuer.		5.3
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	The Company rarely receives reports of corruption cases, which is not an important environmental issue of the Company.	5.3

ESG Index	Key performance	Description	Remark	Reporting
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.		5.3
	B7.3	Description of anti-corruption training provided to directors and employees.		5.3
	Communities			
B8	Community Investment	General Disclosures Policies on community engagement to understand needs of the communities where the issuer operates and to ensure its business activities take into consideration the communities' interests.		6
	B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).		6
	B8.2	Resources contributed (e.g., money or time) to the focus area.		6

The Company has complied with the "comply or explain" provisions set out in part C of the ESG reporting guidance in appendix 27 to the Hong Kong Listing Rules.

Changes in Share Capital and Shareholders

I. Changes in Share Capital (as at 31 December 2021)

1. Changes in share capital

Unit: shares

	Before this change		Increase/decrease in this change (+, –)			After this change	
	Number	**Percentage**	**New shares issued**	**Other**	**Sub-total**	**Number**	**Percentage**
I. Shares subject to sales restriction	34,270,940	0.43%	511,209,439	-515,561,874	-4,352,435	29,918,505	0.34%
2. Shares held by state-owned legal persons			39,331,366	-39,331,366	0		
3. Shares held by other domestic listed companies	34,270,940	0.43%	314,650,936	-319,003,371	-4,352,435	29,918,505	0.34%
Of which: Shares held by domestic legal persons			314,650,936	-314,650,936	0		
Shares held by domestic natural persons	34,270,940	0.43%		-4,352,435	-4,352,435	29,918,505	0.34%
4. Shares held by foreign listed companies			157,227,137	-157,227,137	0		
Of which: Shares held by overseas legal persons			157,227,137	-157,227,137	0		
II. Shares not subject to sales restriction	7,903,419,593	99.57%	193,757,462	550,896,676	744,654,138	8,648,073,731	99.66%
1. Ordinary shares denominated in RMB	6,515,212,507	82.08%		550,896,676	550,896,676	7,066,109,183	81.43%
2. Overseas listed foreign invested shares	1,388,207,086	17.49%	193,757,462		193,757,462	1,581,964,548	18.23%
III. Total number of shares	7,937,690,533	100.00%	704,966,901	35,334,802	740,301,703	8,677,992,236	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, tagged or frozen: Condition of shares	Shares pledged, tagged or frozen: Number
HKSCC NOMINEES LIMITED	Overseas legal person	18.20%	1,579,034,041	193,533,762	0	1,579,034,041		
Hunan Xing Xiang Investment Holding Group Co., Ltd.	State-owned legal person	14.44%	1,253,314,876	1,253,314,876	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	7.86%	682,201,864	0	0	682,201,864	Pledged	209,245,471
Zoomlion Heavy Industry Science and Technology Co., Ltd.* – Phase I Employee Stock Ownership Plan	Other	4.50%	390,449,924	0	0	390,449,924		
Hong Kong Securities Clearing Company Limited	Overseas legal person	2.88%	249,665,794	-402,766,975	0	249,665,794		
China Securities Finance Corporation Limited	State-owned legal person	2.69%	233,042,928	0	0	233,042,928		
Real Smart International Limited	Overseas legal person	1.94%	168,635,602	0	0	168,635,602	Pledged	168,635,602
Urumqi Phoenix Cornerstone Equity Investment Management Limited Partnership – Maanshan Xuanyuan Cornerstone Equity Investment Partnership (Limited Partnership)	Other	1.72%	148,869,223	148,869,223	0	148,869,223		
Urumqi Phoenix Cornerstone Equity Investment Management Limited Partnership – Phoenix Cornerstone Tongli Private Equity Investment Fund	Other	0.86%	74,434,611	74,434,611	0	74,434,611		
CSC Financial Co., Ltd.	State-owned legal person	0.46%	39,915,400	39,915,400	0	39,915,400		

Changes in Share Capital and Shareholders

Based on information that is publicly available to the Company and within the knowledge of the Directors as at 15 April 2022 (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.

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

As at 31 December 2021, 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[2]	Interest in a controlled corporation	A shares	1,253,314,876 (L)	17.7	14.4
Changsha Zoomlion and Yisheng Investment Partnership (LLP)[3]	Beneficial owner	A shares	682,201,864 (L)	9.6	7.9
Zoomlion Heavy Industry Science and Technology Co., Ltd. — The First Phase of Employee Stock Ownership Plan[4]	Beneficial owner	A shares	390,449,924 (L)	5.5	4.5
Changsha Hesheng Science and Technology Investment Co., Ltd.[5]	Interest in a controlled corporation	H shares	193,757,462 (L)	12.2	2.2
BlackRock, Inc.[6]	Interest in a controlled corporation	H shares	158,729,730 (L) 36,400 (S)	10.0 < 0.1	1.8 < 0.1
Schroders PLC[7]	Investment manager	H shares	142,546,800 (L)	9.0	1.6

Changes in Share Capital and Shareholders

Notes:

(1) L represents long position
S represents short position

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

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

(4) Zoomlion Heavy Industry Science and Technology Co., Ltd. — The First Phase of Employee Stock Ownership Plan is the Stock Ownership Plan for the Core Management of Zoomlion Heavy Industry Science and Technology Co., Ltd. which was adopted by the Company on 6 January 2020.

(5) Changsha Hesheng Science and Technology Investment Co., Ltd. is an investment entity controlled and owned by the Group's management. Such interest is held by Changsha Hesheng Science and Technology Investment Co., Ltd. via its wholly-owned subsidiary, Cherry Sun (HK) Investment Management Limited.

(6) The disclosure is based on information available on the website of SEHK (www.hkexnews.hk). As stated in the form of disclosure of shareholder's interests submitted by BlackRock, Inc. on 17 December 2021, these shares are held via its affiliates.

(7) The disclosure is based on information available on the website of SEHK (www.hkexnews.hk). As stated in the form of disclosure of shareholder's interests submitted by Schroders PLC on 25 October 2021, these shares are held via its affiliates.

Save as disclosed above, as at 31 December 2021, 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

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

4. Issue of equity securities during the year

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

Changes in Share Capital and Shareholders

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 net proceeds from the non-public issuance was approximately RMB5,146 million, to be applied as follows:

No.	Allocated use	Allocation of net proceeds (RMB million)	Amount utilised during the year (RMB million)	Unutilised amount (RMB million)	Expected timeline of full utilisation
1.	Excavating machinery intelligent manufacturing project	2,400	937	1,463	2022 2H
2.	Project for upgrading of intelligent manufacturing of mixer product	350	232	118	2022 2H
3.	Key components intelligent manufacturing project	1,300	228	1,072	2022 2H
4.	Liquidity replenishment	1,096	1,096	–	–
	Total	5,146	2,493	2,653	

Changes in Share Capital and Shareholders

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.

Changes in Share Capital and Shareholders

Proceeds utilised during the year were used according to the intentions previously disclosed by the Company.

Utilised proceeds from the issue are proposed to be used according to the intentions previously disclosed by the Company.

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.

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 nominal value of such new shares is RMB193,757,462.000.

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 applied the net proceeds during the year 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), in accordance with the intentions previously disclosed. Such net proceeds had been 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.

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	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)	Number of Shares held at the end of the period (share)	Reasons for changes
Zhan Chunxin	Chairman and Chief Executive Officer	Incumbent	Male	66	2 April 2001	10,929,076			10,929,076	
He Liu	Director	Incumbent	Male	51	29 January 2019	0			0	
Zhao John Huan	Director	Incumbent	Male	58	29 June 2015	0			0	
Lai Kin Keung	Independent Director	Incumbent	Male	71	29 June 2015	0			0	
Zhao Songzheng	Independent Director	Incumbent	Male	60	29 June 2015	0			0	
Liu Guiliang	Independent Director	Incumbent	Female	59	29 June 2015	0			0	
Yang Changbo	Independent Director	Incumbent	Male	67	29 June 2016	0			0	
Wang Minghua	Chairman of Supervisory Board	Incumbent	Male	57	29 January 2019	0			0	
He Jianming	Supervisor	Incumbent	Male	59	29 January 2019	946,347			946,347	
Liu Xiaoping	Employee Supervisor I	Incumbent	Male	58	29 January 2019	326,840			326,840	
Xiong Yanming	Vice President	Incumbent	Male	57	29 June 2015	3,891,051		900,000	2,991,051	Share decrease
Sun Changjun	Vice President	Incumbent	Male	59	29 June 2015	3,229,828			3,229,828	
Guo Xuehong	Vice President	Incumbent	Male	59	29 June 2015	3,471,094			3,471,094	
Fu Ling	Vice President	Incumbent	Female	54	29 June 2015	2,984,068			2,984,068	
Du Yigang	Vice President	Incumbent	Female	46	29 June 2015	3,206,332		700,000	2,506,332	Share decrease
Wang Yongxiang	Vice President	Incumbent	Male	44	29 January 2019	1,627,500		400,000	1,227,500	Share decrease
Luo Kai	Vice President	Incumbent	Male	51	29 January 2019	1,655,700		413,900	1,241,800	Share decrease
Tang Shaofang	Vice President	Incumbent	Male	47	29 January 2019	1,387,500		300,000	1,087,500	Share decrease
Shen Ke	Vice President	Incumbent	Male	50	29 June 2015	4,293,506		776,500	3,517,006	Share decrease
Huang Jianbing	Assistant President	Incumbent	Male	50	29 January 2019	0			0	
Qin Xiuhong	Assistant President	Incumbent	Male	47	29 January 2019	0			0	
Tian Bing	Assistant President	Incumbent	Male	47	29 January 2019	1,942,500			1,942,500	
Yang Duzhi	Board Secretary	Incumbent	Male	32	29 March 2019	0			0	
Total	–	–	–	–	–	39,891,342	0	3,490,400	36,400,942	–

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, the deputy general manager and the general manager of Hunan Xing Xiang Investment Holding Group Co., Ltd. since August 2006. He has served as director and vice president of Tiger Forest & Paper Group Co., Ltd. since April 2018. Mr. 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. 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 Liu 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 is a chairman of Hony Capital. He also serves as a non-executive director of Legend Holdings Corporation, a non-executive director of China Glass Holdings Limited, a non-executive director of Lenovo Group Ltd., a non-executive director of Shanghai Jin Jiang International Hotels Development Co., Ltd., an executive director and the chairman of the board of directors of Best Food Holding Company Limited, a non-executive director of ENN Natural Gas Co., Ltd. an executive director and the chairman of the board of directors of Goldstream Investment Limited. a non-executive director of Simcere Pharmaceutical Group 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 and an honorary professor of the department of industrial engineering of the University of Hong Kong. He acted as a chair professor of management science in City University of Hong Kong from 2003 to 2016. Mr. Lai Kin Keung 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) and Golden Century International listed on hkex. Mr. Lai Kin Keung 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 and a fellow of the Asia Pacific Industrial Engineering and Management Society. Mr. Lai Kin Keung 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 Kin Keung 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 Kin Keung obtained a doctor of philosophy degree in civil engineering from Michigan State University, USA in September 1977.

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. 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 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.

Directors, Supervisors, Senior Management and Employees

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.

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 is currently the deputy director of the Financial Management Centre, senior accountant and a senior member of Accounting Society of China. He is currently a postgraduate tutor at the China University of Mining and Technology and a consulting expert of financial affairs of National People's Congress Financial and Economic Affairs Committee of Hunan Province. Mr. Qin participated in Urgently-Needed Talent in Changsha (長沙市緊缺急需人才) and High-level Talent (Provincial and municipal Leading Talent) in Changsha (長沙市高層次人才（省市級領軍人才）). He was awarded the honorary title of "2015 China International Financial Excellence Talent" (2015中國國際財務卓越人才) and "2015 China TPOCFO" (2015中國十大資本運營TOPCFO). 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 2010. He graduated from China University of Mining and Technology with a doctor degree of Management in financial management systems engineering.

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.

Directors, Supervisors, Senior Management and Employees

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 2021, 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 2021, 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 I	Male	57	Incumbent	113	No
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

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
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 President	Male	49	Incumbent	130	No
Qin Xiuhong	Assistant President	Male	46	Incumbent	130	No
Tian Bing	Assistant President	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 which subsisted during or at the end of 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 2.2% 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 2021 were as follows:

Category of participant	Number of options: As at 1 January 2021	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	As at 31 December 2021	Date of grant	Vesting period	Exercise period	Exercise price (RMB)
Key technical and managerial personnel[5]	31,023,209	–	–	–	31,023,209[1]	–	7 November 2017	1–3 years from the date of grant	7 November 2018 to 5 November 2021	3.61[3]
	4,311,593	–	–	–	4,311,593[2]	–	10 September 2018	1–2 years from the date of grant	10 September 2019 to 9 September 2021	3.20[4]
	35,334,802	–	–	–	35,334,802	–				

(1) The weighted average closing price of the A shares immediately before the dates on which such options were exercised was RMB10.63.

(2) The weighted average closing price of the A shares immediately before the dates on which such options were exercised was RMB10.81.

(3) 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, 2020 half year and 2020 profit distribution plans, the exercise price of the options granted under the first grant of options was adjusted to RMB3.61 per share.

(4) 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, 2020 half year and 2020 profit distribution plan, the exercise price of the options granted under the second grant of options was adjusted to RMB3.20 per share.

(5) 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 in part 2 of the Corporate Governance Code 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 2021. 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 provisions in part 2 of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules of Hong Kong throughout the year of 2021.

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 2021, 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.

The Board is responsible for making all major decisions of the Company including: the approval and monitoring of all major policies of the Group, overall strategies and budgets, internal control and risk management systems, notifiable and connected transactions, nomination of directors, supervisors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions being entered into by senior management.

(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 2021, 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 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 2021 was as follows:

	Name of Directors	Number of Board meetings held	Attendance	Number of general meetings held	Attendance
Chairman	Mr. Zhan Chunxin	10	10	1	1
Non-executive Director	Mr. Hu Xinbao	10	10	1	1
	Mr. Zhao John Huan	10	10	1	1
Independent Non-executive Director	Mr. Lai Kin Keung	10	10	1	1
	Mr. Zhao Songzheng	10	10	1	1
	Ms. Liu Guiliang	10	10	1	1
	Mr. Yang Changbo	10	10	1	1

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 in part 2 of the Corporate Governance Code 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 use 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 2021 are summarized as follows:

Directors	Type of Training
Mr. Zhan Chunxin	ABCD
Mr. He Liu	BCD
Mr. Zhao John Huan	BCD
Mr. Lai Kin Keung	ABD
Mr. Zhao Songzheng	AD
Ms. Liu Guiliang	ABD
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 in part 2 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.

(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 2021, 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 2021, the Remuneration and Appraisal Committee held 1 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.

	Attendance/ Number of meetings during the Reporting Period
Mr. Lai Kin Keung	1/1
Mr. He Liu	1/1
Mr. Yang Changbo	1/1

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 2021, 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, executive director, and Mr. Lai Kin Keung, an independent non-executive director. In 2021, 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 2021, 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 2021, the Audit committee held 4 meetings mainly to review the results for 2020, the interim results for 2021 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 2021. 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 2021 on an annual basis, the Audit Committee considers them effective and adequate. The Board is satisfied that the Company has fully complied with part 2 of the Corporate Governance Code in respect of internal controls and risk management during the year ended 31 December 2021.

	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 2021, 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 2021, the Strategy and Investment Decision-making Committee held 1 meeting, to review the issues regards the joint investment with professional institutions.

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.

Corporate Governance

(II) Interests

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 2021 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 2021, 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 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 10 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)	0.1540%
	Interest of a controlled corporation[2]	H share	5,250,000 (L)	0.3319%
He Jianming	Beneficiary owner	A Share	946,347 (L)	0.0133%
Liu Xiaoping	Beneficiary owner	A Share	326,840 (L)	0.0046%

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 2021, 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 2021, 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 2021. 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 2021.

These two audit firms provide audit services for the Company on its financial statements including the audit of the Company's annual financial statements of 2021, the review of interim financial report and the audits of subsidiaries' statutory financial statements. The aggregate audit fees paid to these two audit firms were RMB12.40 million.

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2021.

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 2021.

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 2021, 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 is required to be disclosed in this annual report pursuant to Rule 14A.71 of the Hong Kong Listing Rules.

Details of the Group's related party transactions for the year ended 31 December 2021 are set out in Note 36 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 117 to 244 which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 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 153 to 154, 157.</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 approximately 95% of the Group's revenue for the year ended 31 December 2021.

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 customer contracts, on a sample basis, 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>

Independent Auditor's Report

<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 141 to 145.</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 at 31 December 2021, the Group's gross trade receivables and gross receivables under finance lease arrangements totalled RMB47,823 million and RMB12,656 million, respectively, against which allowances of RMB4,937 million and RMB954 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

<table>
<tr><td colspan="2">Assessing potential impairment of goodwill and trademarks</td></tr>
<tr><td colspan="2">Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies on pages 134 to 135, pages 137 to 138 and pages 146 to 147.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2021, the aggregate carrying value of the Group's goodwill and trademarks with an indefinite useful life totalled RMB3,071 million, which represented 2.5% 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.</td><td>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;

• assessing the qualifications, experience and expertise of the external valuer engaged by management in assessing the impairment of goodwill and trademarks;</td></tr>
</table>

Independent Auditor's Report

<table>
<tr><th colspan="2">Assessing potential impairment of goodwill and the trademarks (continued)</th></tr>
<tr><td colspan="2">Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies on pages 134 to 135, pages 137 to 138 and pages 146 to 147.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>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.</td><td>• engaging our internal valuation specialists to assist us in assessing the methodology adopted by management and the external valuer in determining the recoverable amount of goodwill and trademarks with reference to the requirements of the prevailing accounting standards, assessing the preparation of the discounted cash flow forecasts, and assessing the discount rates applied in the cash flow forecasts by benchmarking against other comparable companies in the same industry;

• 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.</td></tr>
</table>

Independent Auditor's Report

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.

Independent Auditor's Report

- 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 Alex M.K. Shum.

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

30 March 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

(Expressed in RMB)

	Note	2021 RMB millions	2020 RMB millions
Revenue	3	**67,131**	65,109
Cost of sales and services		**(51,280)**	(46,492)
Gross profit		**15,851**	18,617
Other income	4	**1,413**	1,462
Sales and marketing expenses		**(3,473)**	(4,046)
General and administrative expenses		**(1,983)**	(2,366)
Impairment loss on trade and other receivables and receivables under finance lease	5(c)	**(746)**	(1,682)
Research and development expenses		**(3,865)**	(3,345)
Profit from operations		**7,197**	8,640
Net finance income/(costs)	5(a)	**6**	(154)
Share of profits less losses of associates	14	**154**	182
Profit before taxation	5	**7,357**	8,668
Income tax	6	**(938)**	(1,297)
Profit for the year		**6,419**	7,371

The notes on pages 127 to 244 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

(Expressed in RMB)

	Note	2021 RMB millions	2020 RMB millions
Profit attributable to:			
Equity shareholders of the Company		**6,303**	7,296
Non-controlling interests		**116**	75
		6,419	7,371
Profit for the year		**6,419**	7,371
Earnings per share (cents)			
Basic	9	**75.78**	97.75
Diluted	9	**75.29**	96.73

The notes on pages 127 to 244 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

(Expressed in RMB)

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

The notes on pages 127 to 244 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021

(Expressed in RMB)

	Note	2021 RMB millions	2020 RMB millions
Non-current assets			
Property, plant and equipment	10	**9,740**	7,342
Right-of-use assets	11	**4,113**	3,068
Intangible assets	12	**1,850**	1,965
Goodwill	13	**1,908**	2,054
Interests in associates	14	**4,190**	3,388
Other financial assets	15	**2,418**	2,703
Trade and other receivables	18	**16,353**	14,131
Receivables under finance lease	19	**7,206**	13,008
Loans and advances	18(e)	**140**	—
Pledged bank deposits	20	**202**	175
Deferred tax assets	27(b)	**1,148**	1,453
Total non-current assets		**49,268**	49,287
Current assets			
Inventories	16	**13,501**	14,652
Other current assets		**1,156**	1,374
Financial assets at fair value through profit or loss	17	**6,408**	4,284
Trade and other receivables	18	**32,108**	23,972
Receivables under finance lease	19	**4,496**	10,365
Loans and advances	18(e)	**80**	—
Pledged bank deposits	20	**1,775**	2,223
Cash and cash equivalents	21	**13,190**	10,086
Total current assets		**72,714**	66,956
Total assets		**121,982**	116,243
Current liabilities			
Loans and borrowings	22(a)	**11,011**	2,964
Trade and other payables	23	**36,600**	40,387
Contract liabilities	24	**1,874**	2,777
Lease liabilities	25	**93**	90
Income tax payable	27(a)	**97**	710
Total current liabilities		**49,675**	46,928
Net current assets		**23,039**	20,028
Total assets less current liabilities		**72,307**	69,315

The notes on pages 127 to 244 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021

(Expressed in RMB)

	Note	2021 RMB millions	2020 RMB millions
Non-current liabilities			
Loans and borrowings	22(b)	**7,894**	16,337
Lease liabilities	25	**320**	320
Deferred tax liabilities	27(b)	**405**	490
Other non-current liabilities	29	**5,428**	4,318
Total non-current liabilities		**14,047**	21,465
NET ASSETS		**58,260**	47,850
CAPITAL AND RESERVES			
Share capital	30(a)	**8,678**	7,938
Reserves		**48,153**	38,768
Total equity attributable to equity shareholders of the Company		**56,831**	46,706
Non-controlling interests		**1,429**	1,144
TOTAL EQUITY		**58,260**	47,850

Approved and authorised for issue by the board of directors on 30 March 2022.

Zhan Chunxin
Chairman and Chief Executive Officer

Du Yigang
Vice-president

The notes on pages 127 to 244 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

(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(b)(vi)	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(b)(vi)	–	–	–	–	–	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 127 to 244 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company								Non-controlling interests RMB millions	Total equity RMB millions
		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(b)(vi))	Retained earnings RMB millions	Total RMB millions		
Balance at 31 December 2020 and 1 January 2021		7,938	13,517	3,924	(1,300)	12	59	22,556	46,706	1,144	47,850
Changes in equity for 2021											
Profit for the year		–	–	–	–	–	–	6,303	6,303	116	6,419
Other comprehensive income		–	–	–	(172)	(1)	–	(51)	(224)	–	(224)
Total comprehensive income		–	–	–	(172)	(1)	–	6,252	6,079	116	6,195
Appropriation for surplus reserve		–	–	460	–	–	–	(460)	–	–	–
Issue of ordinary shares	30(a)	705	5,383	–	–	–	–	–	6,088	–	6,088
Cash dividends	30(c)	–	–	–	–	–	–	(2,778)	(2,778)	–	(2,778)
Share incentive scheme											
– Share option scheme	26	35	137	–	–	–	–	–	172	–	172
– Restricted share scheme	26	–	563	–	–	–	–	–	563	–	563
Dividends declared by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(19)	(19)
Disposal of a subsidiary		–	–	–	–	–	–	–	–	(7)	(7)
Contribution from non-controlling shareholders in a subsidiary		–	1	–	–	–	–	–	1	195	196
Appropriation for general risk reserve	30(b)(vi)	–	–	–	–	–	169	(169)	–	–	–
Safety production fund	30(b)(vi)	–	–	–	–	–	32	(32)	–	–	–
Balance at 31 December 2021		8,678	19,601	4,384	(1,472)	11	260	25,369	56,831	1,429	58,260

The notes on pages 127 to 244 form part of these financial statements.

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Consolidated Cash Flow Statement

For the year ended 31 December 2021

(Expressed in RMB)

	Note	2021 RMB millions	2020 RMB millions
Operating activities			
Profit before taxation		7,357	8,668
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	665	585
Depreciation of right-of-use assets	5(c)	176	129
Amortisation of intangible assets	5(c)	160	188
Share of profits less losses of associates		(154)	(182)
Net gain on disposal of interests in associates and subsidiaries	4	(5)	(489)
Interest income	5(a)	(970)	(596)
Interest expense	5(a)	923	942
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	4	(186)	(267)
Net realised and unrealised gains on financial assets at FVPL	4	(385)	(452)
Loss on troubled debt restructurings	4	50	216
Loss on disposal of trade receivables and receivables under finance lease	4	160	62
Dividend income from financial assets at FVOCI	4	(66)	(17)
Impairment loss on intangible assets	5(c)	—	6
Share incentive scheme expenses	5(b)	427	598
		8,152	9,391
Decrease/(increase) in inventories		1,548	(2,613)
Increase in trade and other receivables		(3,336)	(8,234)
Decrease/(increase) in receivables under finance lease		1,309	(7,392)
(Decrease)/increase in contract liabilities		(903)	840
(Decrease)/increase in trade and other payables		(3,220)	16,140
Cash generated from operations		3,550	8,132
Income tax paid		(1,361)	(900)
Net cash generated from operating activities carried forward		2,189	7,232

The notes on pages 127 to 244 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

(Expressed in RMB)

	Note	2021 RMB millions	2020 RMB millions
Net cash generated from operating activities brought forward		**2,189**	7,232
Investing activities			
Payment for purchase of property, plant and equipment		**(1,562)**	(806)
Payment for purchase of right-of-use assets		**(1,194)**	(188)
Payment for purchase of intangible assets		**(159)**	(107)
Proceeds from proposed disposal of property, plant, equipment and right-of-use assets		**1,188**	938
Payment for investments in associates		**(327)**	—
Proceeds from disposal of interests in associates		**—**	1,056
Payment for acquisition of financial assets at FVOCI		**(1,189)**	(251)
Proceeds from disposal of financial assets at FVOCI		**889**	159
Payment for acquisition of financial assets at FVPL		**(23,110)**	(14,898)
Payment for acquisition of financial assets at amortised cost		**(200)**	—
Proceeds from disposal of financial assets at FVPL		**21,684**	15,221
Dividends from associates		**55**	48
Dividends income from financial assets at FVOCI	4	**66**	11
Proceeds from disposal of property, plant and equipment and intangible assets		**161**	489
Proceeds from disposal of a subsidiary	14	**1,444**	13
Interest received		**436**	190
Decrease/(increase) in pledged bank deposits		**421**	(899)
Net cash (used in)/generated from investing activities		**(1,397)**	976

The notes on pages 127 to 244 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

(Expressed in RMB)

	Note	2021 RMB millions	2020 RMB millions
Financing activities			
Proceeds from loans and borrowings	21(a)	63,027	58,618
Proceeds from exercise of share options	26	136	266
Proceeds on contributions from non-controlling shareholders		196	500
Repayments of loans and borrowings	21(a)	(62,951)	(60,927)
Payment for forfeiture of restricted shares		—	(2)
Interest paid	21(a)	(907)	(903)
Dividends paid to equity shareholders	30(c)	(3,041)	(1,712)
Proceeds from issue of restricted shares	26	—	1,074
Dividends paid by subsidiaries to non-controlling interests		(19)	(35)
Payment for acquisition of non-controlling interests		—	(36)
Proceeds from the issue of ordinary shares	30(d)	6,088	—
Capital element of lease rentals paid	21(a)	(102)	(75)
Interest element of lease rentals paid	21(a)	(7)	(12)
Net cash generated from/(used in) financing activities		2,420	(3,244)
Net increase in cash and cash equivalents		3,212	4,964
Cash and cash equivalents at 1 January		10,086	5,073
Effect of foreign exchange rate changes		(108)	49
Cash and cash equivalents at 31 December	21	13,190	10,086

The notes on pages 127 to 244 form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2021

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 2021

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%.

Notes to the consolidated financial statements

For the year ended 31 December 2021

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

(b) Organisation (continued)

During 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, and allotted and issued a total of 511,209,439 A Shares to eight subscribers at a subscription price of RMB10.17 per A Share. Besides, 35,334,802 share options were exercised. After then, the share capital of the Company was increased to approximately RMB8,678 million, comprising 7,096,027,626 A Shares and 1,581,964,548 H Shares.

In April 2021, Hunan SASAC transferred a total of 1,253,314,876 A Shares to Hunan Xing Xiang Investment Holding Group Co.,Ltd. (Hunan Xing Xiang), which was 100% ownership interest held by Hunan SASAC. As at 31 December 2021, the Company's equity interest held by Hunan Xing Xiang was 14.44%.

(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 2021 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.

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

(c) Basis of preparation (continued)

(ii) Basis of preparation of the financial statements (continued)

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 37.

(d) Changes in accounting policies

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

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

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)).

2 Significant accounting policies (continued)

(a) Business combinations (continued)

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.

(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.

2 Significant accounting policies (continued)

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

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.

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 38.

(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.

2 Significant accounting policies (continued)

(c) Associates (continued)

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.

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.

2 Significant accounting policies (continued)

(d) Goodwill (continued)

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.

(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.

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;

— loans and advances; and

— financial guarantee contracts issued.

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), listed equity securities measured at FVPL, 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 2021

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)

Measurement of ECLs (continued)

Significant increases in credit risk (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)

Measurement of ECLs (continued)

Basis of calculation of interest income (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).

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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

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.

(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 recognised as deferred income and are amortised to profit or loss as the related asset is depreciated or amortised.

(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 2021

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:

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

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:

	2021 RMB millions	2020 RMB millions
Within 1 year	**88**	79
After 1 year but within 5 years	**147**	25
After 5 years	**18**	6
	253	110

Notes to the consolidated financial statements

For the year ended 31 December 2021

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 2021 and 2020.

b. Agricultural machinery segment primarily researches, develops, manufactures and sells a wide range of agricultural machineries, including tractors, grain harvesters and drying machines.

c. Financial services segment primarily provides finance lease services to customers for purchasing machinery products of the Group and from other vendors.

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 2021 and 2020 is set out below:

	2021			2020		
	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	**16,379**	**1**	**16,380**	18,984	1	18,985
– Crane machinery	**36,309**	**185**	**36,494**	34,893	4	34,897
– Others	**10,644**	**5**	**10,649**	7,463	38	7,501
Agricultural machinery	**2,907**	**–**	**2,907**	2,644	–	2,644
Financial services	**–**	**701**	**701**	–	1,082	1,082
	66,239	**892**	**67,131**	63,984	1,125	65,109

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

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

(iii) Reconciliations of segment profit

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

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.

	2021 RMB millions	2020 RMB millions
Revenue from external customers		
— Mainland PRC	**61,342**	61,277
— Outside PRC	**5,789**	3,832
Total	**67,131**	65,109

	2021 RMB millions	2020 RMB millions
Specified non-current assets		
— Mainland PRC	**12,951**	9,560
— Outside PRC	**902**	850
Total	**13,853**	10,410

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4 Other income

	2021 RMB millions	2020 RMB millions
Government grants (Note)	**1,000**	531
Net realised and unrealised gains on financial assets at FVPL	**385**	452
Dividend income from financial assets at FVOCI	**66**	17
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	**186**	267
(Loss)/gain on disposal of associates	**(2)**	489
Gain on disposal of subsidiaries	**7**	—
Loss on disposal of trade receivables and receivables under finance lease	**(160)**	(62)
Loss on troubled debt restructurings	**(50)**	(216)
Others	**(19)**	(16)
	1,413	1,462

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 (income)/costs:

	2021 RMB millions	2020 RMB millions
Interest income	**(970)**	(596)
Interest on loans and borrowings	**916**	930
Interest on lease liabilities (Note 21(a))	**7**	12
Net exchange loss/(gain)	**41**	(192)
	(6)	154

5 Profit before taxation (continued)

(b) Staff costs:

	2021 RMB millions	2020 RMB millions
Salaries, wages and other benefits	**3,913**	3,761
Share incentive scheme expenses (Note 26(c))	**427**	598
Contributions to retirement schemes (Note 28)	**628**	631
	4,968	4,990

(c) Other items:

	2021 RMB millions	2020 RMB millions
Cost of inventories sold (Note 16)	**51,280**	46,492
Depreciation charge		
— owned property, plant and equipment (Note 10)	**665**	585
— right-of-use assets, land use rights (Note 11)	**74**	54
— right-of-use assets, plant, machinery and equipment (Note 11)	**102**	75
Amortisation of intangible assets (Note 12)	**160**	188
Gain on disposal of property, plant and equipment, intangible assets and right-of-use assets (Note 4)	**186**	267
Auditors' remuneration:		
— audit services	**10**	10
Product warranty costs (Note 23(b))	**245**	211
Impairment losses:		
— trade receivables (Note 18(c))	**496**	1,257
— receivables under finance lease (Note 19(c))	**178**	262
— other receivables	**66**	163
— loan and advance	**6**	—
— inventories	**9**	87
— intangible assets (Note 12)	**—**	6

6 Income tax

Income tax in the consolidated statement of comprehensive income represents:

(a) Taxation charged to profit or loss:

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

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

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

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% (2020: 25%).

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

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

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

(iii) Under the income tax law and its relevant regulations, a 100% additional tax deduction is allowed for qualified research and development expenditure for the year ended 31 December 2021 (2020: 75%).

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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 2021						
Executive director						
ZHAN Chunxin	–	1,342	1,342	16	42,683	45,383
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	–	892	892	16	6,121	7,921
LIU Xiaoping	–	692	692	16	4,919	6,319
	600	2,926	2,926	48	53,723	60,223

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 2020						
Executive director						
ZHAN Chunxin	–	1,342	1,342	16	57,213	59,913
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	8,354	10,054
LIU Xiaoping	–	557	557	16	6,342	7,472
	600	2,741	2,741	48	71,909	78,039

None of these directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the year (2020: Nil).

8 Individuals with highest emoluments

Of the five highest paid individuals of the Group, 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 individuals are as follows:

	2021 RMB thousands	2020 RMB thousands
Salaries, allowances and other benefits in kind	**7,536**	7,336
Share incentive scheme expenses	**30,170**	39,986
Contributions to retirement scheme	**64**	64
	37,770	47,386

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

	2021 Number	2020 Number
RMB3,000,001–RMB6,000,000	**–**	–
RMB6,000,001–RMB9,000,000	**–**	–
RMB9,000,001–RMB12,000,000	**4**	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 (2020: Nil).

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 RMB6,303 million (2020: RMB7,296 million) and the weighted average of 8,317 million ordinary shares (2020: 7,464 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021 millions	2020 millions
Issued ordinary shares at 1 January	**7,547**	7,427
Effect of issue of ordinary H shares (Note 30(d))	**178**	—
Effect of issue of ordinary A shares (Note 30(d))	**460**	—
Effect of restricted A shares unlocked (Note 26(b))	**107**	9
Effect of share options exercised (Note 26(a))	**25**	28
Weighted average number of ordinary shares at 31 December	**8,317**	7,464

(b) Diluted earnings per share

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

Weighted average number of ordinary shares (diluted)

	2021 millions	2020 millions
Weighted average number of ordinary shares at 31 December	**8,317**	7,464
Effect of deemed issue of restricted A shares (Note 26(b))	**49**	45
Effect of exercisable options (Note 26(a))	**6**	34
Weighted average number of ordinary shares (diluted) at 31 December	**8,372**	7,543

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

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For the year ended 31 December 2021

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 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
Balance at 1 January 2021	**5,548**	**4,592**	**892**	**1,233**	**12,265**
Additions	**275**	**367**	**67**	**2,505**	**3,214**
Transferred from construction in progress	**341**	**312**	**117**	**(770)**	**–**
Disposals	**(85)**	**(200)**	**(147)**	**–**	**(432)**
Effect of exchange rate difference	**(18)**	**(81)**	**(12)**	**–**	**(111)**
Balance at 31 December 2021	**6,061**	**4,990**	**917**	**2,968**	**14,936**
Accumulated depreciation and impairment:					
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)
Balance at 1 January 2021	**(1,648)**	**(2,579)**	**(696)**	**–**	**(4,923)**
Depreciation charge for the year	**(205)**	**(396)**	**(64)**	**–**	**(665)**
Written back on disposals	**29**	**147**	**131**	**–**	**307**
Effect of exchange rate difference	**4**	**58**	**23**	**–**	**85**
Balance at 31 December 2021	**(1,820)**	**(2,770)**	**(606)**	**–**	**(5,196)**
Net book value:					
Balance at 31 December 2021	**4,241**	**2,220**	**311**	**2,968**	**9,740**
Balance at 31 December 2020	3,900	2,013	196	1,233	7,342

10 Property, plant and equipment (continued)

As at 31 December 2021, the carrying amount of machinery, plant and equipment leased out under operating leases is RMB316 million (31 December 2020: RMB88 million), which mainly represents machinery of Wuhan Yida Construction Services Co., Ltd.. The lease term generally ranges from 1 to 4 years (2020: 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:

	2021 RMB millions	2020 RMB millions
Within 1 year	**88**	79
After 1 year but within 2 years	**48**	19
After 2 years but within 3 years	**42**	3
Thereafter	**75**	9
	253	110

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	**2021 RMB millions**	2020 RMB millions
Land use rights, carried at depreciated cost	(i)	**3,668**	2,610
Plant, machinery and equipment, carried at depreciated cost	(ii)	**445**	458
		4,113	3,068

11 Right-of-use assets (continued)

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

	2021 RMB millions	2020 RMB millions
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights, carried at depreciated cost	**74**	54
Plant, machinery and equipment, carried at depreciated cost	**102**	75
	176	129
Interest on lease liabilities (Note 5(a))	**7**	12
Expense relating to short-term leases	**30**	26
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**25**	22

During the year, additions to right-of-use assets were RMB1,335 million (2020: RMB862 million). This amount primarily related to land use rights and 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 or includes variable lease payments. Some of the leases includes an option to renew the lease.

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 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
Balance at 1 January 2021	**1,275**	**240**	**524**	**591**	**943**	**3,573**
Additions	**–**	**15**	**67**	**–**	**77**	**159**
Disposals	**–**	**–**	**(29)**	**–**	**–**	**(29)**
Effect of exchange rate difference	**(75)**	**(31)**	**(19)**	**(36)**	**(29)**	**(190)**
Balance at 31 December 2021	**1,200**	**224**	**543**	**555**	**991**	**3,513**
Accumulated amortisation and impairment:						
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)
Balance at 1 January 2021	**(39)**	**(191)**	**(344)**	**(491)**	**(543)**	**(1,608)**
Amortisation for the year	**–**	**(27)**	**(31)**	**(23)**	**(79)**	**(160)**
Written back on disposals	**–**	**–**	**20**	**–**	**–**	**20**
Effect of exchange rate difference	**2**	**27**	**1**	**35**	**20**	**85**
Balance at 31 December 2021	**(37)**	**(191)**	**(354)**	**(479)**	**(602)**	**(1,663)**
Net book value:						
Balance at 31 December 2021	**1,163**	**33**	**189**	**76**	**389**	**1,850**
Balance at 31 December 2020	1,236	49	180	100	400	1,965

13 Goodwill and business combination

	2021 RMB millions	2020 RMB millions
Balance at 1 January	**2,054**	2,017
Effect of exchange rate difference	**(146)**	37
Balance at 31 December	**1,908**	2,054

The goodwill arose from the acquisition of the following entities:

		Carrying amount	
Name of entity	**Date of acquisition**	**2021 RMB millions**	2020 RMB millions
CIFA	September 2008	**1,412**	1,554
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	**30**	34
Zoomlion Agriculture Machinery Co., Ltd. (formerly "Zoomlion Heavy Machinery Co., Ltd.")	January 2015	**363**	363
Wilbert TowerCranes GmbH	June 2019	**6**	6
		1,908	2,054

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.

13 Goodwill and business combination (continued)

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 12.38% to 19.89% (2020: 8.91% to 17.31%). 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% (2020: 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

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

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

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	RMB3,179	12.56%	12.56%	Environmental construction and project operation

Note: Infore Environment is listed on the main board of Shenzhen Stock Exchange. On 31 December 2021, the quoted market price of Infore Environment was RMB7.33 (2020: RMB8.14) per share and the fair value of the investment in Infore Environment was RMB2,926 million (2020: RMB3,249 million).

	2021 RMB millions	2020 RMB millions
Amounts of the Group's share of Infore Environment		
Profit from operations	**118**	151
Other comprehensive income	**—**	—
Total comprehensive income	**118**	151

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

14 Interests in associates (continued)

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

Effect of disposal on the financial position of the Group

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

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15 Other financial assets

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

Notes:

(i) The equity securities comprises equity funds and other unlisted equity securities. The aggregate fair value of equity funds and unlisted equity securities was RMB1,690 million and RMB617 million respectively at 31 December 2021 (2020: RMB1,618 million and RMB661 million). The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of RMB66 million (2020: RMB17 million) were received on investments in equity securities during the year ended 31 December 2021 (see Note 4). An accumulated loss in the fair value reserve (non-recycling) of RMB51 million in relation to partial disposal of equity securities was transferred to retained earnings during the year (2020: an accumulated loss of RMB87 million).

(ii) The listed equity securities represent the Group's investments in shares of listed companies in the PRC. The aggregate fair value of these investments was RMB111 million, based on their quoted market prices as at 31 December 2021 (2020: RMB271 million).

(iii) The Group invests its spare cash in securities investment funds offered by fund management institutions. The underlying assets of the products are a wide range of government and corporate bonds, asset-backed securities, bond repurchases, bank deposits and other financial instruments. The Group evaluates these products on a fair value basis in accordance with the accounting policy set out in Note 2(e).

16 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2021 RMB millions	2020 RMB millions
Raw materials	**4,204**	4,360
Work in progress	**2,815**	2,801
Finished goods (Note)	**6,482**	7,491
	13,501	14,652

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

	2021 RMB millions	2020 RMB millions
Financial assets carried at fair value through profit or loss:		
— Wealth management products (Note)	**5,430**	3,363
— Securities investment funds (Note 15(iii))	**978**	921
	6,408	4,284

Note: The Group invests its spare cash in wealth management products and structured deposits offered by banks and other financial institutions. These products generally have a pre-set maturity and expected return, with its underlying assets being a wide range of government and corporate bonds, central bank bills, money market funds as well as other listed and unlisted equity securities in the PRC. 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 2021

18 Trade and other receivables

	2021 RMB millions	2020 RMB millions
Trade receivables (Notes (a) and (b))	**47,823**	37,475
Less: loss allowance (Note (c))	**(4,937)**	(4,943)
	42,886	32,532
Less: trade receivables due after one year	**(16,353)**	(14,131)
	26,533	18,401
Bills receivable (Note (d))	**1,882**	2,532
	28,415	20,933
Amounts due from related parties (Note 36(b))	**265**	185
Prepayments for purchase of raw materials	**639**	706
Prepaid expenses	**408**	366
VAT recoverable	**1,070**	938
Deposits	**91**	164
Financial assets at amortised cost	**200**	—
Others	**1,020**	680
	32,108	23,972

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

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 2021, the weighted average discount rate was approximately 4.75% (2020: 4.75%) per annum. As at 31 December 2021, trade receivables due after one year of RMB16,353 million (31 December 2020: RMB14,131 million) were presented net of unearned interest of RMB1,861 million (31 December 2020: RMB1,559 million).

(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:

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

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

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

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:

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

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

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

Bills receivable represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 6 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorses bills receivable to suppliers in order to settle trade payables.

18 Trade and other receivables (continued)

(d) (continued)

As at 31 December 2021, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2021, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB740 million (31 December 2020: RMB2,015 million).

As at 31 December 2021, bills receivable of RMB13 million (31 December 2020: RMB294 million) were discounted to banks or other financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred. Since the Group has continuing involvement in the transferred assets, these discounted bills receivable were therefore not derecognised. As at 31 December 2021, bills receivable of RMB730 million (31 December 2020: RMB873 million) was discounted to banks or other financial institutions without recourse, where substantially all the risks and rewards of ownership had been transferred. Since the Group does not have continuing involvement in the transferred assets, these discounted bills receivable were therefore derecognised.

18 Trade and other receivables (continued)

(e) Loans and advances

	2021 RMB millions	2020 RMB millions
Loans and advances	**226**	—
Less: loss allowance	**(6)**	—
	220	—
Less: Loans and advances due after one year	**(140)**	—
Loans and advances due within one year	**80**	—

In 2021, the Group begins to provide loan services to customers purchasing machinery products of the Group. Customers are normally required to make an upfront payment ranging from 20% to 50% of the product price. Loans and advances under these arrangements are generally due within 2 to 5 years.

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

19 Receivables under finance lease

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

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

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:

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

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:

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

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.

19 Receivables under finance lease (continued)

(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	**2021 RMB millions**	2020 RMB millions
Balance at 1 January		**1,604**	1,646
Impairment losses recognised		**178**	262
Written off upon debt-equity swap		**—**	(39)
Written off upon sale of receivables under finance lease		**(54)**	(33)
Reclassification to loss allowance of trade receivables	18(c)	**(554)**	(232)
Written off upon repossession of sold machinery		**(28)**	—
Disposal of a subsidiary		**(192)**	—
Balance at 31 December		**954**	1,604

(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) 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

	2021 RMB millions	2020 RMB millions
Cash at bank and on hand		
— RMB denominated	**11,337**	8,752
— USD denominated	**699**	418
— EUR denominated	**673**	667
— HKD denominated	**65**	27
— Other currencies	**416**	222
	13,190	10,086

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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 2020		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:					
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

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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 2020		19,297	4	410	19,711
Changes from financing cash flows:					
Capital element of lease rentals paid		—	—	(102)	(102)
Interest element of lease rentals paid		—	—	(7)	(7)
Proceeds from loans and borrowings		62,949	78	—	63,027
Repayments of loans and borrowings		(62,869)	(82)	—	(62,951)
Interest paid		(907)	—	—	(907)
Total changes from financing cash flows		(827)	(4)	(109)	(940)
Exchange adjustments		(407)	—	—	(407)
Other changes:					
Loans and borrowings decreased due to disposal of a subsidiary	14	(180)	—	—	(180)
Increase in lease liabilities from entering into new lease during the year		—	—	105	105
Change in interest payable		106	—	—	106
Interest on loans and borrowings	5(a)	916	—	—	916
Interest on lease liabilities	5(a)	—	—	7	7
Total other changes		842	—	112	954
At 31 December 2021		18,905	—	413	19,318

21 Cash and cash equivalents (continued)

(b) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 RMB millions	2020 RMB millions
Within operating cash flows	**55**	48
Within financing cash flows	**109**	87
	164	135

These amounts relate to the following:

	2021 RMB millions	2020 RMB millions
Lease rentals paid	**164**	135

22 Loans and borrowings

(a) Short-term loans and borrowings

	Note	**2021 RMB millions**	2020 RMB millions
Secured short-term bank loans			
— RMB denominated		**—**	10
Pledged short-term bank loans	(i)	**408**	816
Unsecured short-term bank loans			
— RMB denominated	(ii)	**1,225**	825
— USD denominated	(iii)	**209**	12
— EUR denominated	(iv)	**1,471**	1,296
Deposits due to an associate		**—**	4
		3,313	2,963
Add: current portion of long-term loans and borrowings	22(b)	**7,698**	1
		11,011	2,964

Notes:

(i) As at 31 December 2021, RMB denominated pledged short-term bank loan of RMB408 million (31 December 2020: RMB816 million) bore interest at rates ranging from 2.00% to 3.00% per annum were pledged by financial assets and bank acceptance bills and will be repayable in full in 2022.

(ii) As at 31 December 2021, RMB denominated unsecured short-term bank loans of RMB1,225 million (31 December 2020: RMB825 million) bore interest at rates ranging from 3.00% to 3.85% per annum and will be repayable in full in 2022.

(iii) As at 31 December 2021, USD denominated unsecured short-term bank loans of RMB209 million (31 December 2020: RMB12 million) bore interest at interest at 1.2% + 3 MLibor per annum and will be repayable in full in 2022.

(iv) As at 31 December 2021, EUR denominated unsecured short-term bank loans of RMB1,471 million (31 December 2020: RMB1,296 million) bore interest at rates ranging from 0.33% to 1.00% per annum and will be repayable in full in 2022.

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For the year ended 31 December 2021

22 Loans and borrowings (continued)

(b) Long-term loans and borrowings

	Note	**2021 RMB millions**	2020 RMB millions
Unsecured long-term bank loans			
— RMB denominated	(i)	**4,654**	500
— EUR denominated	(ii)	**759**	1,623
— USD denominated	(iii)	**295**	806
Secured long-term bank loans			
— EUR denominated	(iv)	**19**	—
RMB medium-term notes	(v)	**2,571**	4,993
Guaranteed USD senior notes	(vi)	**3,333**	3,424
Debentures	(vii)	**3,961**	4,992
		15,592	16,338
Less: current portion of long-term loans and borrowings	22(a)	**(7,698)**	(1)
		7,894	16,337

Notes:

(i) As at 31 December 2021, RMB denominated unsecured long-term bank loans of RMB4,485 million (31 December 2020: RMB500 million) bore interest at rates ranging from 3.10% to 3.70% per annum and will be repayable from 2023 to 2025.

As at 31 December 2021, RMB denominated unsecured long-term bank loans of RMB169 million (31 December 2020: Nil) bore interest at rates ranging from 3.35% to 3.60% 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 2021, the Group was in compliance with these financial covenants.

(ii) As at 31 December 2021, EUR denominated unsecured long-term bank loans of RMB222 million (31 December 2020: RMB1,623 million) bore interest at rates ranging from 1.00% to 2.00% per annum and will be repayable from 2025 to 2031.

As at 31 December 2021, EUR denominated unsecured long-term bank loans of RMB537 million (31 December 2020: Nil) bore interest at rate of 3.65% per annum and will be repayable in 2022.

(iii) As at 31 December 2021, USD denominated unsecured long-term bank loans of RMB184 million (31 December 2020: RMB805 million) bore interest at rates ranging from 1.00% to 1.80% per annum and will be repayable from 2023 to 2029.

As at 31 December 2021, USD denominated unsecured long-term bank loans of RMB111 million (31 December 2020: RMB1 million) bore interest at rates ranging from 1.50% to 4.00% per annum and will be repayable in 2022.

22 Loans and borrowings (continued)

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

Notes: (continued)

(iv) As at 31 December 2021, EUR denominated secured long-term bank loans of RMB19 million (31 December 2020: Nil) bore interest at rates ranging from 1.00% to 1.80% per annum and will be repayable in 2031.

(v) In December 2018, the Company issued 5-year RMB medium-term notes with principal amount of RMB2,500 million. The notes bore interest at a fixed rate of 4.49% per annum and will mature in December 2023. Interest on the notes will be payable yearly in arrears in December, beginning from December 2018. By December 2021, the note holders have the right to demand partial or full repayment of the medium-term notes. In December 2021, the Company redeemed these notes in the principal amount of RMB2,450 million.

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. By October 2022, the note holders have the right to demand partial or full repayment of the medium-term notes.

(vi) 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.

(vii) 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. By December 2021, the bond holders have the right to demand partial or full repayment of the medium-term bonds. In December 2021, the Company redeemed the bonds in the principal amount of RMB1,113 million.

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. By July 2022, the bond holders have the right to demand partial or full repayment of the medium-term bonds.

22 Loans and borrowings (continued)

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

Notes: (continued)

(vii) (continued)

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. By March 2023, the bond holders have the right to demand partial or full repayment of the medium-term bonds.

(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

	2021 RMB millions	2020 RMB millions
Trade creditors	**14,709**	13,663
Bills payable	**15,223**	18,921
Trade creditors and bills payable (Note (a))	**29,932**	32,584
Accrued staff costs	**954**	1,177
VAT payable	**925**	869
Sundry taxes payable	**108**	165
Security deposits (Note 29)	**787**	1,015
Dividends payable	**—**	263
Amounts due to non-controlling shareholders of certain subsidiaries	**—**	138
Payable for acquisition of property, plant and equipment	**618**	293
Product warranty provision (Note (b))	**137**	158
Interest payable	**—**	89
Financial guarantees issued (Note 34)	**94**	65
Amounts due to related parties (Note 36(b))	**1**	2
Other accrued expenses and payables	**3,044**	3,569
	36,600	40,387

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

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:

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

(b) Product warranty provision

	RMB millions
Balance at 1 January 2020	99
Provision for the year	211
Utilisation during the year	(152)
Balance at 31 December 2020 and 1 January 2021	**158**
Provision for the year	**245**
Utilisation during the year	**(266)**
Balance at 31 December 2021	**137**

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

	2021 RMB millions	2020 RMB millions
Contract liabilities		
Receipts in advance from customers	**1,874**	2,777
	1,874	2,777

	2021 RMB millions	2020 RMB millions
Balance at 1 January	**2,777**	1,934
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	**(2,777)**	(4,035)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	**1,874**	4,878
Balance at 31 December	**1,874**	2,777

25 Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	2021		2020	
	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	**93**	**93**	90	90
After 1 year but within 2 years	**86**	**95**	97	107
After 2 years but within 5 years	**91**	**102**	102	114
After 5 years	**143**	**162**	121	138
	320	**359**	320	359
	413	**452**	410	449
Less: total future interest expenses		**(39)**		(39)
Present value of lease liabilities		**413**		410

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.

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26 Share incentive scheme (continued)

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

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

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

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

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

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

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

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

(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:

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

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

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

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 2021, the First Grants and the Second Grants are all excised. For ESOP, no matter Participants leave the Group or not at the end of the locking period, all share incentive scheme expenses are to be recognised in the consolidated statement of comprehensive income. In the year ended 31 December 2021, share incentive scheme expenses of RMB427 million (2020: RMB598 million) were recognised in the consolidated statement of comprehensive income.

27 Income tax in the consolidated statement of financial position

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

	2021 RMB millions	2020 RMB millions
Provision for PRC income tax (Note)	**88**	694
Provision for income tax in other tax jurisdictions	**9**	16
	97	710

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 2021

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

27 Income tax in the consolidated statement of financial position (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

Year ended 31 December 2020

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

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

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

	2021 RMB millions	2020 RMB millions
Deferred income of government grants	**1,200**	699
Security deposits received from finance lease arrangement	**640**	1,129
Compensation for tentative relocation of production parks	**3,501**	2,313
Others	**87**	177
	5,428	4,318

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30 Capital and reserves

(a) Share capital

	2021 RMB millions	2020 RMB millions
Ordinary shares issued and fully paid:		
At 1 January	**7,938**	7,875
Issue of ordinary shares (Note 1)	**705**	(3)
Share incentive scheme (Notes 1 and 26)	**35**	66
At 31 December	**8,678**	7,938
7,096,027,626 A Shares of RMB1.00 each 1,581,964,548 H Shares of RMB1.00 each (2020: 6,549,483,447 A Shares of RMB1.00 each 1,388,207,086 H Shares of RMB1.00 each)	**8,678**	7,938

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	
	2021 RMB millions	2020 RMB millions
Capital reserve		
Balance at 1 January	**15,131**	13,091
Issue of ordinary shares (Note 30(d))	**5,383**	—
Share incentive scheme (Note 26)		
— Share option scheme	**129**	1,796
— Restricted share scheme	**540**	234
Cash dividends (Note 30(c))	**—**	10
Balance at 31 December	**21,183**	15,131
Statutory surplus reserve		
Balance at 1 January	**3,923**	3,554
Appropriation (Note 30(b)(ii))	**460**	369
Balance at 31 December	**4,383**	3,923
Other reserves		
Balance at 1 January	**(141)**	16
Other comprehensive income	**100**	(157)
Balance at 31 December	**(41)**	(141)

Notes to the consolidated financial statements

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30 Capital and reserves (continued)

(b) Reserves (continued)

	The Company	
	2021 RMB millions	2020 RMB millions
Retained earnings		
Balance at 1 January	**14,711**	13,585
Appropriation (Note 30(b)(ii))	**(460)**	(369)
Safety production fund (Note 30(b)(vi))	**(6)**	(3)
Cash dividends (Note 30(c))	**(2,778)**	(1,662)
Profit for the year	**4,267**	3,160
Balance at 31 December	**15,734**	14,711
Total		
Balance at 1 January	**33,624**	30,246
Balance at 31 December	**41,259**	33,624

(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 2021, the Company transferred RMB460 million (2020: RMB369 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)).

Notes to the consolidated financial statements

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30 Capital and reserves (continued)

(b) Reserves (continued)

(vi) Other reserves

Other reserves contain general risk reserve and safety production fund.

Pursuant to the relevant notices issued by regulatory bodies, one subsidiary in the financial services segment in the Mainland China is required to set aside a general risk reserve. In principle, the balance of general risk reserve shall be no less than 1.5% of the ending balance of risk assets.

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.

(c) Cash dividends

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

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

(d) Issue of ordinary shares

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 RMB946 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 net proceeds from the non-public issuance of A Shares is approximately RMB5,142 million.

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 2021, the Group's strategy, which was unchanged from 2020, 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.

As at 31 December 2021, the Group's debt-to-equity ratio was as follows:

	2021 RMB millions	2020 RMB millions
Current liabilities:		
Short-term loans and borrowings	**11,011**	2,964
Lease liabilities	**93**	90
Total current liabilities	**11,104**	3,054
Non-current liabilities:		
Long-term loans and borrowings	**7,894**	16,337
Lease liabilities	**320**	320
Total non-current liabilities	**8,214**	16,657
Total debt	**19,318**	19,711
Total equity attributable to equity shareholders of the Company	**56,831**	46,706
Debt-to-equity ratio	**33.99%**	42.20%

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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.

	Fair value at 31 December 2021 RMB millions	Fair value measurements as at 31 December 2021		
		Level 1 RMB millions	Level 2 RMB millions	Level 3 RMB millions
Recurring fair value measurements				
Financial assets:				
Fair value through other comprehensive income				
— Bills receivable	1,882	—	—	1,882
— Equity securities	2,293	—	—	2,293
— Listed equity securities	14	14	—	—
Fair value through profit or loss				
— Wealth management products	1,120	—	1,120	—
— Structured deposits	4,310	—	4,310	—
— Listed equity securities	111	111	—	—
— Securities investment funds	978	978	—	—

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 RMB millions	Fair value measurements as at 31 December 2020 Level 1 RMB millions	Level 2 RMB millions	Level 3 RMB millions
Recurring fair value measurements				
Financial assets:				
Fair value through other comprehensive income				
— Bills receivable	2,532	—	—	2,532
— Equity securities	2,259	—	—	2,259
— Listed equity securities	20	20	—	—
Fair value through profit or loss				
— Wealth management products	2,350	—	2,350	—
— Structured deposits	1,013	—	1,013	
— Listed equity securities	271	271	—	—
— Securities investment funds	1,074	1,074	—	—

During the years ended 31 December 2021 and 2020, 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.

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)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2021 RMB millions	2020 RMB millions
Unlisted equity securities:		
At 1 January	**2,259**	2,326
Acquisition/(disposal) of investments in equity securities	**34**	(67)
At 31 December	**2,293**	2,259
Bills receivable:		
At 1 January	**2,532**	1,748
(Disposal)/acquisition of bills receivable	**(650)**	784
At 31 December	**1,882**	2,532
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**—**	—

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.

32 Financial instruments — fair values and risk management (continued)

(a) Accounting classifications and fair values (continued)

(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 2021 and 2020 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 2021	**Fair value at 31 December 2021 categorised into Level 1**	Carrying amount at 31 December 2020	Fair value at 31 December 2020 categorised into Level 1
Guaranteed USD senior notes	**3,333**	**3,418**	3,424	3,587
RMB medium-term notes	**2,571**	**2,610**	4,993	5,057
Debentures	**3,961**	**3,962**	4,992	5,064

(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))

(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.

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(i) Risk management framework (continued)

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.

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 40% to 50% (2020: 40% 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 (2020: 6 to 42 months), customers are normally required to make an upfront payment ranging from 30% to 50% (2020: 30% to 50%) of the product price. 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.

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

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 2021

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:

	2021		
	Expected loss rate %	**Gross carrying amount RMB millions**	**Loss allowance RMB millions**
Within 1 year	**1.1%**	**35,121**	**(400)**
Over 1 year but less than 2 years	**4.7%**	**3,955**	**(187)**
Over 2 years but less than 3 years	**18.0%**	**1,765**	**(317)**
Over 3 years but less than 5 years	**48.4%**	**2,535**	**(1,227)**
Over 5 years	**63.1%**	**4,447**	**(2,806)**
		47,823	**(4,937)**

	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)

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:

	2021		
	Expected loss rate %	Gross carrying amount RMB millions	Loss allowance RMB millions
Current (not past due)	**0.5%**	**8,160**	**(42)**
1–30 days past due	**2.2%**	**1,360**	**(30)**
31–60 days past due	**5.7%**	**825**	**(47)**
61–90 days past due	**9.5%**	**548**	**(52)**
More than 90 days past due	**44.4%**	**1,763**	**(783)**
		12,656	**(954)**

	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)

Notes to the consolidated financial statements

For the year ended 31 December 2021

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 is 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 2021, 1.3% (31 December 2020: 0.2%) of the total trade and bills receivables was due from the Group's largest customer and 1.9% (31 December 2020: 0.5%) of the total trade and bills receivables was due from the Group's five largest customers respectively. As at 31 December 2021, 96.5% and 93.3% (31 December 2020: 96.2% and 96.6%) of total impaired trade receivables and receivables under finance lease was due from the Group's customers located in Mainland PRC.

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

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.

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.

(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).

Notes to the consolidated financial statements

For the year ended 31 December 2021

32 Financial instruments — fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

	As at 31 December 2021					
	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	18,905	19,845	11,687	3,781	4,153	224
Trade and other payables	36,600	36,600	36,600	–	–	–
Lease liabilities	413	452	93	95	102	162
Other non-current liabilities	5,428	5,428	–	3,257	1,681	490
	61,346	62,325	48,380	7,133	5,936	876
Financial guarantees issued and payment commitments Maximum exposure (Note 34)	94	14,412	5,514	3,060	5,838	–

	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	–	2,490	1,485	343
	64,416	66,253	44,162	8,911	12,539	641
Financial guarantees issued and payment commitments Maximum exposure (Note 34)	65	11,416	8,382	2,518	516	–

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 2021.

	2021		2020	
	Effective interest rate %	**Amount RMB millions**	Effective interest rate %	Amount RMB millions
Fixed rate borrowings:				
Lease liabilities	**2.6%**	**413**	2.6%	410
Short-term loans and borrowings	**4.1%**	**10,587**	1.6%	2,737
Long-term loans and borrowings	**3.2%**	**7,711**	4.5%	13,968
		18,711		17,115
Variable rate borrowings:				
Short-term loans and borrowings	**1.0%**	**424**	3.3%	227
Long-term loans and borrowings	**1.9%**	**183**	2.1%	2,369
		607		2,596
Total borrowings:		**19,318**		19,711
Fixed rate borrowings as a percentage of total borrowings		**96.9%**		86.8%

Notes to the consolidated financial statements

For the year ended 31 December 2021

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 2021				
Variable rate borrowings	**(5)**	**5**	**(5)**	**5**
31 December 2020				
Variable rate borrowings	(19)	19	(19)	19

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 2020.

(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)					
	2021			2020		
	USD	**EUR**	**HKD**	USD	EUR	HKD
Trade debtors	**766**	**577**	**12**	890	700	6
Cash and cash equivalents	**699**	**673**	**65**	418	667	27
Pledged bank deposits	**78**	**—**	**—**	2	1	—
Trade creditors	**(202)**	**(584)**	**(2)**	(44)	(416)	(2)
Loans and borrowings	**(3,837)**	**(2,230)**	**—**	(4,242)	(2,918)	—
Notional amounts of forward exchange contracts used as economic hedges	**—**	**—**	**—**	—	—	—
Net exposure arising from recognised assets and liabilities	**(2,496)**	**(1,564)**	**75**	(2,976)	(1,966)	31

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 2021				
USD (5% movement)	**(94)**	**94**	**(94)**	**94**
EUR (5% movement)	**(59)**	**59**	**(59)**	**59**
31 December 2020				
USD (5% movement)	(112)	112	(112)	112
EUR (5% movement)	(74)	74	(74)	74

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 2020.

33 Commitments

Capital commitments

As at 31 December 2021, the Group had capital commitments as follows:

	2021 RMB millions	2020 RMB millions
Authorised and contracted for		
— property, plant and equipment	**1,798**	1,121
	1,798	1,121

34 Financial guarantee issued and payment commitments

(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. The terms of these guarantees coincide with the tenure of bank loans which generally range from 1 to 5 years. The initial fair value of the financial guarantees upon the initial recognition was immaterial, which was measured based on the future net cash outflow. Subsequently, the financial guarantee contract was measured at the higher of the initial recognised amount and the expected credit loss allowance. As at 31 December 2021, the Group's maximum exposure to such guarantees was RMB8,505 million (31 December 2020: RMB5,770 million). For the year ended 31 December 2021, the Group made payments of RMB112 million (2020: RMB48 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. The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. The initial fair value of the financial guarantees upon the initial recognition was immaterial, which was measured based on the future net cash outflow. Subsequently, the financial guarantee contract was measured at the higher of the initial recognised amount and the expected credit loss allowance. As at 31 December 2021, the Group's maximum exposure to such guarantees was RMB43 million (31 December 2020: RMB130 million). For the year ended 31 December 2021, there was no payment made for repossession of machinery incurred (2020: 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. The initial fair value of the financial guarantees upon the initial recognition was immaterial, which was measured based on the future net cash outflow. Subsequently, the financial guarantee contract was measured at the higher of the initial recognised amount and the expected credit loss allowance. As at 31 December 2021, the Group's maximum exposure to such guarantees was RMB175 million (31 December 2020: RMB82 million). For the year ended 31 December 2021, there was no payment to banks incurred (2020: Nil) under the guarantee arrangement as a result of customer default.

34 Financial guarantee issued and payment commitments (continued)

(b) Payment commitments

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 2021, the Group's maximum exposure to the outstanding planned payment was RMB111 million (31 December 2020: RMB573 million) and for the year ended 31 December 2021, the Group has made payment for the shortage of RMB702 million (31 December 2020: RMB377 million).

During years 2019 and 2021, 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 RMB10,553 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 RMB10,553 million. The payment for the shortage will be compensated by future cash inflows from the Underlying Assets. As at 31 December 2021, the Group's maximum exposure due to the ABS&ABN plans was approximately RMB5,578 million (31 December 2020: RMB4,861 million), none of which has any shortage as at 31 December 2021 (31 December 2020: Nil).

35 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.

36 Related party transactions

(a) Transactions with related parties

	2021 RMB millions	2020 RMB millions
Transactions with associates:		
Sales of products	412	256
Purchase of raw materials and finished goods	44	54
Payment for acquisition of receivables under commercial factoring	84	599
Payment for acquisition of finance lease assets	20	230
Proceeds from borrowings	78	970
Repayments of borrowings	82	998
Transactions with Beijing Leasing from 1 June 2021 to 31 December 2021 (Note 14):		
Finance lease service provided through Beijing Leasing	4,550	Not applicable

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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

36 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:

	2021 RMB thousands	2020 RMB thousands
Short-term employee benefits	**28,074**	25,304
Retirement scheme contributions	**256**	256
Share incentive scheme	**140,845**	188,605
	169,175	214,165

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.

37 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, loans and advances, 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.

(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.

37 Accounting estimates and judgements (continued)

(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.

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.

37 Accounting estimates and judgements (continued)

(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.

38 Investments in subsidiaries

The following list contains particulars of subsidiaries as at 31 December 2021 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	71.94%	58.37%	13.57%	Manufacture of agriculture machinery
CIFA S.p.A	EUR15	100%	–	100%	Manufacture of concrete machinery
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
Hunan Zoomlion International Trade Co., Ltd.	RMB50	100%	100%	–	Trading of equipment and machinery

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38 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid up capital (millions)	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
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
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

38 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
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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

39 Company-level statement of financial position

	2021 RMB millions	2020 RMB millions
Non-current assets		
Property, plant and equipment	**2,806**	2,181
Right-of-use assets	**1,440**	720
Intangible assets	**135**	127
Investments in subsidiaries	**19,229**	20,912
Interests in associates	**3,030**	2,600
Other financial assets	**363**	724
Trade and other receivables	**15,381**	13,529
Pledged bank deposits	**202**	175
Deferred tax assets	**480**	551
Total non-current assets	**43,066**	41,519
Current assets		
Inventories	**4,550**	6,775
Other current assets	**1,156**	1,374
Financial assets at fair value through profit or loss	**5,426**	3,283
Trade and other receivables	**64,372**	66,496
Pledged bank deposits	**1,188**	1,913
Cash and cash equivalents	**7,367**	6,905
Total current assets	**84,059**	86,746
Total assets	**127,125**	128,265

39 Company-level statement of financial position (continued)

	Note	2021 RMB millions	2020 RMB millions
Current liabilities			
Loans and borrowings		**10,536**	5,853
Trade and other payables		**53,632**	62,695
Contract liabilities		**1,377**	2,608
Lease liabilities		**36**	22
Income tax payable		**—**	298
Total current liabilities		**65,581**	71,476
Net current assets		**18,478**	15,270
Total assets less current liabilities		**61,544**	56,789
Non-current liabilities			
Loans and borrowings		**7,509**	12,230
Lease liabilities		**43**	27
Deferred tax liabilities		**8**	14
Other non-current liabilities		**4,047**	2,956
Total non-current liabilities		**11,607**	15,227
Net assets		**49,937**	41,562
Capital and reserves			
Share capital	30(a)	**8,678**	7,938
Reserves	30(b)	**41,259**	33,624
Total equity		**49,937**	41,562

Notes to the consolidated financial statements

For the year ended 31 December 2021

40 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

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 2021 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 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.

41 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

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

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

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

Note: Under PRC GAAP, safety production fund should be accrued and recognised in profit or loss with a corresponding credit in reserve according to relevant PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related equipment are purchased, is reduced by the purchase cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRSs, expense is recognised in profit or loss when incurred, and fixed assets are capitalised and depreciated in accordance with applicable accounting policies.

(c) There is no material difference between the consolidated cash flow of the Group reported under PRC GAAP and IFRSs.

Notes to the consolidated financial statements

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42 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.

43 Non-adjusting events after the reporting period

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

On 7 February 2022, the Company acquired 35.99 million shares of Shenzhen Luchang Science and Technology Co., Ltd. ("Shenzhen Luchang"), a listed company on the main board of Shenzhen Stock Exchange (representing approximately 29.99% of the total issued share capital of Shenzhen Luchang on the date of signing the share transfer agreement). The purchase price was RMB21.67 per share and the total purchase price of the underlying shares is approximately RMB780 million. The registration procedures for the transfer of shares have been completed on 23 February 2022.


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