ZOOMLION
中联重科

中聯重科股份有限公司

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

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

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

ANNUAL REPORT 2023

* For identification purpose only

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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

Company Secretary: Yang Duzhi
Contact address: No. 361 Yinpen South Road, Changsha, Hunan Province
Telephone: (86 731) 85650157
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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: KPMG Huazhen LLP
8th Floor, KPMG Tower, Oriental Plaza,
1 East Chang An Avenue, Beijing, PRC
International auditors: KPMG
Public Interest Entity Auditor registered in accordance with
the Accounting and Financial Reporting Council Ordinance
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

Chairman's Statement

Zhan Chunxin
Chairman

Chairman's Statement

Dear Shareholders,

The year 2023 is the year for Zoomlion to accelerate its transformation and upgrading to new energy, new materials and new digital fields. Observing the ultimate requirements, all employees of Zoomlion attached importance to innovation, strengthened manufacturing, reduced costs, controlled risks and expanded overseas markets, so as to push high-quality development of the enterprise to a new level.

In 2023, facing profound changes in the market, we maintained a dynamic balance between scale and efficiency, speed and quality as well as present and future, forging the certainty of our own development. Our industrial echelons competed for breakthroughs, with strong sectors steadily advancing and new growth points continuously growing; our technologies and products constantly innovated and iterated, accelerating breakthroughs in the application of basic common technologies and industrial cutting-edge technologies, and laying out in future technologies, products and industries in a forward-looking manner; our management comprehensively refined and transformed, with digitization and end-to-end management being more standardized, refined and real-time, and the management efficiency and effectiveness continuously improving; our overseas layout and operations continued to deepen, with the global resources effectively linking and integrating, and the overseas business continuing to double and grow rapidly; our Zoomlion Smart Industry City has basically been completed, and the excavating machinery park, aerial work machinery park, concrete machinery park, material center, etc. have realized the whole process of intelligent manufacturing covering blanking, welding, painting, assembly and debugging, enabling the enterprise to reach new heights in international competitiveness; and our talent team continued to be specialized, internationalized and rejuvenated, constantly injecting fresh vitality into sustainable development of the Company.

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China, a crucial year for implementing the 14th Five-Year Plan, and also a significant year for Zoomlion to achieve comprehensive innovation, upgrading and going global.

At a new starting point, Zoomlion will continue to prioritize high-quality development and respond to external market uncertainties with its own certainty. We will continue to optimize industrial layout, promote competitive development and forge sustainable competitiveness; firmly uphold technologies and products, maintain a continuous leadership in basic, common and forward-looking technologies, accelerate the high-end, intelligent and green upgrading of products, and empower the industry to surpass and lead; continue to deepen end-to-end and digitalization innovative application, accelerate comprehensive landing in research, production, supply, sales, service and overseas business, and realize data driving and digital economy and real economy integration; continue to strictly control business risks, improve process superposition and end-to-end risk control management system, and ensure that business quality continues to improve and is stable and far-reaching; as well as continue to deepen and improve the overseas strategy of "end-to-end, digitalization and localization", achieve a greater leap in overseas business performance, 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 sectors and all the employees of Zoomlion for their care and support for the development of the Company.

Chairman
Zhan Chunxin

Principal Financial Data and Indicators

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

Unit: RMB

Item	2023	2022	Change	2021
Operating income	**47,074,853,106.11**	41,631,497,729.32	13.08%	67,130,626,817.29
Net profit attributable to shareholders of the Company	**3,506,011,590.67**	2,306,047,166.93	52.04%	6,269,768,140.19
Net profit attributable to equity shareholders of the Company after extraordinary items	**2,708,465,645.75**	1,292,757,628.93	109.51%	5,828,383,686.81
Net cash flow from operating income	**2,712,551,743.37**	2,424,632,272.28	11.87%	2,624,725,832.05
Basic earning per share	**0.43**	0.27	59.26%	0.76
Diluted earning per share	**0.42**	0.27	55.56%	0.74
Return on net assets	**6.41%**	4.13%	2.28%	11.56%

Item	End of 2023	End of 2022	Change	End of 2021
Total assets	**130,862,389,408.99**	123,553,025,612.04	5.92%	122,018,160,397.82
Net assets attributable to shareholders of the Company	**56,407,020,348.19**	54,741,097,896.87	3.04%	56,867,851,034.55

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

Unit: RMB million

Revenue and Profit	2023	2022	2021	2020	2019
Revenue	**47,075**	41,631	67,131	65,109	43,307
Profit before taxation	**4,272**	2,512	7,357	8,668	5,044
Income tax	**(457)**	(86)	(938)	(1,297)	(759)
Profit for the year	**3,815**	2,426	6,419	7,371	4,285
Profit attributable to:					
Equity shareholders of the Company	**3,550**	2,347	6,303	7,296	4,381
Non-controlling interests	**265**	79	116	75	(96)
Basic earnings per share (RMB)	**0.43**	0.28	0.76	0.98	0.58
Diluted earnings per share (RMB)	**0.43**	0.28	0.75	0.97	0.58
Gearing ratio (%) (Note)	**54.80%**	53.90%	52.24%	58.84%	57.08%

Note: Gearing ratio is calculated based on the total liabilities divided by total assets as of relevant period.

Principal Financial Data and Indicators

Unit: RMB million

Assets and Liabilities	2023	2022	2021	2020	2019
Non-current assets	**52,819**	49,915	49,268	49,287	37,979
Current assets	**78,006**	73,602	72,714	66,956	54,052
Current liabilities	**49,996**	48,393	49,675	46,928	34,569
Net current assets	**28,010**	25,209	23,039	20,028	19,483
Total assets less current liabilities	**80,829**	75,124	72,307	69,315	57,462
Non-current liabilities	**21,698**	18,185	14,047	21,465	17,965
Net assets	**59,131**	56,939	58,260	47,850	39,497
Total equity attributable to equity shareholders of the Company	**56,371**	54,705	56,831	46,706	38,827
Non-controlling interest	**2,760**	2,234	1,429	1,144	670

III. Reconciliation of Financial Data under PRC GAAP and IFRS Accounting Standards

Unit: RMB

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
Item	**Current period**	**Last period**	**Current period**	**Last period**
Under PRC GAAP	3,506,011,590.67	2,306,047,166.93	56,407,020,348.19	54,741,097,896.87
Items and amounts adjusted under IFRS Accounting Standards				
– 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	43,600,871.67	41,316,866.76		
Under IFRS Accounting Standards	3,549,612,462.34	2,347,364,033.69	56,370,491,748.19	54,704,569,296.87

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 2023 together with the audited financial statements of the Company and the Group.

1. Review of operation for the year 2023

In 2023, the economic growth in developed economies slowed down, while emerging markets and developing economies maintained a higher growth rate, becoming the primary drivers of global economic growth. Domestic market demand gradually stabilized and recovered, leading to an overall improvement in economic performance and a solid push towards high-quality development.

In 2023, influenced by the sustained downturn in the real estate market and other factors, the domestic engineering machinery industry remained in a downward adjustment period. In contrast, the export sales for the engineering machinery industry registered a high growth thanks to the continuous increase in the overseas market demand along with the enhancement in the competitiveness of Chinese brands in the global market.

Under the guidance of the philosophy of "building up enterprise with internet thinking and producing products by pushing everything to the limit", the Company closely focused on the goal of high-quality development, accelerated the transformation and upgradation of digitization, intelligentisation, and eco-friendliness, sped up the development of emerging business sectors, promoted the expansion of overseas markets, nurtured new growth poles and points, and enhanced the development tenacity and endogenous momentum of the Company, achieving comprehensive improvements in sales scale, operational quality, and profitability.

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

1. The industrial echelons of the Company gathered momentum continuously

During the Reporting Period, guided by the core values of "ultimate integrity, and long-lasting profoundness," the Company persistently focused on optimizing, strengthening, and expanding its core advantageous businesses. It accelerated the development of new quality productive forces and the nurturing of high-growth emerging businesses, fostering robust growth momentum.

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

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

The Company saw a steady rise in the market positions of its three core traditional advantageous industries (i.e. concrete machinery, engineering cranes, and construction cranes) without compromising the high-quality management strategy and strict business risk control of the Company. The competitiveness of its products continued to strengthen.

The market shares of the Company's concrete long-boom pump trucks and mixing plants still ranked first in the industry, and the market share of its concrete mixers remained second in the industry.

The Company's engineering cranes still led in the market share of the industry. The sales of its truck-mounted cranes with a maximum duty of lifting 25 tonnes or above, and crawler cranes with a maximum duty of 500 tonnes and above ranked first in the industry. The construction of the Chongqing mobile crane plant has commenced comprehensively.

The sales of its construction crane firmly ranked first in the world, with the R-generation tower cranes covering the market extensively. Breakthroughs have been achieved in the development of large tower crane products, with bulk deliveries of R20000-720, R6600-240, R8000-320, R4300-200, and other large tower crane products. The Company has been continuously leading the industry with mature technology, serialized products and an ecological mode.

② *Rapid development of and new breakthroughs in emerging potential businesses*

Earthmovers expanded the Company's product catalogue of medium and large-sized excavators. The Company accelerated the improvement of electric product catalogue and series, and sped up the development, iteration, and market layout of new super-large excavator products with a maximum duty of above 75 tonnes. As the whole demonstrative intelligent plant manufacturing excavators in Changsha went into operation, the reliability, cost control ability, production efficiency, and the level of intelligence for medium and large-sized excavators have been continuously enhanced. Effective efforts in expanding large clients and major project channels yielded positive results, not only doubling the domestic market share of medium and large-sized excavators but also ranking it among the top of the industry.

Aerial machinery has rapidly risen to the forefront of the domestic industry, securing the first place in terms of market share among small and medium-sized customers in the domestic market. It serves as an exemplary model for Zoomlion's building of high-speed growth businesses under the framework of "system, mechanism, and culture". The Company's product catalogue covers heights ranging from 4 to 72 meters, with an electric product penetration rate exceeding 90%, making it the domestic manufacturer with the most comprehensive range of aerial equipment models. Boom products with superhigh work heights and key technologies have reached international leading levels. Notably, the "Key Technologies and Application Project of Boom Lifts with Superhigh Work Heights" won the first prize in the China Machinery Industry Science and Technology Awards. The launch of the 72-meter straight boom product set a new global record. The key technology of electric boom lifts with superhigh work heights has also reached international leading levels, with mainstream models of articulated booms of 10-20 meters and those of straight booms of 20-50 meters having been electrified. Among them, the 51-meter electric-driven product stands as the world's tallest electric-driven boom, leading the way to new heights in electric-driven boom vehicles. New products such as forklifts, spider boom lifts, and the industry's first glass installation robot have been successfully launched in bulk. The prototype production of the 5-meter electric underwater rust removal robot and four aerial robots like the 26-meter aerial spraying robot has completed, filling gaps in the industry.

In the mining machinery sector, focusing on open-pit mining, the Company accelerated market expansion and team building. In terms of product development, the Company effectively incorporated such cutting-edge technologies as clean energy, big data, mobile connectivity, and artificial intelligence, achieving "unmanned" and "fewer personnel" operations. The company launched its first self-developed domestically produced hundred-tonne electric-driven mining dump truck, marking its entry into the high-end mining equipment market.

③ *Accelerating independent research and development of key components*

The Company expanded its key product industry, and improved the quality of key products through further research. It also made continuous innovation in technologies and products, with the focus on high-strength steel, thin plates, cabins, perception, control, transmissions, axles, hydraulics, and cylinders, and accelerated the upgrade of intelligent manufacturing, thereby empowering high-quality development of the overall units of engineering and agricultural machinery.

Breakthroughs were made in the research and development of the axles of large-tonnage cranes, having replaced the imported products. Independent supporting for tractor axles have been achieved gradually. In addition, the Company developed a full range of cylinder products for agricultural machinery, accelerated the deployment of electric-drive transmission and gearbox development, and the independent research and development of intelligent electronic control components, enhancing capabilities in self-research and self-controlled production of core components.

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

In the field of agricultural machinery, the Company focused on staple food grain harvesting machinery, leveraging the technological expertise and strategic resources of the engineering machinery sector's framework of "digitalisation, intelligentisation and eco-friendliness". It went all out to promote the integrated technological innovation of engineering and agricultural machinery, continuously empowering the field of agricultural machinery. The Company introduced the industry's first hybrid wheat harvester, completed the trial marketing and trial of the first batch of rice harvesters, upgraded two main selling products of corn harvesters, rolled out and manufactured a new series of high-horsepower tractor machinery, achieving full coverage of the main models of agricultural machinery. The new products exhibited significant improvements in reliability, operational efficiency, and reduced fuel consumption. In 2023, the domestic market share of dryers and wheat harvesters remained among the best.

In the field of intelligent agriculture, the Company made continuous advancements in the research and development of digital agronomic technologies, and expedited the development and research of intelligent decision-making systems for agricultural production. The Company has carried out industrial chain and rice industry Internet projects around Dongting Lake Plain in Hunan and Wuhu in Anhui Province, realizing the application and promotion of digitalised technologies throughout the planting process of field crop. The Zoomlion Wuhu base for intelligent agriculture has been selected as a national innovation application base for digital planting, and the Company's technological roadmap and service models of intelligent agriculture have been implemented in multiple provinces and cities through project collaborations.

Report of the Board of Directors

(3) Steady progress in dry mix mortar new material business

The Company fully utilized the distinctive features of new dry mix mortar materials, creating overall solutions for specific application scenarios and new construction processes. It introduced the combination of new processes, materials, and equipment, improving construction quality and efficiency, and reducing overall costs.

The business units of new dry mix mortar materials in the plants of Xiangyin, Ma'anshan, and Bozhou were successfully completed and commenced operations, with their productions covering the core regions in central and eastern China. Breakthroughs were achieved in marketing expansion and collaboration with major general contracting and construction companies and large-scale interior design enterprises, with products of the business units starting to be implemented in key projects undertaken by the partners.

2. Comprehensive acceleration of overseas business development

The Company adhered to the distinctive international development strategy of Zoomlion, takes "global village, end-to-end, and twin-platform" as the strategic development themes, and fully leverages the Internet thinking. It formed a unique "end-to-end, digital and localised" overseas business system, achieving leapfrog development of overseas business.

(1) The overseas business kept on breaking records of growth. During the Reporting Period, effective breakthroughs were made in key markets, and remarkable results of localisation development strategies were achieved in key countries, with rapidly increasing product market shares. Engineering cranes became the brand with the highest market share in Turkey and Central Asia. Construction cranes maintained their top position in the Turkish market. Market shares in Saudi Arabia, Malaysia, Vietnam, Kenya, and other countries increased rapidly through localised efforts.

(2) Deepening the "end-to-end, digital and localised" overseas business system continuously. The Company implemented an end-to-end business model, connecting the whole process of overseas R&D, manufacturing, logistics, sales, and services through information flow; perfected the digital platform for overseas business, establishing a twin-mapping mechanism and forming an efficient and orderly control system based on the digital system; continuously strengthened the capabilities of ground forces, twin platforms, end-to-end management, and risk control, ensuring the effective control over teams, equipment, business, services, and finance; and an effective operating mechanism was set up to support the rapid growth of overseas business.

(3) Promoting outlet construction and layout in depth. Focusing on key countries and markets, the Company continuously strengthens the breadth and depth of outlet construction. It has successively established over 30 first-level business air hubs globally, more than 350 second-level outlets, extending outlet construction from regional centres to important cities. The total number of overseas local employees exceeds 3,000, and the products cover over 140 countries and regions.

(4) Promoting the expansion and upgradation of overseas manufacturing bases in depth. Apart from strengthening the core concrete business, CIFA (headquartered in Italy) was expanded and upgraded to a comprehensive global company covering engineering cranes and construction cranes. The Company accelerated the assimilation of technologies with m-tec mathis technik GmbH ("**m-tec**") to cultivate and develop the new material industry. The integration and transformation with WILBERT TowerCranes GmbH were expedited to strengthen the layout of construction-related products in the high-end market. The Company strengthened the synergy between Rabe, the world's leading agricultural machinery manufacturer, and the sectors of agricultural machinery and construction cranes. The Zoomlion European Global Centre Air Hub was built to achieve comprehensive and effective linkage and integration of global resources.

3. Promoting digital transformation

With the help of the Internet thinking and the empowerment of emerging digital technologies, the Company focused on core business scenarios, making breakthroughs in core technology fields such as the Internet of Things, cloud computing, big data, and Generative AI. It accelerated the construction of an end-to-end, globalised digital support system, efficiently advancing the construction of overseas business end-to-end platforms, intelligent manufacturing digital platforms, ultimate cost reduction digital platforms, agricultural machinery digital platforms, and other systems. It also promoted innovations in management modes, business modes, manufacturing modes, and commercial modes, supporting business expansion and managing operations with data, and forging ahead towards the great goal of equipping Zoomlion with intelligent data operation.

In 2023, ZValley Co., Ltd was selected as a national-level "cross-industry and cross-field industrial Internet" platform. This platform represents the highest level of domestic industrial Internet platforms, serving as a crucial carrier for the aggregation and sharing of industrial resources, integration and utilization of industrial data, and optimization and innovation of industrial production and services.

Report of the Board of Directors

4. An intelligent manufacturing industry cluster leading the high-quality industrial development

(1) An intelligent manufacturing industry cluster was taking shape in an accelerated manner. The construction of intelligent plants was highly effective, comprehensively solidifying the foundation for the Company's high-quality development. With the Zoomlion Intelligent Industrial City as the core, the Company fully promoted the construction of intelligent plants from overall units to components. Intelligent plants, including the High-strength Steel Material Preparation Centre and the Thin Plate Centre of Zoomlion Intelligent Industrial City, were established and put into operation. As of 2023, the Company has completed and put into operation 11 intelligent plants, with accelerated construction of eight intelligent plants underway, including engineering cranes, foundation construction machinery, mobile cranes, axles for construction vehicles, and middle and high-end hydraulic cylinders, contributing to the building of a national advanced manufacturing hub.

The manufacturing capacity of fully operational intelligent plants manufacturing excavators, tower cranes, concrete mixers, and hydraulic valves was increasing. The national intelligent manufacturing demonstration project "Demonstrative Intelligent Plant Manufacturing Excavators" achieved a monthly output of over 1,200 units. The intelligent plant manufacturing tower cranes was recognized as 2023 Intelligent Manufacturing Demonstration Plant Unveiling Unit by the Ministry of Industry and Information Technology. The "man-machine coordination manufacturing" of the intelligent plant manufacturing hydraulic valves was recognised as 2023 Intelligent Manufacturing Excellent Scenario by the Ministry of Industry and Information Technology. At the same time, the intelligent plants manufacturing hydraulic valves and concrete mixers were awarded as 2023 Green Plant by the Ministry of Industry and Information Technology, solidifying our leading position in the intelligent manufacturing industry and providing clients with more premium products than ever before.

(2) The application research in advanced intelligent manufacturing technologies produced speedy results. The Company integrated AI, intelligent manufacturing technology and intelligent equipment in a deep-going way to create intelligent, flexible and green manufacturing lines. The Company innovatively applied intelligent control algorithms and digital systems to create efficient and collaborative intelligent plants. We kept on promoting the application research in more than 150 industry-leading end-to-end complete sets of intelligent manufacturing technologies. 132 technologies of them were applied to the intelligent manufacturing lines. 61 technologies of them were new technologies in the industry. The advanced technologies facilitated the progress of empowering and upgrading manufacturing and helped the Company lead the development of the intelligent manufacturing industry.

(3) The “end-to-end” digital transformation in research and development, manufacturing, and supply chain was continuously promoted, creating integrated capabilities for intelligent manufacturing software and hardware. Based on eight key business scenarios, i.e., research and development processes, planning and scheduling, warehousing logistics, manufacturing execution, quality control, equipment management, visual management, and automation integration, the Company continued to deepen business scenarios, achieving seamless data connection among all systems. Simultaneously, it integrated advanced technologies such as Artificial Intelligence, Big Data, and Cloud Computing, realizing intelligent control of the production process. This creates an intelligent manufacturing application system to support the improvement of quality and efficiency, cost reduction, and inventory reduction of the entire manufacturing process.

5. Innovation leading continuous advancement in industry technology

The Company has always adhered to the innovative ideas of “technology and products are the foundation” and “producing products by pushing everything to the limit”. It continuously deepens its digitalisation, intelligentisation, and eco-friendliness transformation and upgrading, so as to create industry-leading technologies and high-end products, accelerate the development of new energy technologies and products, and support the Company’s sustainable and high-quality development. The Company’s crane technology innovation team was honored with the prestigious title of “National Distinguished Engineering Team” by the Party’s Central Committee and the State Council for the first time, signifying the Company’s capability in innovation leadership recognized by the national government.

(1) Continuously promoting innovation and upgrading, and creating a batch of industry-leading products

During the Reporting Period, the Company completed the manufacturing of 130 new products and entered 394 products into the market, thereby accelerating the pace of innovation in digitalisation, intelligentisation and eco-friendliness. Throughout the year, a total of 289 technologies were developed, with 77.5% of them focusing on digitalisation, intelligentisation and eco-friendliness. Two projects, namely, the “Key Hydrogen Fuel-Powered Engineering Machinery Vehicle Technologies” and the “R&D of Efficient and Intelligent Agricultural Machinery Equipment for Hilly and Mountainous Terrain”, were recognized as part of the “Top Ten Technical Projects for Tackling Key Issues of Hunan Province in 2023”. The integration of intelligent technology continues to empower various sectors, with a comprehensive suite of intelligent technologies successfully demonstrated in the construction of nuclear power plants.

Report of the Board of Directors

Technologies such as one-key control technology for concrete pump truck boom, intelligent driving and intelligent operation key technology for mixer truck have been realized. 122 major innovative technologies were overcome, achieving innovative leadership in terms of operation efficiency, safety and reliability, overall controllability, energy saving and consumption reduction. The Company took the lead in undertaking the National Key Research and Development Program of “Simulation Test Technology and Platform for Complex Service Conditions of Engineering Equipment”, laying the foundation for the high-level forward design and research and development of engineering machinery. The project of “Key Technology and Application of Ultra-high-rise Boom Aerial Work Platform” won the first prize of the Science and Technology Award of the Machinery Industry.

The Company has developed a batch of “world’s best” and industry-first products, including four “world’s best” products such as the 20,000-ton-meter tower crane, as well as industry-first products such as the 10-ton walking multifunctional rescue robot, the 800-kg high-rise glass installation robot, and the 13-ton fire extinguishing agent hybrid airport rapid response fire truck. The Company has developed the world’s largest rated lifting moment 20,000-ton Mita crane, with a maximum lifting capacity of 720-ton and a maximum lifting height of 400-meter. It has also contributed to the construction of national key projects such as large modular construction of bridges by participating in the construction of the Chaoma Railway Ma’anshan Public Railway Yangtze River Bridge, the world’s largest three-tower steel truss cable-stayed bridge. Additionally, the Company has developed the world’s tallest wind power hoisting ZCC17000 crawler crane, the first in the industry to break through 190 meters in wind power hoisting with a rated lifting capacity of 185 tons, with the longest single arm of 204 meters among global crawler cranes. Its capability of extreme wind power hoisting fills the gap in the wind power hoisting industry and is suitable for future demands for 7-10 megawatt wind turbine hoisting. The Company has also developed the world’s longest arm five-bridge 70-meter light concrete pump truck, the first to create a hollow arm with a concreting height of over 70 meters. The arm can be controlled by one key in any position, and it can be retracted and released freely. It also has a fully autonomous lightweight hybrid power system, saving 15% energy. It has successfully assisted in the construction of the world’s largest capacity natural gas project. Furthermore, the Company has developed the world’s tallest 72.3-meter straight arm aerial work platform, once again breaking world records and filling the gap in global self-propelled arm-type high-altitude machinery equipment in construction areas above 70 meters in height.

(2) Accelerating the development of new energy products to lead the industry towards green initiatives

The Company has achieved full coverage of product categories in new energy main engines, catering to diverse application scenarios, continuously promoting the greening of the industry. The industrialization of three-electric components and hydrogen energy equipment is accelerating, supporting the construction of core competitiveness of the whole industrial chain.

During the Reporting Period, the Company introduced a total of 49 new energy products to the market and developed industry-first products such as the four-bridge 59-meter pure electric concrete pump truck and the electric multi-function 75-ton crawler crane. It also developed six new complete new energy products including the distributed pure electric direct drive 40-ton tire crane, the four-bridge 8-cubic-meter pure electric mixer truck, the world's highest 51-meter electric range straight boom aerial work platform, the 21-ton pure electric excavator, the 160-ton hybrid wide-body vehicle and the hybrid harvester, as well as a series of key new energy components such as hydrogen energy, electric drive and transmission. The construction of the hydrogen energy test center and the battery pack environmental performance test platform has been completed, and the R&D capability of new energy products has been greatly improved.

As of now, the Company offers a total of 177 models of new energy products for sale, covering concrete pump trucks, concrete mixers, truck-mounted cranes, MEWPs, excavators, mining dump trucks, forklifts, emergency vehicles, agricultural machinery, etc. The new energy forms consist of pure electricity, hybrid power, and hydrogen fuel, and a full range of new energy products were taking shape. Electric telescopic boom lift series MEWP products and new energy mixer trucks were sold on a large scale, and they were in the leading position in the industry.

Report of the Board of Directors

(3) Leading industry innovation and development with high-value patents and standards

During the Reporting Period, the Company focused on the layout of intellectual property rights around "digitalisation, intelligentisation and eco-friendliness" and new industries. The number of patent applications for the invention of digital technologies such as big data and cloud computing ranked first in the industry. By conducting patent navigation analysis on "key technologies of new energy for engineering machinery", the Company has formed multiple high-value patent portfolios in the fields of crane and aerial work machinery regenerative current technology, providing strong support for the R&D of new energy products. The "Boom Monitoring Method, System, Engineering Machinery and Machine Readable Storage Medium" won the only China Patent Gold Award in the industry. Four patents, including the "Engineering Machinery and Its Safety Status Determination Method, Device and System", "Hydraulic Valve Core Control Circuit and Method", "Aerial Work Platform", and "A Kind of Divider, Agricultural Machinery with the Same and Method for Preventing Crop Loss" won the China Patent Excellence Award. The growth rate of high-value patents has accelerated, ranking at the forefront of the industry.

During the Reporting Period, the Company took the lead in the research and development of seven international standards, the release of ten national, industry and group standards, and the formulation of three new green standards, ranking first in the industry. The international standard Cranes – Safe use – Part 1: General (ISO 12480-1) led by the Company passed the voting stage (DIS); the national standard Cranes – Design principles for loads and load combinations – Part 2: Mobile cranes led by the Company was completed and submitted for approval; the five national green product evaluation group standards led by the Company, such as Technical Specification for Green Design Product Evaluation – Crawler Crane and Technical Specification for Green Design Product Evaluation – Concrete Pump Truck, were completed in the form of draft for comments.

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

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

(1) Comprehensively strengthening risk control. The Company always takes risk control management as the primary guarantee resolutely implements end-to-end management of the business side, monitors the overdue status of each customer, order and equipment at the terminal, and controls the risks to the end. The Company uses the "risk intelligent early warning platform with perception and thinking" to actively identify operational risks, firmly grasp the key points of risk control and help the steady growth of the business.

(2) Strengthening the construction of a supply chain system. The Company continues to increase the cost reduction efforts of centralised procurement integration and strategic procurement of key materials, helping the Company to reduce costs and increase efficiency; accelerate the informatization and systematisation of supply chain construction, and promote the digital transformation of the supply chain; efficiently promote special assistance, establish bidding and comparison mechanism, professional category classification management, organise full source search, and promote extreme cost reduction.

(3) Creating the ultimate service capability. Focus on promoting the construction of digital service capabilities, fully implement end-to-end and refined management of the service side, promote high-quality and efficient services, enhance service efficiency, continuously improve customer satisfaction and service quality.

(4) Strengthening the construction and motivation of talent teams. Closely follow the Company's strategic development, adapt to business needs, refine talent management, and accelerate the construction of key employee teams. Establish a sound "strict entry and exit, able to go up and down" regular mechanism, and cultivate a capable cadre and employee team with "four strengths"; complete the implementation of the second phase of the employee stock ownership plan, and stimulate the management team and core backbone staff The initiative of doing business and starting a business. During the year, the Company announced a share repurchase programme under which all of the repurchased shares shall be used to implement the employee stock ownership plan (phase II). The incentive plan seeks to align its core management's interest with that of the Company in pursuit of promoting long-term healthy development of the Group's business. Please refer to the section headed "Changes in Share Capital and Shareholders" in this annual report for a monthly breakdown of purchases of shares made during the reporting period and the paragraph headed "III. Business Outlook of the Group – XIV. Stock Ownership Plans" in this Report of the Board of Directors for details of the said incentive plan.

Report of the Board of Directors

II. Analysis of Financial position

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

III. Business Outlook of the Group

(1) Industry development trend and market outlook

1. Engineering machinery market

At the end of 2023, the government introduced a real estate financing whitelist to actively and prudently resolve real estate risks, satisfy the reasonable financing needs of real estate enterprises of different ownership systems, promote the steady and sound development of the real estate market, and accelerate the implementation of the "three major projects", including the construction of government-subsidized housing, the building of public infrastructure for both normal and emergency use, and urban village renovation. The recovery of the domestic engineering machinery market is expected to gather speed as the real estate and infrastructure investment will significantly boost demand for engineering machinery.

In 2024, staying committed to the general principle of seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old, China makes positive efforts to transform the growth model, adjust the structure, improve quality, and increase efficiency, continuously consolidating the foundation for stable and sound development. It strengthens the counter-cyclical and cross-cyclical adjustment of macro policies, and keeps implementing proactive fiscal policy and prudent monetary policy. The continuous enhancement and implementation of domestic "stable growth" policies are expected to exert a positive impact on the industry demand.

The year 2024 is expected to see stable growth in the overseas engineering machinery market and agricultural machinery market, and robust resilience as ever in export, which can be attributed to the following three aspects: Firstly, for domestic brands, overseas markets feature growth. China's engineering machinery products are widely praised by overseas customers for their strong performance, good quality, cost-effectiveness, high degree of digitalisation and intelligence, and short delivery cycle. Secondly, thanks to the increasing perfection of overseas channel layout of domestic enterprises, the comprehensive competitiveness of domestic brands continues to improve, which will boost the overseas market penetration rate. Lastly, from the perspective of the proportion of major export markets, many countries currently do not have marketable products that can meet their needs of localisation, leaving still much room for improvement.

2. **Agricultural machinery market**

At present, the country attaches great importance to the development of agriculture, and the agricultural industry will usher in major development opportunities. The No. 1 central document in 2024 is the 21st No. 1 document issued by the CPC Central Committee to guide the work of "agriculture, rural areas and farmers" since the beginning of the new century. The document highlights the need to ensure national food security, strengthen the support of agricultural science and technology, vigorously implement the action of replenishing the weak spots of agricultural machinery and equipment, improve the subsidy policy for the purchase and application of agricultural machinery, and open up a "green channel" for the appraisal of urgently needed and applicable agricultural machinery. On March 1, 2024, the executive meeting of the State Council reviewed and adopted the Action Plan for Promoting Large-scale Equipment Renewal and Trade-in of Consumer Goods, with the aim to orderly promote the renewal and transformation of old agricultural machinery, and generate the scale effect of renewal and replacement. The Trade-in Action Plan will promote the technological progress and industrial upgrading of the agricultural machinery industry, improve the efficiency and effectiveness of agricultural production, and cultivate agricultural machinery industry clusters, thereby promoting the high-quality development of agricultural machinery in the medium and long term.

(2) Operation initiatives in 2024

1. **Accelerating the development of industrial echelons**

We will enable traditional industries and emerging industries to further integrate and develop, further strengthen the implementation of strategies, and highlight the results of the overall strategy. The traditional advantageous industries will continue to enhance sustainable competitiveness in the process of steady improvement; the emerging industries will continue to provide new growth poles in the process of development and growth.

First, in terms of concrete machinery, engineering cranes, and construction cranes, the industry's high-quality development will be high on our list of priorities. We will strive to keep a balance between efficiency improvement and quality control, consolidate and strengthen our position in the domestic market, and exploit overseas markets.

Second, in terms of the earthmovers, we will make up the type spectrum of products such as super-large excavators, micro excavators, and mini excavators. Leveraging the world's leading "lighthouse factory", we will rapidly enhance our product competitiveness and make a great leap in the domestic and overseas markets to achieve a comprehensive breakthrough in scale, efficiency, and quality.

Report of the Board of Directors

Third, in terms of aerial machinery, we will strengthen our abilities to innovate technology and products, comprehensively expand the domestic and international market segmentation, and fully penetrate the markets, so that we can enjoy absolute advantages in terms of technology, quality, cost, and service.

Fourth, in terms of agricultural machinery, we will make full use of the resource advantages of construction machinery, optimize the product structure, strive to promote product upgrading and transition, increase production and efficiency, and try to make high-end, intelligent, and green products, so that we can achieve improvement of scale and efficiency.

Fifth, in terms of emerging businesses such as mining machinery, emergency equipment, and Zoomlion's new materials, we will, based on technology and products, make the most of the advantages of Zoomlion's platform and brand to make great breakthroughs in the expansion of categories.

2. **Facilitating the full development of our overseas business**

We will firmly adhere to the overseas business strategy of "Global Village", use the "end-to-end" mode to expand our business, empower sales growth with "airports", and realize a big leap in overseas business performance.

First, we will achieve the strict implementation of our strategies. In accordance with the general guideline of "strengthening the back-office support and revitalizing the regions" and the general requirement of "making good preparations, managing people well, and keeping accurate accounts", we will build an overseas business operation system with clear responsibilities and effective synergy, and perfect the twinning mechanism of the frontline and back-office support without national boundaries, time difference, and language barriers, so that we can fully support the high-speed growth of the overseas business.

Second, we will increase investment in the domestic market, accelerate the construction of the "Airport Base" and improve the local operation mechanism. We will improve the fine management of the "Airport Base" with digitalization and focus on logistics and warehousing, business administration, team building, and financial management to enhance the core capacity of overseas airports. We will organize a large-scale local team to consolidate the foundation of talent and operation platform for local development; we will use the local team to exploit markets, get the target customers, horizontally expand the market coverage of our business, and vertically enhance the competitiveness of our products, so that we can consolidate the foundation for the high-quality growth of our overseas business.

Third, we will continue to promote the expansion and upgrading of overseas R&D and manufacturing bases. We will make full use of the technology, resource, and location advantages of the overseas R&D and manufacturing bases such as the CIFA in Italy, Wilbert in Germany, plants in India and Mexico, to optimize and share resources and enhance our global competitiveness.

3. **Continuously improving scientific research and innovation, and accelerate the development of new quality productive forces**

By adhering to the philosophy of "technology as the root, products as the fundamental," we will continuously carry out the product 4.0A project. Revolving around "digitalisation, intelligentisation, and eco-friendliness", we will strive to establish international standards, maintain the leading edge in product technology performance, preserve our ability to empower new technologies and rapidly incubate new industries, and make our voices be heard in terms of the industry's technology. By tackling the core technological problems based on market demand, we will develop a number of industry benchmark products in the field of earthmovers, lifting machinery, aerial machinery, concrete machinery, and other products; we will promote the industrialized application of new technologies and products such as integrated key technologies in intelligent construction site, unmanned aircraft, special robots; we will improve the research and development of key components such as high-end hydraulic parts, agricultural bridges, engineering bridges, speed reducers, gearboxes, intelligent sensors, new energy components, and realize the autonomy of technological products; we will improve the research and development of new energy technologies and products of construction machinery, focus on the research and development of the overall units with obvious energy-saving effect and significant demonstration effect after substituting new energy for traditional energy to rapidly promote the green development of the industry. We will continuously improve the incentive mechanism for the product platform, further enhance the innovation momentum of technical personnel, and maintain the mechanism advantages for R&D to make technological innovation source of power for the Company's sustainable development.

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4. **Building a new competitive advantage with intelligent manufacturing and continuously improve the total-factor productivity**

   First, the first phase of the construction of the intelligent industrial city will be fully completed and put into operation, four overall units including aerial machinery, pumping machinery, engineering cranes, and construction cranes, and a number of lighthouse factories in the high-strength steel material preparation centre and the thin plate centre will successively put into operation, and the headquarter building will be fully used.

   Second, we will properly manage and operate the intelligent production lines, intelligent factories, and intelligent parks, accelerate the normal and efficient operation of production lines, and significantly improve product quality and productivity through intelligent, digital, and green upgrading to enhance our global competitiveness.

5. **Strengthening the management of profitability improvement**

   First, maintaining the balance of scale growth, risk control and profitability, risk control is always the primary guarantee for the Company's operation. We should manage and control variable costs to effectively control the sale of low-margin products.

   Second, we will seek to reduce cost and improve efficiency by firmly promoting the supplier integration, applying new processes and new technologies, facilitating the progress of making the equivalents of imported parts in China, and improving the self-manufacturing rates of key parts in order to transform the extremely low cost into a stable and sustainable competitive advantage in the market.

   Third, we will promote the digital transformation of the Company in a deep-going way, further increase the investment in digital construction, comprehensively connecting the end-to-end business of intelligent manufacturing consisting of R&D, plan, quality, warehousing, supply chain, logistics and sales, enhance the full coverage of the digital platform, and improve the operational efficiency.

Report of the Board of Directors

IV. Final Dividend

Pursuant to a resolution passed at the Board meeting on 28 March 2024, a final dividend for the year ended 31 December 2023 of RMB0.32 per share was proposed, totalling RMB2,777 million. The final dividend is calculated based on the total share capital of the Company as of 31 December 2023, and adjusted accordingly based on the total share capital at the date of record when profit distribution is made. The specific amount is subject to actual distribution. Such proposal is subject to shareholders' approval. The proposed final dividend is expected to be paid to the shareholders of the Company on or about 9 August 2024.

V. Pre-emptive Rights

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

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 IFRS Accounting Standards.

Report of the Board of Directors

VII. Major suppliers and customers

Total purchases by the Company from the top five suppliers amounted to RMB4,354,361,574.62, accounting for 12.96% of the aggregate annual purchase of the Company and total purchases by the Company from the largest supplier accounted for 4.07% 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 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 RMB2,317,685,600.34, accounting for 4.92% of the aggregate annual sales of the Company and the total sales to the largest customer of the Company accounted for 2.28% 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 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 charitable donations and other donations of the Company amounted to approximately RMB5.04 million in aggregate.

IX. Human Resources

As at 31 December 2023, the Company had employed a total of 30,563 employees. Details of the Company's staff costs and employee benefit plans for 2023 are disclosed in notes 5(b), 26 and 28 to the financial statements prepared under IFRS Accounting Standards 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 IFRS Accounting Standards.

XI. Reserves

The amounts of the Company's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 144 to 145 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in note 30 to the consolidated financial statements on pages 230 to 235 of this annual report.

XII. Distributable Reserves

The Company's distributable reserves, calculated in accordance with applicable PRC statutory provisions, were RMB25,699 million as at 31 December 2023.

XIII. Employee Benefit Plans

During the year ended 31 December 2023, the Group had no forfeited contributions under its retirement benefit schemes which may be used to reduce existing level of contributions.

XIV. Stock Ownership Plans

Stock Ownership Plan (Phase I)

On 6 January 2020, the Company adopted a stock ownership plan for its core management (phase I) (the "**Plan (Phase I)**"). Set out below is a summary of the terms of the Plan (Phase I).

Purpose

The purpose of the Plan (Phase I) is to further refine the Company's corporate governance structure; establish and refine a mechanism to share benefits with contributors to and owners of the Company; enhance team cohesion amongst employees and create core competitiveness for the Company; promote the philosophy of joint development between the Company and the individual; fully leverage on employees' incentive and creativity; and attract and promote continuity of excellent management talents and core business personnel of the Company.

The remuneration structure of the Company's core management team is relatively flat. The Plan (Phase I) has aided in providing a long-term incentive to and constituting a restraint on the Company's core management team and ensuring the Company achieves its long-term operation goals. The Plan (Phase I), as an innovative and long-term effective mechanism, has helped to accelerate and promote the stability and team cohesion of the Company's core management team. It has facilitated the establishment of a business which represents the common interest of the Company itself and its core management team, ultimately accelerating the transformation and upgrade of the Company and enhancing its long-term value. Against the background of industry revitalisation, the Plan (Phase I) has allowed the Company to step onto a new track of growth and encourage a long-term, sustainable and healthy development by optimising its management system and business structure.

Report of the Board of Directors

Scope of participants

To ensure the implementation of the strategies and to improve market competitiveness and operating results of the Company, participants of the Plan (Phase I) include the Company's core management team and key employees who have a significant role in, and impact on, its overall operating results and mid-to-long term development and such other employees as the Board deemed necessary for inclusion, subject to a cap of 1,200 holders and the terms of the Plan (Phase I).

Employees who participate in the Plan (Phase I) must have in place a service agreement with and receive a salary from the Company.

Number of A shares available

A shares underlying the Plan (Phase I) are those repurchased by the Company for the purpose of the Plan (Phase I) and held in the Company's account specifically designated for share repurchases. The Board approved the transfer of a total of 390,449,924 A shares so repurchased to the Plan (Phase I) for allocation among participants. No further A shares are available for grant to participants after such date.

The total number of A shares available under the Plan (Phase I) represents approximately 4.50% of the Company's total issued share capital as at the date of this annual report.

Validity period

The Plan (Phase I) has a validity period of seven years commencing from 28 April 2020 ("**Effective Date (Phase I)**") until 27 April 2027, subject to extension.

Maximum entitlement of each participant

The maximum entitlement of each participant of the Plan (Phase I) is 1% of the Company's total issued share capital as at 15 November 2019, being the date on which the Board resolved to approve the Plan (Phase I).

Vesting period

The A Shares are subject to vesting periods which are unlocked in three tranches as set out in Table A, subject to the corresponding performance target as set out in Table B being met by the Company.

Table A

Tranche	Vesting date	% of available A shares
1	Upon the expiry of a 12-month period from the Effective Date (Phase I)	40
2	Upon the expiry of a 24-month period from the Effective Date (Phase I)	30
3	Upon the expiry of a 36-month period from the Effective Date (Phase I)	30

Table B

Tranche	Performance target
1	As compared to the Benchmark[1], the growth rate of the Net Profits[2] for the year ended 31 December 2020 is no less than 80%
2	As compared to the Benchmark[1], the growth rate of the Net Profits[2] for the year ended 31 December 2021 is no less than 90%, or the cumulative growth rate of the Net Profits for the two years ended 31 December 2020 and 2021 is no less than 170%
3	As compared to the Benchmark[1], the growth rate of the Net Profits[2] for the year ended 31 December 2022 is no less than 100%, or the cumulative growth rate for the three years ended 31 December 2022 is no less than 270%

Notes:

1. "Benchmark" means the arithmetic mean of the Net Profits for the three years ended 31 December 2019.

2. "Net Profits" means the net profits of the Company attributable to the shareholders of the parent company.

If the applicable performance target is met then the A shares will vest (subject to the terms of the Plan (Phase I)) in participants upon the expiry of the corresponding lock-up period in the stated proportion. Such unlocked A shares will then be sold on the market at such timing and in such manner as determined by the asset management agent appointed by the management committee of the Plan (Phase I), in accordance with the terms of the Plan (Phase I). The sale proceeds, after deducting tax and expenses, will be distributed to the participants on a prorated basis.

If the applicable performance target is not met then A shares will be sold upon the expiry of the corresponding lock-up period, and the sales proceeds belong to the Company. The Company will return the subscription funds contributed to the Plan (Phase I) by participants together with interests accrued thereon based on bank deposit rates during the corresponding period, up to the total amount of sales proceeds received.

Amount payable on acceptance

The number of A shares allocated to each participant is represented by his/her prorated interest in units held in the Plan (Phase I) (totalling 1,073,737,300 units). Such allocation was subject to the participant's full payment of requisite subscription funds toward the Plan (Phase I) for such number of units based on his/her prorated interest in all the A shares allocated, at a price of RMB1.00 per unit. Full payment of the subscription funds was required to be made within one month of the adoption date of the Plan (Phase I).

Purchase price of A shares

The purchase price of A shares subject to the Plan (Phase I) was RMB2.75 per A share, representing not less than 50% of the actual repurchase price paid by the Company per A share.

The purchase price was determined on the principle of balance between incentive and restraints, taking into account the confidence in the Company's prospects and recognition of its underlying value, with an objective to promote long-term development and protect the interest of shareholders.

Implementation of the Plan (Phase I) is to ensure the effectiveness of incentive and restraints and further stabilise and motivate the Company's core management team, ultimately fuelling the sustainable development of the Company. Since the realisation of the participants' interests in the Plan (Phase I) is subject to the future performance and growth of market capitalisation of the Company, the interest of the employees aligns closely with that of shareholders and are tied together in the long-term.

Based on the above and taking into account the prevailing competition in attracting talents, fees and costs of implementing the Plan (Phase I) and the level of interest of the Company's core management team in participating in the Plan (Phase I), subject to relevant laws and regulations and regulatory documents, A shares were transferred to the Plan (Phase I) at a purchase price of RMB2.75 per A share. This pricing method combines the two elements of incentive and restraint – on the one hand, to enhance the motivation of the participants to join the Plan (Phase I) and on the other, to set a relatively challenging performance target to be met and a mechanism to unlock A shares in batches.

Movements of A shares during the reporting period

Movements of A shares subject to the Plan (Phase I) during the year ended 31 December 2023 are as follows:

Name/category	Date of grant	Number of A shares unvested as at 1 January 2023[4]	Number of A shares granted during the year	Number of A shares lapsed/ cancelled during the year	Number of A shares vested during the year[5]	Number of A shares unvested as at 31 December 2023
Director						
Zhan Chunxin	3 April 2020	11,714,040	–	–	11,714,040	–
Supervisors						
He Jianming[1]	3 April 2020	1,680,000	–	–	1,680,000	–
Liu Xiaoping	3 April 2020	1,350,000	–	–	1,350,000	–
Xiong Yanming[2]	3 April 2020	2,130,000	–	–	2,130,000	–
Five highest paid individuals[3]	3 April 2020	19,694,040	–	–	19,694,040	–
Other employees	3 April 2020	94,410,937	–	–	94,410,937	–

Notes:

1. He Jianming retired as a supervisor of the Company on 29 June 2023.

2. Xiong Yanming was appointed as a supervisor of the Company on 29 June 2023.

3. Such individuals are Zhan Chunxin (executive Director), Xiong Yanming (supervisor) and three senior management members.

4. The purchase price paid by the Plan (Phase I) to acquire each A share was RMB2.75. Please refer to the paragraph headed "—Vesting period" above for details of the vesting period that is applicable to the A shares that were unvested at the beginning of the year.

5. The purchase price paid by the Plan (Phase I) to acquire each A share was RMB2.75. The weighted average closing price of the A shares immediately before the date on which such A shares were vested was RMB5.87 per A share.

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Stock Ownership Plan (Phase II)

On 27 September 2023, the Company adopted a stock ownership plan for its core management (phase II) (the "**Plan (Phase II)**"). Set out below is a summary of the terms of the Plan (Phase II).

Purpose

The purpose of the Plan (Phase II) is to further refine the Company's corporate governance structure, enhance corporate governance, establish and refine a mechanism to share benefits with contributors to and owners of the Company, further enhance team cohesion amongst employees, strengthen core competitiveness of the Company, promote the philosophy of sustainable joint development of the Company and the individuals, fully leverage on core management and key employees' incentive and creativity, and attract and promote continuity of excellent management talents and the Company's core business personnel.

The remuneration structure of the Company's core management team is relatively flat. The Plan (Phase II) has aided in providing a long-term incentive to and constituting a restraint on the Company's core management team, and ensure the Company achieves its long-term operation goals and strategic plans. As an innovative and long-term effective mechanism, it will help to further accelerate and promote the stability and team cohesion of the Company's core management team. It will also facilitate the establishment of a business which represents the common interests of the Company and its core management team, ultimately accelerating the transformation and upgrade of the Company and enhancing its long-term value. Against the background of innovation and development as well as upgrading of the industry, the Plan (Phase II) helps to ensure that the Company's business layout will step onto a new track of rapid growth by optimising the operation and management mechanism and continuously improving the effectiveness and operational efficiency of management, with a view to sustaining the long-term, sustainable and healthy development of the Company.

Scope of participants

To ensure the implementation of the Company's long-term development strategies and plans, strengthen its market core competitiveness and stimulate steady acceleration of the Company's operating results, holders include the Company's core management and key employees who have a significant role in and impact on the overall operating results and mid-to-long term development of the Company and such other employees as the Board deemed necessary to be included, subject to a cap of 1,500 holders and the terms of the Plan (Phase II).

Employees who participate in the Plan (Phase II) must have in place a service agreement with the Company or its subsidiaries.

Number of A shares available

A shares underlying the Plan (Phase II) are those repurchased by the Company for the purpose of the Plan (Phase II) and held in the Company's account specifically designated for share repurchases. The Board approved the transfer of a total of 423,956,766 A shares so repurchased to the Plan (Phase II) for allocation among participants. No further A shares are available for grant to participants after such date.

The total number of A shares available under the Plan (Phase II) represents approximately 4.89% of the Company's total issued share capital as at the date of this annual report.

Validity period

The Plan (Phase II) has a validity period of 10 years commencing from 17 October 2023 ("**Effective Date (Phase II)**") until 16 October 2033, subject to extension.

Maximum entitlement of each participant

The maximum entitlement of each participant of the Plan (Phase II) is 1% of the Company's total issued share capital as at 30 August 2023, being the date on which the Board resolved to approve the Plan (Phase II).

Vesting period

The A Shares are subject to vesting periods which are unlocked in three tranches as set out in Table A, subject to the corresponding performance target as set out in Table B being met by the Company.

Table A

Tranche	Vesting date	% of available A shares
1	Upon the expiry of a 12-month period from the Effective Date (Phase II)	40
2	Upon the expiry of a 24-month period from the Effective Date (Phase II)	30
3	Upon the expiry of a 36-month period from the Effective Date (Phase II)	30

Table B

Tranche	Performance target
1	As compared to the Benchmark[1], the growth rate of the Net Profits[2] for the financial year ended 31 December 2023 is no less than 40%, and the Net Profits[2] for the financial year ended 31 December 2023 is no less than 75% of the Net Profits[2] of comparable companies for the same year
2	(i) As compared to the Benchmark[1], the growth rate of the Net Profits[2] for the financial year ending 31 December 2024 is no less than 60%, or the arithmetic mean of the growth rate of the Net Profits[2] for the two financial years ending 31 December 2024 is no less than 50%, and (ii) the Net Profits[2] for the financial year ending 31 December 2024 is no less than 75% of the Net Profits[2] of comparable companies for the same year
3	(i) As compared to the Benchmark[1], the growth rate of the Net Profits[2] for the financial year ending 31 December 2025 is no less than 110%, or the arithmetic mean of the growth rate of the Net Profits[2] for the three financial years ending 31 December 2025 is no less than 70%, and (ii) the Net Profits[2] for the financial year ending 31 December 2025 is no less than 75% of the Net Profits[2] of comparable companies for the same year

Notes:

1. "Benchmark" means the arithmetic mean of the Net Profits for the three years ended 31 December 2022.

2. "Net Profits" means the audited net profits of the Company attributable to shareholders.

The Company falls into the "Construction Machinery and Heavy Trucks" category based on Wind's four-level industry classification standards. A-share listed companies with similar principal businesses are selected from such category as comparable companies. The list of 18 benchmark companies is as follows:

Stock code	Company name	Stock code	Company name
000425.SZ	XCMG Construction Machinery	600031.SH	Sany Heavy Industry
000528.SZ	Liugong Machinery	600169.SH	Taiyuan Heavy Industry
000680.SZ	Santui Construction Machinery	600761.SH	Anhui Heli
002097.SZ	Sunward Intelligent	600815.SH	Xiamen XGMA Machinery
002483.SZ	Jiangsu Rainbow Heavy Industries	600984.SH	Shaanxi Construction Machinery
002523.SZ	Tianqiao Crane	603280.SH	Fujian South Highway Machinery
600375.SH	Hanma Technology	688425.SH	China Railway Construction Heavy Industry
600320.SH	Shanghai Zhenhua Heavy Industries	603611.SH	Noblelift Intelligent Equipment
600262.SH	Beifang Co	603966.SH	Eurocrane China

Note: In the course of the annual performance assessment, if the samples are no longer relevant to the Company's products and businesses, or there are significant deviations from extremum of the samples or other issues due to the changes in the classification of the industry to which the Company or the benchmark companies belongs, or the delisting of the benchmark companies or significant changes in the revenue and profit structure of their main businesses, the Board may exclude or replace the samples taking account of the actual situation.

If a performance target is met, the corresponding portion of A shares will be unlocked and the units represented by such A shares will likewise be unlocked. The management committee of the Plan (Phase II) will then sell the unlocked A shares on the market at such timing and in such appropriate manner as it determines, in accordance with the Plan (Phase II). The sale proceeds after deducting the relevant tax and fees, will be distributed to the holders according to the Plan (Phase II).

If a performance target is not met, the corresponding portion of A shares will be unlocked but the units represented by such A shares will not. The unlocked A shares will be sold and the sales proceeds belong to the Company. The Company shall return the funds originally contributed by the holders to the Plan (Phase II) based on their prorated interest in the said units together with interests accrued thereon with reference to the prevailing bank deposit rate, provided that such payments in aggregate shall not exceed the amount of sales proceeds received.

Report of the Board of Directors

Amount payable on acceptance

The number of A shares allocated to each participant is represented by his/her prorated interest in units held in the Plan (Phase II) (totalling 1,343,943,000 units). Such allocation was subject to the participant's full payment of requisite subscription funds toward the Plan (Phase II) for such number of units based on his/her prorated interest in all the A shares allocated, at a price of RMB1.00 per unit. Full payment of the subscription funds was required to be made within one month of the adoption date of the Plan (Phase II).

Purchase price of A shares

The price at which the Plan (Phase II) purchased A shares from the Company was RMB3.17 per A share. The purchase price represents not less than the nominal value of A shares and not less than the higher of the following: (i) 50% of the average trading price of A shares on the trading day immediately preceding the date on which the Board approved the adoption of the Plan (Phase II) (i.e. RMB3.17 per A share); and (ii) 50% of the average trading price of A shares in a period of 120 trading days immediately preceding the date on which the Board approved the adoption of the Plan (Phase II) (i.e. RMB3.15 per A share).

The purchase price has been determined based on the principle of balance between incentive and restraints, taking into account the confidence in the prospects of the Company and recognition of its underlying value, with an objective to promote long-term sustainable development and protect the interest of the shareholders.

Implementation of the Plan (Phase II) is to ensure the effectiveness of incentive and restraints and further stabilise and motivate the core management team, ultimately fuelling the sustainable development of the Company. Since the realisation of the participants' interests in the Plan (Phase II) is subject to the future performance and growth of market capitalisation of the Company, the interest of the employees aligns closely with that of the shareholders and are tied together in the long-term. The participants of the Plan (Phase II) are considered to be vital to the stable development of the Company in the future.

Based on the above and taking into account the domestic and foreign macroeconomic environment, policy and regulatory requirements for the implementation of the Plan (Phase II), prevailing competition in attracting talents in the industry, capital contribution and pressure, fees and costs of implementing the Plan (Phase II) and the level of interest of the core management team in joining the plan, subject to the relevant laws and regulations and regulatory documents, the Plan (Phase II) acquired A shares by way of non-trade transfer at a purchase price of RMB3.17 per A share.

Movements of A shares during the reporting period

Movements of A shares subject to the Plan (Phase II) during the year ended 31 December 2023 are as follows:

Name/category	Date of grant	Number of A shares unvested as at 1 January 2023	Number of A shares granted during the year[4]	Number of A shares lapsed/ cancelled during the year	Number of A shares vested during the year	Number of A shares unvested as at 31 December 2023[5]
Director						
Zhan Chunxin	28 September 2023	–	27,763,073	–	–	27,763,073
Supervisors						
He Jianming[1]	28 September 2023	–	3,500,000	–	–	3,500,000
Liu Xiaoping	28 September 2023	–	4,500,000	–	–	4,500,000
Xiong Yanming[2]	28 September 2023	–	5,000,000	–	–	5,000,000
Five highest paid individuals[3]	28 September 2023	–	52,763,073	–	–	52,763,073
Other employees	28 September 2023	–	363,193,693	–	–	363,193,693

Notes:

1. He Jianming retired as a supervisor of the Company on 29 June 2023.

2. Xiong Yanming was appointed as a supervisor of the Company on 29 June 2023.

3. Such individuals are Zhan Chunxin (executive Director), Xiong Yanming (supervisor) and three senior management members.

4. The purchase price paid by the Plan (Phase II) to acquire each A share was RMB3.17. Please refer to the paragraph headed "—Vesting period" above for details of the vesting period and performance targets that are applicable to the A shares granted during the year. The closing price of the A shares immediately before the date on which the A shares were granted was RMB6.89 per A share. The fair value of the A shares at the date of grant was RMB3.72 per A share. The fair value of such A shares represents the difference between (i) the closing price of the A shares on the date of grant; and (ii) the price at which the Plan (Phase II) acquired the A shares from the Company (being RMB3.17 per A share).

5. The purchase price paid by the Plan (Phase II) to acquire each A share was RMB3.17. Please refer to the paragraph headed "—Vesting period" above in this section for details of the vesting period that is applicable to the unvested A shares.

XV. Finance Leasing Business

The Group provides finance leasing services to customers who purchase its machinery products.

Business model

The Company is principally a manufacturer of high-value construction and agricultural machinery. Among the various payment options offered by the Group, finance leasing is one that customers may opt for. Finance leasing service is provided exclusively to customers who purchase the Group's machinery products. Such service is ancillary to and not provided independently of the sale of machinery products.

In respect of receivables under finance lease, a 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. 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. Please refer to note 32(b)(ii) of the Company's consolidated financial statements in this annual report for details of its policies for managing risks arising from finance lease arrangement.

Loan portfolio

The aggregate amount of outstanding finance lease receivables due to the Group as at 31 December 2023 was RMB11,792 million (net of unearned finance income), from a total of 8,540 customers. Interest rate chargeable to customers of the Group's finance leasing services during the year were in the region of 3.60% to 8.27% per annum. Please refer to note 19 of the Company's consolidated financial statements in this annual report for a summary of other major terms of the finance lease contracts.

The Group's finance leasing services are offered to both PRC customers and overseas customers. As at 31 December 2023, PRC customers and overseas customers accounted for approximately 91.05% and 8.95% respectively, of the total amount of finance lease receivables due to the Group.

Among PRC customers, lease finance is predominately extended to (i) construction machinery and equipment leasing companies, (ii) construction and engineering companies, and (iii) agricultural companies/farmers. A breakdown of the finance lease receivables due as at 31 December 2023 from these three types of customers is follows: as to 99.36% from (i), 0.37% from (ii) and 0.27% from (iii). Receivables from top five customers of the Group's finance leasing business accounted for approximately 10.82% of the total finance lease receivables as at 31 December 2023.

Please refer to note 19(a) of the Company's consolidated financial statements in this annual report for an aging analysis of receivables under finance lease during the year.

Impairment of finance lease receivables

A risk management department is responsible for recovering finance lease receivables overdue by three months (or more) through taking of legal and other actions, including repossession and sale of relevant machinery. The course of action taken in response to past due receivables is driven by various considerations, including the customer's current financial position, future business plan, the fair value of assets subject to finance lease and the possibility of obtaining collateral(s).

Please refer to note 19(c) of the Company's consolidated financial statements in this annual report for movements in loss allowance in respect of receivables under finance lease during the year, and note 32(b)(ii) for the basis of impairment assessment.

XVI. Related Party Transactions

Details of the Company's related party transactions for the year ended 31 December 2023 are set out in note 35 to its 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 Listing Rules. To the extent applicable, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

The directors of the Company are Dr. Zhan Chunxin as executive director, Mr. He Liu and Mr. Wang Xianpin as non-executive directors, and Mr. Zhang Chenghu, Mr. Huang Guobin, Mr. Wu Baohai and Ms. Huang Jun as independent non-executive directors. On 29 June 2023, (i) Mr. Zhao John Huan retired as a non-executive director of the Company; and (ii) each of Mr. Zhao Songzheng, Mr. Lai Kin Keung, Ms. Liu Guiliang and Mr. Yang Changbo retired as independent non-executive directors of the Company.

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 2023.

	Year Ended 31 December	
	2023 RMB millions	2022 RMB millions
Revenue	**47,075**	41,631
Cost of sales and services	**(34,109)**	(32,543)
Gross profit	**12,966**	9,088
Other income	**935**	982
Sales and marketing expenses	**(3,557)**	(2,635)
General and administrative expenses	**(2,274)**	(2,400)
Expected credit losses	**(794)**	(446)
Research and development expenses	**(3,441)**	(2,507)
Profit from operations	**3,835**	2,082
Net finance income	**284**	300
Share of profits less losses of associates	**153**	130
Profit before taxation	**4,272**	2,512
Income tax	**(457)**	(86)
Profit for the year	**3,815**	2,426

Management Discussion and Analysis

Revenue

The following table sets forth the breakdown of our consolidated turnover by our operating segments for 2023:

	Year Ended 31 December	
	2023 RMB millions	2022 RMB millions
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
Construction machinery		
– Concrete machinery	**8,571**	8,432
– Crane machinery	**19,175**	18,859
– Aerial machinery	**5,701**	4,593
– Earth working machinery	**6,647**	3,511
– Others	**4,208**	3,415
Agricultural machinery	**2,089**	2,133
	46,391	40,943
Revenue from other sources		
Rental income	**187**	186
Financial services	**497**	502
	684	688
	47,075	41,631

Management Discussion and Analysis

Revenue

Our revenue increased by 13.08% from RMB41,631 million for the year ended 31 December 2022 to RMB47,075 million for the year ended 31 December 2023.

Cost of Sales and Services

Due to the increase of sales volume, our cost of sales and services increased by 4.81% from RMB32,543 million for the year ended 31 December 2022 to RMB34,109 million for the year ended 31 December 2023.

Gross profit

Our gross profit increased by 42.67% from RMB9,088 million for the year ended 31 December 2022 to RMB12,966 million for the year ended 31 December 2023. Our gross profit margin increased from 21.83% for the year ended 31 December 2022 to 27.54% for the year ended 31 December 2023, which is mainly due to the growth in the scale of the Company's overseas revenue as well as the continuous implementation of cost reduction and efficiency measures.

Other income

Our other income decreased from the net gain of RMB982 million for the year ended 31 December 2022 to a net gain of RMB935 million for the year ended 31 December 2023.

Sales and marketing expenses

Our sales and marketing expenses increased by 34.99% from RMB2,635 million for the year ended 31 December 2022 to RMB3,557 million for the year ended 31 December 2023 primarily due to the increase in expenses related to sales in overseas markets.

General and administrative expenses

Our general and administrative expenses decreased from RMB2,400 million for the year ended 31 December 2022 to RMB2,274 million for the year ended 31 December 2023, primarily due to the decrease of impairment losses from inventories.

Net finance income

Our net finance income for the year ended 31 December 2022 was RMB300 million and our net finance income for the year ended 31 December 2023 was RMB284 million.

Profit for the year

As a result of the foregoing, our profit for the year increased by 57.25% from a profit of RMB2,426 million for the year ended 31 December 2022 to a profit of RMB3,815 million for the year ended 31 December 2023.

Cash Flow

The following table sets forth a summary of our consolidated cash flows for 2023:

	Year Ended 31 December	
	2023 RMB millions	2022 RMB millions
Net cash generated from operating activities	**2,292**	1,951
Net cash generated from investing activities	**143**	1,041
Net cash used in financing activities	**(2,644)**	(2,494)
Net (decrease)/increase in cash and cash equivalents	**(209)**	498
Cash and cash equivalents at 1 January	**13,791**	13,190
Effect of foreign exchange rate changes	**24**	103
Cash and cash equivalents at 31 December	**13,606**	13,791

Operating activities

In 2023, net cash generated from operating activities was RMB2,292 million, derived primarily from the profit before taxation of RMB4,272 million in total, adjusted to reflect interest expense of RMB691 million, interest income RMB914 million, depreciation and amortisation of RMB1,388 million, net realized and unrealized gains on financial assets at fair value through profit or loss ("FVPL") of RMB39 million, gains on disposal of property, plant and equipment and intangible assets of RMB233 million, share incentive scheme expenses of RMB279 million, share of profits or losses of associates of RMB153 million, loss on disposal of trade receivables and receivables under finance lease of RMB184 million and added back the effect of (i) increase in trade and other payables of RMB6,607 million and net off the following items: (i) increase in trade and other receivables of RMB1,862 million; (ii) increase in inventories of RMB7,345 million; (iii) increase in receivables under finance lease of RMB162 million; (iv) decrease in contract liabilities of RMB75 million.

Management Discussion and Analysis

Investing activities

In 2023, net cash generated from investing activities was RMB143 million, consisting primarily of: (i) proceeds from disposal of financial assets at FVPL of RMB8,896 million; (ii) interest received of RMB421 million; (iii) proceeds from disposal of property, plant and equipment and intangible assets of RMB98 million; (iv) proceeds from disposal of financial assets at fair value through other comprehensive income ("FVOCI") of RMB84 million; and (v) increase in pledged bank deposits of RMB473 million and offset by the following items: (i) investment into financial assets at FVPL of RMB6,894 million; (ii) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB1,900 million; (iii) investment into financial assets at FVOCI of RMB268 million; and (iv) payment for investments in associates of RMB40 million.

Financing activities

In 2023, net cash used in financing activities was RMB2,644 million, consisting primarily of: (i) repayments of bank and other borrowings assets of RMB16,344 million; (ii) dividends paid to shareholders of RMB2,641 million; (iii) interest paid of RMB681 million; (iv) payment for repurchase of own shares of RMB1,085 million; and then added (i) proceeds from bank and other borrowings of RMB16,538 million; (ii) contributions from non-controlling shareholders of RMB376 million; and (iii) proceeds from issue of restricted shares of RMB1,344 million.

Working Capital and Indebtedness

The table below sets forth the details of our current assets and liabilities as of 31 December 2023:

	31 December	
	2023 RMB millions	2022 RMB millions
Current assets		
Inventories	**22,504**	14,203
Other current assets	**708**	1,040
Financial assets measured at fair value through profit or loss (“FVPL”)	**1,767**	4,011
Trade and other receivables	**32,033**	33,962
Receivables under finance lease	**4,843**	4,717
Loans and advances	**280**	170
Pledged bank deposits	**2,265**	1,708
Cash and cash equivalents	**13,606**	13,791
Total current assets	**78,006**	73,602
Total assets	**130,825**	123,517
Current liabilities		
Loans and borrowings	**7,377**	11,018
Financial liabilities at FVPL	**9**	–
Trade and other payables	**40,513**	35,259
Contract liabilities	**1,817**	1,892
Lease liabilities	**126**	117
Income tax payable	**154**	107
Total current liabilities	**49,996**	48,393
Net current assets	**28,010**	25,209
Total assets less current liabilities	**80,829**	75,124
Non-current liabilities		
Loans and borrowings	**14,944**	10,962
Lease liabilities	**308**	355
Deferred tax liabilities	**807**	842
Other non-current liabilities	**5,639**	6,026
Total non-current liabilities	**21,698**	18,185
Net assets	**59,131**	56,939

Our net current assets increased from RMB25,209 million as at 31 December 2022 to RMB28,010 million as at 31 December 2023.

Management Discussion and Analysis

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 2023 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 2023 and the earliest date the Company would be required to repay):

	As at 31 December 2023					
	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	22,321	23,177	7,871	9,563	5,667	76
Trade and other payables	40,513	40,513	40,513	–	–	–
Lease liabilities	434	488	126	92	104	166
Other non-current liabilities	5,639	5,639	–	55	5,584	–
	68,907	69,817	48,510	9,710	11,355	242
Financial guarantees issued and payment commitments Maximum exposure	50	6,918	3,375	2,163	1,380	–

	As at 31 December 2022					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	21,980	23,524	11,591	2,950	8,847	136
Trade and other payables	35,259	35,259	35,259	–	–	–
Lease liabilities	472	533	117	100	115	201
Other non-current liabilities	6,026	6,026	–	95	5,916	15
	63,737	65,342	46,967	3,145	14,878	352
Financial guarantees issued and payment commitments Maximum exposure	68	9,467	4,274	2,501	2,692	–

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

Credit Risk

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

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

Management Discussion and Analysis

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

Interest Rate Risk

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

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

Currency Risk

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

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

Environmental, Social and Governance Report

1 About this report

Statement by the Board of Directors

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

During the reporting period, with the Board of Directors acting as the highest decision-making body, the Office of the Board Secretary was responsible for ESG work, with an ESG special team being established under the Office of the Board Secretary to manage and issue various ESG related policies, so as to improve the sustainable development of the Company. Coordinated by the Board Secretary, the ESG special team is responsible for identifying ESG issues that have a significant impact on the Company's operations and shareholders, facilitating company-wide implementation of various ESG policies, and regularly reporting to the Board of Directors. The Board of Directors also assumes its responsibility of supervising the overall vision of the Company's ESG efforts, as well as short-, medium- and long-term ESG strategies, taking into account relevant ESG risks and opportunities. The Board of Directors meets at least twice a year to review various ESG objectives and work progress, including the development of ESG management policies and strategies, the confirmation of major issues identified by the ESG special team, the supervision of ESG matters, the review of targets and work progress, and the approval of ESG reports. All functional departments of the Company are responsible for implementing various ESG related work, complying with ESG related internal policies, and collecting and reporting ESG related data.

Basis of Preparation

This report marks the eighth consecutive Environmental, Social and Governance (ESG) report issued by Zoomlion Heavy Industry Science and Technology Co., Ltd., prepared in accordance with Appendix C2: Environmental, Social and Governance Reporting Guide (the "ESG Guide") of the Main Board Listing Rules of the Hong Kong Stock Exchange (the "HKEx Listing Rules"). The report covers a period from 1 January 2023 to 31 December 2023. Previous activities relating to certain reporting aspects are also considered retrospectively. The report was 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 (2024) is expected to be released in April 2025. This report is available on the website of the Hong Kong Stock Exchange and the Company's official website.

Environmental, Social and Governance Report

Scope of the Report

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 negligible environmental, social and governance impacts, the report is focused on the environmental, social and governance policies of the primary construction machinery segment and the agricultural machinery segment of the Company and its subsidiaries within China during the reporting period. The scope of this year's report is the same as that of the previous year.

Definition

To the sake of simplicity, "Zoomlion Heavy Industry Science and Technology Co., Ltd." will also be referred to as "Zoomlion", "ZHIST", "the Company" or "we" in this 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 suggestions for this report, please contact us at: (86 731) 88788432.

2 About Us

Company Business

During the reporting period, the Company was mainly engaged in the R&D, manufacturing, sales and provision of services of construction machinery and agricultural machinery. Specifically, the construction machinery segment provides concrete machinery, crane machinery, earthwork construction machinery, piling machinery, aerial work machinery, firefighting machinery, mining machinery, forklift truck and other products mainly for infrastructure and real estate construction. Agricultural machinery, 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. Under the concept of "doing business with an Internet mindset and developing products of the highest quality", the Company has set high-quality development goals to accelerate the transformation and upgrading towards digitalisation, intelligence and green operations. It also speeds up its expansion into emerging sectors and overseas markets to continuously enhance resilience and endogenous growth momentum to achieve a business operation superior to those of industry peers.

Environmental, Social and Governance Report

Social Responsibility Strategy of the Company

As a company listed on the A-share and H-share markets, we always adhere to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era and firmly believe that corporate value originates from society, and we always uphold the corporate culture with the core idea of "SINCERE, CEASELESS, LARGE, SUBSTANTIAL, FAR-REACHING & LONGENDURING". We are committed fulfilling our responsibilities and obligations as responsible corporate citizens. While rewarding investors and creating economic benefits for the country, we have actively engaged in social welfare undertakings. For a long time, we have continued to engage in socially responsible activities by cooperating with provincial and municipal charities, emergency management organisations and other channels, through charitable donations, educational donations, emergency rescue, helping the poor and the needy, and promoting the spirit of young volunteers, based on industry characteristics and our enterprise strategy and advantageous resources, under the themes of public welfare, charity, and rural revitalisation, among others. We will continue to contribute to building a prosperous, strong, democratic and civilised socialist country.

Stakeholder Participation

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 operates. This report has been prepared mainly on the basis of materiality assessments of the Company's management and internal stakeholders, which consider two dimensions: the Company's business operations 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 participate in the ESG journey, the better result of materiality assessments to be obtained. Therefore, the Company plans to involve more stakeholders in the assessments to enhance stakeholders' participation and representativeness, so as to achieve the aforesaid goals.

Materiality Assessment

We have conducted a materiality assessment this year to identify ESG issues that may have a significant impact on the business and stakeholders. The Board of Directors has participated in the assessment, prioritisation and confirmation of important ESG related issues. The materiality assessment included the following steps:

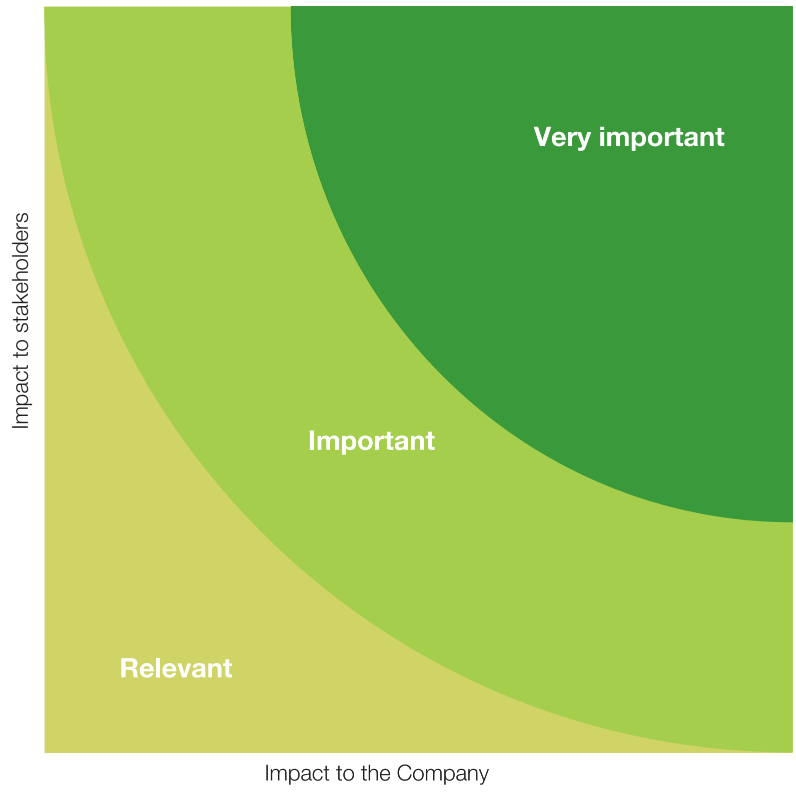
1. The ESG special team identified ESG issues applicable to the Company by referring to the Environmental, Social and Governance Reporting Guide issued by the Hong Kong Stock Exchange and the Materiality Map issued by the US Sustainability Accounting Standards Board (SASB), taking into account the business condition of Zoomlion, and selected a total of 23 ESG issues to be included in the materiality assessment for this year.

Environmental, Social and Governance Report

2. The ESG special team determined the materiality of each ESG issue through internal meetings based on the Company's values, policies, strategies, operations management system, goals and objectives, as well as the extent to which relevant activities affect the environment and society, and prioritised the ESG issues according to the assessment results.

3. The ESG special team presented the results with a materiality matrix, subject to the final confirmation of the Board of Directors.

Materiality assessment matrix



Very important
Exhaust gas emission
Greenhouse gas emission
Wastewater discharge
Hazardous waste discharge
Direct energy
Indirect energy
Water resource
Employment and labour regulations
Occupational health and safety
Development and training
Employee's rights and code
Supply chain management
Product health and safety
Advertisement and label of products and services
Customer privacy
Anti-corruption

Important
Use of packing materials
Potential impact of environment and natural resources on the Company
Community investment
Potential impact of other social aspects on the Company

Relevant
Non-hazardous waste discharge
Materials
Potential impact of other environmental aspects on the Company

3 Environmental

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 operations. In 2023, the Company actively responded to the country's carbon peaking and carbon neutrality goals, deployed and carried out carbon footprint and carbon emissions accounting, and adhered to high-quality and clean production through the integration of ecological concepts into production and manufacturing to promote green and clean production models in the construction machinery industry. By focusing on green development, low-carbon development and sustainable development, we are committed to building an environmentally friendly and sustainable Zoomlion through the research and development of renewable energy products and technologies. On the basis of national environmental protection policies and energy conservation and emissions reduction policies, the Company actively organised trainings on the implementation of the dual carbon strategic plan and carbon emissions accounting, effectively improving the professional level of environmental management personnel, and laying a solid foundation for the subsequent adoption of carbon emissions accounting. In 2023, the Company incurred no environmental pollution accidents, nor was it subject to any government enquiry or penalty. 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 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 investment in environmental protection and energy conservation causes, and banning polluting activities;

- Increasing environmental awareness, strengthening environmental training and education, and earnestly executing energy conservation and emissions reduction work;

- Incorporating energy conservation and emissions 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 our industrial parks obtained pollutant discharge permits in 2023, and their environmental protection facilities were running normally and effectively and met design and emissions standards. In 2023, having been identified as key pollutant discharge units by the environmental protection department, several subsidiaries of the Company prepared the Environmental Self-monitoring Plan for 2023 in accordance with relevant management requirements and specifications, and which has passed the review of the local ecological environment authority. According to the requirements of the plan, a qualified third-party organisation has been engaged to regularly monitor the industrial wastewater, domestic wastewater, waste gas discharged in both organised and unorganised manners, plant noise within the boundary, and the soil and groundwater of relevant subsidiaries. All monitoring data have been disclosed as required. During the reporting period, monitoring data complied with national and local standards, and no emissions exceeding standards were discharged. In 2023, 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 *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.

In 2023, by adhering to the innovative concepts of "technology as the root and products the foundation" and "making products to perfection", the Company continued to deepen the transformation and upgrade towards intelligent, green production and digitalisation, develop industry-leading technologies and high-end products, accelerate the development of renewable energy technologies and products to support the sustainable and high-quality development of the Company. During the reporting period, 130 new products were ready for launch and 394 were launched, accelerating intelligent, green and digital innovation. A total of 289 technologies were developed throughout the year, of which intelligent, green and digital technologies accounted for 77.5%. We developed 122 major innovative technologies throughout the year, achieving a leading position in operating efficiency, safety and reliability, machine controllability, energy conservation, and consumption reduction. In 2023, the Company developed and launched 49 renewable energy products, completed the construction of the hydrogen energy test centre and battery pack environmental performance test platform, greatly improving the research and development capacity for renewable energy products.

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 wastewater. To address these issues, 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 2023, the types of air pollutants directly or indirectly produced by the Company's domestic industrial parks and their related emissions data were as follows:

Type of air pollutant	**2023 (tonnes[1])**	2022 (tonnes[1])
Sulphur dioxide	**0.17**	0.15
Nitrous oxides	**24.19**	22.04

1 The conversion of air pollutants refers to Emission Coefficient and Material Accounting Method Applicable to Industries not Included in Emission Permit Management (Trial) issued by the Ministry of Environmental Protection of People's Republic of China

The calculation of sulphur dioxide emissions is:

P_{SO2}=Q×η×0.85×2×10

The calculation of NO_x emissions is:

P_{NOX}=Q×μ

In which: P_{SO2} is the sulphur dioxide emission (kg); Q is the fuel consumption (ton); η is the sulphur content in fuels (%);

P_{NOX} is the NO_x emission (kg); Q is the fuel consumption (ton); μ is the emission coefficient.

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In addition, greenhouse gases emitted by the Company in 2023 were mainly generated from the burning of fossil fuels and the consumption of electricity. The Company generated approximately 206,881.91 tons of greenhouse gases in 2023 (2022: 173,047.25 tons), with a greenhouse gas emission density of 4.39 tons per million of revenue in Renminbi (2022: 4.16 tons per million revenue in Renminbi), a slight increase of 6% from the previous year. The related emissions data were as follows:

Sources of greenhouse gas	Total greenhouse gas emissions in 2023 (Unit: tonnes[2])	Total greenhouse gas emission density in 2023 (Unit: tonnes per million revenue in Renminbi)	Total greenhouse gas emissions in 2022 (Unit: tonnes)[2]	Total greenhouse gas emission density in 2022 (Unit: tonnes per million revenue in Renminbi)
Directly generated	58,458.41	1.24	50,885.29	1.22
Indirectly generated	148,423.50	3.15	122,161.96	2.94
Total	206,881.91	4.39	173,047.25	4.16

The total amount of hazardous waste generated by the Company in 2023 was 4,172.38 tonnes (2022: 4,219.80 tonnes).

2 The conversion of greenhouse gas emissions refers to Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Machinery and Equipment Manufacturing Enterprises (Trial) issued by National Development and Reform Commission of the People's Republic of China
The sum of carbon dioxide emissions generated by electricity purchased and fossil fuel consumed is calculated as:
$E=E_{fuel}+E_{process}+E_{electricity}+E_{heat}$,
In which: E Total GHG emissions, tCO_2e
E_{fuel} Emissions from fossil fuel consumption within the boundary of the plant, tCO_2
$E_{electricity}$ Emissions from net electricity purchased by the plant, tCO_2
$E_{process}$ GHG emissions from production processes within the boundary of the plant, tCO_2e
E_{heat} Emissions from net heating power purchased by the plant, tCO_2

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

In order to control wastewater disposal and exhaust gas emissions, and reduce environmental pollution, the Company has formulated the Rules on Treatment of Exhaust Gas, Wastewater and Noise to ensure control over and management on exhaust gas, wastewater and noise. The Company annually entrusts environmental testing institutes to test environmental contamination factors, including wastewater, waste gases, noise, and dust to reinforce monitoring of the production process, so as to strictly prevent the occurrence of environmental pollution accidents. The Company engaged qualified units to handle hazardous waste, with reusable waste being disposed by units qualified for recycling. The Company will modify its processes to reduce the generation of hazardous waste. The Smart Industrial City that the Company is building will produce significantly less hazardous waste after it is put into use. With regard to emissions of exhaust gases, 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 Wastewater Disposal (GB/8978-96), and follows wastewater isolation and sedimentation processes or subjects wastewater to treatment at a water treatment plant until it meets certain standards and is safe to be disposed of. Key wastewater sources in the Company's daily business operations include production-related and domestic wastewater. In 2023, 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 Resource Consumption

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. There is no problem regarding the applicable water sources used by the Company.

The Company mainly produces industrial vehicles, construction machinery, etc., and the process of delivery and transportation of products consumes relatively small amounts 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 2023 were as follows:

Variety of energy	Unit	**Total consumption in 2023**	Total consumption in 2022
Kerosene	Tonnes	**–**	–
Un-leaded petrol	Tonnes	**351.87**	325.83
Purchased electricity	10,000 kWh	**23,676.90**	19,032.00
Freshwater	10,000 cubic metres	**312.28**	286.12
Natural gas (for cooking)	10,000 cubic metres	**1,372.48**	1,140.00
Diesel (for contingency power-generation equipment)	Tonnes	**8,962.88**	8,165.11

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 was 4,922.38 kwh per million revenues in RMB (2022: 4,572.91 kwh per million revenue in RMB), water consumption density was 66.35 tons per million revenue in RMB (2022: 68.75 tons per million revenue in RMB) and natural gas consumption density was 291.61 cubic metres per million revenue in RMB (2022: 273.91 cubic metres per million revenue in RMB). The overall resource consumption density has increased, mainly due to the commencement of operations of the Company's Smart Industrial City in 2023, which has led to an increase in resource consumption without a corresponding increase in income.

In order to enhance energy management, reduce the 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, taking into account the Company's actual production needs and consumption of resources. The Company rewards actions that benefit the economical use of electricity, water and other resources for conservation purposes, as well as actions that put energy and resources to efficient use according to the Measures. We also punish actions that result in a waste of energy and resources.

3.3 Environment and Natural Resources

We are committed to the adoption and development of green manufacturing technology. In 2009, the Company established a specialised renewable energy research and development organisation for the integrated innovation of digital, intelligent and green products, and to develop industry-leading technologies and high-end products to accelerate the development of renewable energy technologies and products. In the fields of lithium batteries, electric drive, hydrogen energy, and complete machines, among others, we have developed original and innovative products, fully connected the three technology chains for renewable energy, and opened up a new green future. Renewable energy machines have achieved full-category coverage, with an evident clustering development trend, and continue to lead the renewable energy transformation of construction machinery. Under the country's carbon peaking and carbon neutrality strategy, the Company is dedicated in the development of green products, and by integrating the renewable energy concept into product design, has secured an industry leading position:

Renewable energy machines have achieved full-category coverage, with diversified application scenarios, driving the industry's green transformation; the accelerated industrialisation of three major electric components and hydrogen energy equipment enhanced the core competitiveness of the whole industrial chain.

During the reporting period, a total of 49 renewable energy products were developed and launched, and the original products, including four-axle 59m pure electric pump truck, and electric multi-function 75t crawler crane, were created; we have also developed six brand new renewable energy complete machine series, including distributed pure electric direct drive 40t tire crane, four-axle 8-square pure electric mixer, the world's highest 51-meter electric extended range straight arm aerial work platform, 21t pure electric excavator, 160t hybrid-power wide body vehicle, hybrid-power harvester, as well as key renewable energy component series, such as hydrogen energy series, electric drive series, and transmission series; in addition, we completed the construction of a hydrogen energy test centre and a battery pack environmental performance test platform, greatly improving the R&D capability for renewable energy products.

Up to now, there are 177 types of renewable energy products on sale, covering concrete pump trucks, concrete mixers, truck cranes, aerial work platforms, excavators, mine trucks, forklifts, emergency vehicles, and agricultural machinery, etc. The drive models of our renewable energy products include pure electric, hybrid power, and hydrogen fuel. Full coverage renewable energy products have basically taken shape. Electric straight arm aerial work platforms, renewable energy mixers and other machine sets have been sold in batches and are in a leading position in the industry.

3.4 Climate Change

Since 2021, China has demonstrated to the world its firm determination to achieve the carbon peaking and carbon neutrality goals through robust macro policies. China is striving to achieve carbon peaking by 2030 and carbon neutrality by 2060, which is a major strategic decision made by the CPC Central Committee and concerns the sustainable development of the Chinese nation and the construction of a community with a shared future for mankind. Zoomlion, as a multinational enterprise with a global reach in the construction machinery industry, has always been a practitioner of environmental protection, and is committed to contributing to addressing climate change risks.

In the context of global climate change, the frequency and intensity of extreme weather, such as rainstorms, floods and geological disasters, will increase. Zoomlion faces the risk of disruption in production, transportation and supply chains, which may lead to increased operating costs, decreased productivity, and equipment and other losses. Recognising that climate change may bring various risks and opportunities to the Company's business and supply chains, the Company has incorporated the foreseeable risks of climate change, extreme weather and climate events into the Board of Directors' sustainability considerations, and will revise relevant emergency plans according to climate change risks.

Going forward, the Company will continue to focus on climate change risk issues, identify and assess potential business risks, develop strategies to cope with climate change, actively respond to the country's "carbon peaking and carbon neutrality" strategic objectives, integrate climate change into the Company's development plan, and make positive contributions to the realisation of China's "carbon peaking, carbon neutrality" goals.

Compliance Statement

During the year, nothing has come to our attention that suggests that the Company has violated any environmental laws or regulations that may have a significant impact on the Company.

4 Social

4.1 Employment

The Company firmly believes that 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. The Company upholds the "four refinements", "four strengths", and "four ultimates" mindsets, alongside the "Internet", and "end-to-end" thinking, with a focus on "shaping the culture, improving the capabilities, and optimising the platform". We pool resources on key campaigns in research and development, intelligent manufacturing, and marketing, and carry out talent recruitment, talent cultivation, talent incentive and care to improve the cohesion and core competence of the staff, and, by actively fulfilling our social responsibility, we promote the Company's high quality and sustainable development that helps employees and enterprise win together.

1. **Renewing Company Policies to Safeguard Employees' Rights and Interests**

   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 funds of our employees to achieve full social insurance coverage according to related laws, and have expanded the accidental injury insurance coverage to all employees.

   The Company provides a variety of benefits and labour security for employees. In addition to regular holidays, we provide a diversified paid leave system, including home leave, Company Founding Day leave and birthday leave applicable for all employees (including overseas employees); we regularly distribute work clothes and labour protection appliances for employees and carry out work uniform quality improvement and upgrade projects to further enhance employee experience and improve employee spirit. In addition, we have provided complimentary benefits including free laundry, a 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. **Empower Employees through Employee Care**

The Company cares for its employees by continuously improving the care mechanism for employees, and takes multiple measures to improve the sense of identity, belonging and happiness of all employees, so as to promote the harmonious and healthy development of the Company. The Company provides a variety of other welfare payments to its employees, such as marriage grants, maternity grants and funeral compassionate grants. We also offer other forms of assistance, including routine relief and emergency relief; and we do our best to extend warm festival greetings, and provide high temperature comforts to our employees; we encourage our employees to participate in talent programmes at all levels to address any difficulties they may experience; we also hold a "Staff Carnival", a "Themed Dating Event" and a "Family Film Appreciation Day for Expatriate Staff" and other activities to show that we care for our employees and their family members.

3. **Provide Further Care to Internal Staff to Build a Harmonious Working Atmosphere**

Since 2003, the Company has set up a special fund for internal assistance, which has provided 10,727 instances of help accumulatively, providing over RMB42.6 million of relief funds. A support mechanism for minors of deceased employees has also been set up. The children of deceased employees will be given relief funds based on the local per capita minimum wage standard until they are 18 years old. 33 employees' children have received help, and more than RMB778,000 of relief funds have been granted.

The Company has an employee complaint management system in place. In 2023, the Company's "employee complaint platform" handled 512 employee complaints, with an satisfaction rate of 97%. The employee complaint platform has become a bridge connecting the Company with its employees, effectively safeguarding the legitimate rights and interests of employees.

The Company maintains an employee canteen satisfaction evaluation platform. In order to continuously improve the catering quality for employees, the Company releases the Employee Meal Satisfaction Report every month, ranking the catering satisfaction of each industrial park based on employees' responses, to urge the canteen management department to continuously improve the catering quality. The canteen meal satisfaction rate has been more than 90%, greatly improving the employee's happiness.

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Benefiting from a solid development, the Company recruited nearly 5,280 (2022: 4,287) new employees during the reporting period, serving as a platform to promote social stability and job creation. The Company has a total headcount of more than 30,563, of which 59.18% are below 35 years old (inclusive), indicating a sustainable employment age structure. There are 27,106 employees located in China and 3,457 employees located overseas.

As at 31 December 2023, the Company's headcount by gender and by age are as follows:

Gender	Number
Male	27,351
Female	3,212
Total	**30,563**

Age	Number
Below 25 (inclusive)	4,396
26 to 30 (inclusive)	6,249
31 to 35 (inclusive)	7,443
36 to 40 (inclusive)	6,435
41 to 45 (inclusive)	2,780
46 to 50 (inclusive)	1,634
Above 51 (inclusive)	1,626
Total	**30,563**

In 2023, the Company employee turnover ratios by gender and by age are as follows:

Gender	Voluntary Turnover ratio
Male	11.7%
Female	7.5%
Total	**11.3%**

Age	Turnover ratio
Below 25 (inclusive)	15.3%
26 to 30 (inclusive)	15.0%
31 to 35 (inclusive)	10.0%
36 to 40 (inclusive)	9.9%
41 to 45 (inclusive)	8.5%
46 to 50 (inclusive)	4.2%
Above 51 (inclusive)	1.0%
Total	**11.3%**

Compliance Statement

During the year, nothing has come to our attention that suggests that the Company has violated any employment and labour laws or regulations that may have a significant impact on the Company.

4.2 Health and Safety

Adhering to the corporate vision of "safe development, green development and high-quality development", the Company diligently implements the major decisions of the CPC Central Committee, the State Council, the provincial party committee and the provincial government on safety production, upholds the principle of "people-oriented and green manufacturing", duly fulfils our safety responsibility as a corporate entity, focuses on the identification and rectification of major hidden hazards, improves the dual prevention mechanism, actively promotes the EHS digital construction, and accelerates the transformation and upgrading towards intelligent manufacturing to improve the overall safety level. The Company has maintained safe production throughout the year, without any serious injuries or fatal accidents occurring. In 2023, the Company won the titles of "National Youth Safety Production Demonstrative Post", "Hunan Province Safety Culture Construction Demonstrative Enterprise", and "Hunan Health Enterprise", among others.

1. **Strengthen Processes and Objective Assessment to Ensure the Fulfilment of Responsibilities**

   The Company aims to establish a safety production accountability system covering all employees. By focusing on key areas and key processes, we continuously improve the safety production accountability system, strengthen the construction of safety and environmental organisations, further standardise and clarify the safety responsibilities of each department and business unit to improve the effectiveness of the safety and environmental organisations. At the same time, the Company has a strict safety production objectives management in place. Under the "award/punishment driven" principle, letters of responsibility are signed with each business unit, department, workshop, team and employee on an annual basis, thereby effecting process supervision and objective management assessment at all levels and ensuring the effective implementation of safety responsibilities of all employees.

2. **Strengthen Special Trainings and Promote the "Party and Government Administration Accountability" Mechanism**

   The Company always adheres to the working requirement that both the Party and government administration should be held accountable for safety production. We organised our staff to study the spirit of General Secretary Xi Jinping's important statements and instructions on safety production and fire protection to firmly establish the concept of safety development, thoroughly studied and analysed the safety situation, focused on preventing risks, removing hidden hazards and preventing accidents, so as to effectively transform the learning into actual results in dealing with risk challenges and ensuring safety and stability.

3. **Carry Forward the Identification and Rectification of Major Hidden Hazards**

In 2023, the Company organised one mobilisation meeting and two deployment scheduling meetings for special investigation and rectification of major accident hazards to study and prepare the action plan and work list for identification and rectification of major accident hazards, make specific arrangements to carry forward the work plan, and promote the establishment of a normalised patrol inspection mechanism. By emphasising that "the person in charge should supervise the implementation of safety responsibilities, and effectively improve the quality of inspection and rectification of hidden hazards", the person in charge of each business unit takes the lead to carry out self-inspection and self-correction every quarter, establishes a work list for inspection and rectification of major accident hazards, and implements a closed-loop management. Through these measures, we have achieved a dynamic rectification rate of 100%, eliminated major accident hazards, and improved the Company's safety risk management and control level. In addition, based on the risk characteristics of the production lines, we carried out two inspection and rectification actions targeting hidden hazards in areas where flammable and explosive materials are placed. We also performed diagnosis and assessment on the new coating line, gas and oil/chemical depots, gas station and other explosive sites to ensure that the hidden combustion and explosion hazards have been eliminated before the production line is put into operation.

4. **Create a Robust Safety Production Culture**

The Company continued to carry out activities such as "Safe Production Month" and "Fire Protection Promotion Month", and provided trainings on awareness and capability improvement for department heads, safety and environmental management personnel and technicians. A total of 21,000 persons have received such trainings, through which a professional talent security framework can be built that ensures "safety and environmental management personnel are proficient in their business and business management personnel know safety well"; we also launched activities such as "Open Class presented by Business leaders", "Five Priorities for Business Leaders" and "Safe Production Learning", with a total of 761 sessions delivered and 17,278 employees participating, effectively enhancing the safety awareness of all staff.

Number and percentage of work-related fatalities that occurred in each of the past three years, including the reporting year:

Year	Work-related fatalities	Percentage
2021	1	0.038‰
2022	0	0
2023	2	0.065‰

Loss of workdays due to work-related injuries that occurred in each of the past three years, including the reporting year:

Year	Loss of workdays due to work-related injuries
2021	9,984
2022	2,204
2023	16,377

In 2023, two employees died due to work related accidents, resulting in a loss of 12,000 workdays, which lead to the increase of loss of workdays compared with last year.

Compliance Statement

During the year, nothing has come to our attention that suggests that the Company has violated any occupational health and safety related laws or regulations that may have a significant impact on the Company.

4.3 Development and Training

During the reporting period, the Company continued to provide directors, supervisors, senior management personnel and employees with enhanced training and learning opportunities on topics including 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.

1. **Targeted Learning for All Staff to Improve Staff Competence**

   The Company provided targeted learning and training for all staff in 2023 and developed special courses with the theme of "Loving the Party and being Patriotic, devoted and forging ahead, and honest and self-disciplined". 12 branch sessions were held, covering more than 30,000 people in total. Riding the wave of intelligent manufacturing, we aim to reshape the spirit of our staff for a new era to meet the needs of the new management and development model in our new industrial parks.

2. **Continuously Optimise the Training Platform, Improve and Share Resources**

   A total of 10 sessions of part-time trainer empowerment programmes were carried out throughout the year, including two sessions for corporate culture officer certification, one session of professional competence tutor seminar and seven sessions of TTT training, with more than 300 people participating in the trainings. At present, the Company has certified and engaged nearly 1,000 internal part-time trainers, and continuously improved the number and quality of internal part-time trainers, who have helped develop nearly 3,000 internal courses. The training platform has more than 17,000 online courses, of which internal courses account for about 76%. We continuously improve training resource sharing, optimise the training management platform, and promote cost reduction in and effective development of talent training projects.

   In 2023, 30,563 employees participated in the trainings, with a training coverage of 100%, and the per capita training hours amounted to 45.85 hours. The analysis of employees participated in the trainings (by grade and gender) is as follows:

Grade	Male	Ratio of staff receiving training	Female	Ratio of staff receiving training
Basic level	27,184	100%	3,180	100%
Mid-level (including deputy heads in secondary organisations)	147	100%	26	100%
Senior executive	20	100%	6	100%
Total	**27,351**	**100%**	**3,212**	**100%**

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Grade	Male	Average class hours to complete training	Female	Average class hours to complete training
Basic level	27,184	51.35	3,180	56.77
Mid-level (including deputy heads in secondary organisations)	147	44.71	26	45.55
Senior executive	20	40.56	6	41.78
Total	**27,351**	**45.54**	**3,212**	**48.03**

3. Solidify Cooperation between Schools and Enterprises for Innovative Integration of Industry and Education

In 2023, the Company continued to deepen school-enterprise cooperation through active matchmaking, alignment to business needs, and two-way services, and established a talent pool to achieve a deep integration with colleges and universities for common education, resource sharing, and coordinated development.

The Company has established cooperation with 6 agricultural universities, including China Agricultural University and Northwest A&F University, and strengthened exchanges and cooperation with 3 language universities, including Xi'an International Studies University and Sichuan International Studies University. We jointly applied with Central South University and Hunan University for the Ministry of Education's internship and practice base projects; we held in-depth discussion on school-enterprise cooperation mode with 9 universities in Hunan Province, including Changsha University of Science and Technology, Hunan University of Technology and Business, Changsha University, and Changsha Normal University; we actively expand the ties with colleges and universities outside Hunan Province, initially established cooperation with more than 10 colleges and universities, including Zhejiang University, Shanghai Jiaotong University, Wuhan University, Hefei University of Technology, Anhui University, Huazhong Agricultural University, Shandong Institute of Transportation Engineering, and has signed a practical teaching base agreement with the School of Applied Meteorology of Nanjing University of Information Science and Technology; cooperated with colleges and universities to organize 2024 "Z-Detection Camp", a summer camp activity, attracting 50 college students from all over the country; we also invited students from Shandong University, Zhejiang University, Tsinghua University and Hong Kong University, among others, to carry out exchange and discussion activities.

The Company has preliminarily reached an intention of cooperation with Changsha Vocational and Technical College on overseas after-sales order classes; we have cooperated with Hunan Industrial Polytechnic in providing overseas after-sales order classes, and further deepened the long-term mechanism for school-enterprise cooperation with Changsha University, Hengyang Technician College, Hunan First Normal University, Hunan Communications Polytechnic, and Hunan Communications Engineering College, to promote the integration between industry and education and increase talent supply.

4.4 Labour Standards

1. 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 labour (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 labour 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 breaks and leave for employees in line with relevant laws and regulations. We arrange for overtime work based on our production needs and workload, subject to employee's consent. 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 observed 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 was absent in all of the Company's factories.

2. Provision of Multiple Incentives to Arouse Potential

The Company continued to enhance the performance management system, improve the incentive mechanism, unleash employees' potential, improve organisational efficiency and guide the management personnel to focus on the improvement of organisational and individual performance; enable the technicians to focus on their professional skill, for the purpose of improving the R&D capability and performance; lead marketers to emphasise profits and marketing effectiveness; and urge the service personnel to pay attention to the market feedback on products, be service-oriented, and 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 services.

In order to create a fair working environment that enables growth and development, the Company continues to enhance the evaluation system focusing on the two dimensions of performance and behaviour, and implements a performance management system based on comprehensiveness, differentiation, fragmentation and objectiveness. The Company strengthens the measurement of contribution and output, and continues to monitor the performance of employees and their contribution to the achievement of organisational goals. Performance management covers all employees, and the performance appraisal results are closely connected to their personal development, outstanding employee evaluation, performance bonus distribution and other aspects, so as to motivate employees and create a performance culture. In order to provide incentive to the well-performing units, the Company applies a differentiated proportion of bonus distribution to the business units and departments receiving outstanding performance awards. At the same time, the Company continues to enhance the fragmented evaluation approach, timely record the evaluation results and regularly check performance, strengthen two-way communication and coaching in the evaluation process to improve the full process management of performance. The Company has established a "three-tier" performance result calibration mechanism to introduce joint evaluation of business stakeholders, disclose performance internally, and refine related management requirements, thereby ensuring that the performance evaluation results are objective and fair.

With incentives oriented towards "allocation according to work and allocation according to contribution", the Company continued to improve the diversified, sustainable and competitive incentive mechanism, and built the *Zoomlion Salary Management System* to "benchmark against the market, adhere to the principles of fairness and justice, prioritise performance and emphasise openness and transparency". We provide employees with competitive salaries and welfare. On top of the basic salary, the Company has also set up commissions, performance rewards, bonuses, core employee shareholdings and other diversified incentive measures according to the nature of employees' positions and their work content. We continue to enhance and improve our talent incentive and bonus distribution to improve employees' sense of security and gain.

Compliance Statement

During the year, nothing has come to our attention that suggests that the Company has violated any labour related laws or regulations that may have a significant impact on the Company.

5 Operating Practices

5.1 Supply Chain Management

Zoomlion always adheres to the business philosophy of "achieving a win-win through honest operation and cooperation", constantly optimises the supply chain ecosystem, brings in high-quality supplier resources and builds an advanced green supply chain management system, to create value for the Company and society as well.

In 2023, under the vision of "green and smart supply", the Company achieved a management breakthrough and established a first-class supply chain management system through upgrading the supply chain ecosystem, redefining the supply chain value, improving the supply chain support and capabilities, and building a digital supply chain.

1. Upgrading the Supply Chain Ecosystem

In 2023, the Company had 785 suppliers in Hunan Province (2022: 880) and 1,740 suppliers outside Hunan Province (2021: 1,891).

In terms of supplier admissions, we have established a company-level supplier admissions process and standard, focusing on the sustainable development, safety, environmental protection, and occupational health of suppliers with comprehensive reviews, and reducing procurement costs and risks to achieve green procurement. In terms of supplier management, we established a company-level qualified supplier list to unify supplier classification standards, standardised the full life cycle management of suppliers, established a supplier performance evaluation system to promote the standardization of performance evaluation, applied the dynamic and quantitative supplier evaluation results to supply chain construction, and established long-term partnerships with suppliers with excellent evaluation results. The Company's supply chain deployment focused on the supplier end, with heavy assets invested into suppliers, building a cost advantage. We developed supply chain deployment plans for different stages according to the market situation. In addition, we also encouraged suppliers to replace humans with commercial-use robots and give priority to the use of CNC equipment and high-precision tooling, thereby reducing the demand for and dependence on human workers, and achieving a comprehensive upgrade of the supplier ecosystem. The Company has formulated the Supplier Management Regulations to manage all suppliers throughout their life cycle. When admitting new suppliers, the new suppliers will be assessed in accordance with the Supplier Admittance Management Measures. Suppliers can be admitted in qualified supplier management only after they have passed the assessment and their trial products have passed quality tests. Qualified suppliers will be continuously monitored and managed in accordance with the Supplier Performance Assessment Management Measures. The Company requires suppliers to ensure product safety, no damage, no deterioration, no pollution according to national and industrial standards, sample standards or company requirements through the purchase contract, including but not limited to the use of environmentally friendly and degradable packaging materials for product packaging provided by suppliers and not allowing the use of materials explicitly prohibited by laws and regulations, and follow-up monitoring is conducted through the supplier product review.

2. **Redefining Supply Chain Value**

By the centralised purchase of bulk, general and standard materials, admitting high-quality suppliers and removing intermediaries, the Company realised large-scale procurement and cost optimisation; by deepening strategic cooperation on sourcing key strategic materials and creating a supplier ecosystem, the Company achieved value creation, benefit sharing, and win-win cooperation with its suppliers; through the construction of a digitalised pricing model for outsourcing materials, we can minimised the material costs, optimise the supplier's processes, working hours and production quota, and guide the suppliers to improve their process and process intelligence and help suppliers reduce costs and increase efficiency.

3. **Supply Chain Support and Capabilities Improvement**

First, improve the quality management level of suppliers through on-site technical guidance and quality reviews and rectification; second, dig deep into the cost structure with suppliers, and effectively reduce costs by optimising suppliers' production processes, improving material utilisation and other measures; third, in terms of supplier coordinated development, we actively communicate with local governments, vigorously support the development of supporting enterprises across the country, promote the upgrading of manufacturing and management of supporting enterprises, facilitate the growth of large and medium-sized supporting enterprises, and create supporting industrial parks to build a clustering advantage.

4. Digital Supply Chain Construction

Based on Internet thinking, the Company aimed to build a digital supply chain platform and transform its supply chain from an integrated supply chain to a smart supply chain, creating an "end-to-end and ultimate" supply chain system. The Company adopted a "three-step" approach. The first step is to unify the supply chain platform to achieve a unified interface and standard, and enable online operation of all employees and business collaboration; the second step is to realise the networking of the supply chain platform by extending the supply chain platform to the upstream suppliers to achieve transparency and control from outside, efficient internal and external collaboration, and improve the resilience and flexibility of the entire supply chain; the third step is to build a supply chain ecosystem, with Zoomlion as the centre, to promote the integration of industrial chain resources, and achieve the "green and ultimate smart supply chain".

Under the mission of enabling a green and ultimate smart supply, the Company drove the development of the entire supply chain. In terms of helping suppliers improve their capabilities, we offered on-site technical guidance and quality review and rectification to improve supplier's product quality, including targeted guidance for suppliers of core structural parts, coating, and casting and forging pieces to improve their welding, painting and forging quality, and help them identify and respond to environmental and social risks in each link of the supply chain.

5.2 Product Responsibility

Focusing on the central idea of "achieving the best quality", and dedicated to becoming a model for high quality manufacturing, the Company continues to enhance product quality and quality management level based on market demand so as to achieve our quality goals.

The Company is one of the first mechanical manufacturing enterprises that established a ISO9001 quality management system in China. Since its establishment, the Company has been committed to the construction of the quality management system, and will continue to optimise and improve it.

1. Quality Management Principle

The Company's quality management principle is to become a model for high-quality manufacturing, which reflects our pursuit of product quality and ambition to become an industry leader. This principle connotes four aspects: first, the core competitiveness of products is excellent performance and reliable quality; second, we shall meet or even exceed customer expectations with excellent products; third, we shall establish competitive edge through the recognition of customers and the market, and become an industry benchmark; fourth, we shall lead the industry forward, expand the global vision, and become a world leading manufacturer.

2. **Quality Objective Management**

According to the "target driven" approach proposed in the Company's "14th Five Year" quality management plan, and based on the Company's "hierarchical matrix management" model, a comprehensive and multi-dimensional quality management objective system with unified standards and a production lines and products focus has been established at the company level and subsidiary level. The Company's quality objectives include eight dimensions: customer satisfaction, domestic and foreign product quality, quality improvement, quality economy, quality management maturity, quality culture, supplier quality, and manufacturing quality, with quality bonus and deduction. In 2023, for meeting the goal of producing the highest quality products, we added two quality objectives: overseas products quality and intelligent production lines.

3. **Measures to Ensure the Compliance with Quality Principle and Realisation of Quality Objectives**

In 2023, by focusing on market issues and the four pillars: objectives, standards, methods and systems, the Company vigorously reduced losses resulting from quality issues; the Company carried out iterative upgrade of the digital quality management platform, realising a wide application of smart factory and improving the quality of intelligent production lines. We also expanded the intelligent production system to cover 46 suppliers, thereby effectively empowering the industrial chain; we further standardised the quality management system for overseas products, and promoted the digital "end-to-end" quality management of export product; we actively advocated quality innovation, creating a quality-oriented culture that encourages everyone to learn from the best and improve together. We won 50 awards, including "National Quality Benchmark", "Gold Award in National Machinery Product Quality Innovation Competition", and "National Machinery Quality Team Construction Award".

4. **Maintenance and Protection of Intellectual Property**

The Company aimed to further improve its internal intellectual property protection system from the governance perspective to ensure the establishment of an intellectual property protection network taking into account aspects of intellectual property system layout, intellectual property conversion and application, and daily management of intellectual property; at the same time, we further eliminated the barriers in the internal intellectual property rights protection channels, and strengthened the publicity and promotion of intellectual property protection to gradually enhance the awareness of intellectual property protection of all staff.

In response to common intellectual property rights protection issues in high-end equipment manufacturing industry and the difficulties of subsidiaries and business divisions in intellectual property rights protection, the Company actively coordinated with the market supervision and management administration, intellectual property protection organ, public security and other authorities to strengthen the law enforcement on infringement subjects, thereby creating a strong deterrent effect and a vibrant atmosphere for intellectual property rights protection.

5. Development History of the Quality Management System

With the full life cycle and full value chain thinking, the Company has been constructing the quality system, promoting the specific systematic work, and carrying out system improvement and optimisation in a centralised manner and adopted the "headquarter + business units" hierarchical management model: the headquarter coordinates the overall planning, operation, continuous improvement and system certification of the company system; the business units are responsible for the specific operations (such as management review, internal audit, special audit, etc.) and improvement of their own systems.

The Company has always adhered to the principle of "integrating the company system into business operations" and focused on effectiveness to vigorously improve the quality management level. Since the quality management system maturity evaluation was introduced in 2020, the Company became the only company in domestic construction machinery industry that implemented a group-wide quality management system maturity evaluation. Because of this, the Company has been praised by China Quality Association and China Machine Building Quality Management Association and invited to share experience. In 2023, the Company reconstructed and systematically diagnosed the evaluation model to effectively achieve system optimisation and upgrade. The overall maturity of the Company was transforming from "quality assurance" to "defect prevention".

6. **Quality Assurance Process and Product Recall Procedures**

The Company strictly complies with applicable laws and regulations and fully implements prevailing national, local and industry standards, and develops our own standard more stringent than the above in terms of product manufacturing. The Company implements full life cycle quality management for products, and controls the product design, incoming parts, production process, and product delivery, as well as welding, painting and other special production processes by setting up multiple quality walls. Each quality wall is set with quality assessment indicators and quality acceptance standards, and any issues identified on the quality walls shall be immediately corrected, with preventive measures adopted.

The Company has established a sound quality risk early warning and active recall mechanism. Through the establishment of a fault database, and the integration of a fault mode into new product design stage, we can avoid the recurrence of past quality issues; through the daily statistical analysis of product failures reported in the factory and from the market, an automatic login mechanism for improvement projects was enabled. We also organised comprehensive inspection and rectification on work in process, inventory products and similar products in the market to avoid significant product quality risks.

Compliance Statement

During the year, nothing has come to our attention that suggests that the Company has violated any product liabilities related laws or regulations that may have a significant impact on the Company.

5.3 Anti-corruption 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 has carried out anti-corruption work and actively fostered an honest and upright work atmosphere. We promoted strict governance through multiple measures such as building a robust anti-corruption culture, implementing the "two responsibilities", and strengthening supervision and monitoring, so as to ensure the realisation of the "three high and four new" blueprint.

1. **Building a Robust Anti-corruption Culture**
The Company aims to deliver anti-corruption education through cultural immersion, and integrate the Party conduct building with equipment manufacturing practices, thereby providing a solid political assurance for Zoomlion to build itself into an innovative and intelligent enterprise of the future and an important national advanced manufacturing base. The Company constantly innovates the representation and ways of promotion of the clean culture, enriches the carrier of the clean culture, and integrates the clean culture into the Company's corporate culture. While resolutely punishing corruption, we always pay attention to corruption prevention. We constantly alert our staff and urge rectification with real cases, with an aim to eliminate corruption through punishment and preventive measures. A total of 18 anti-corruption sessions were held throughout the year, participated by company directors and management, key project personnel, R&D technical backbones, marketing and after-sales personnel, and graduates. This year, we organised all staff to learn the Employee Code of Conduct, and selected 10 typical corruption cases of the Company in recent years from different angles to develop a "Clean and Self-discipline Zoomlion People" course.

2. **Reaffirming "Two Responsibilities"**
The Company has always prioritised the promotion of a clean and honest Party conduct as an important political task, and reaffirmed the Party Committee's primary responsibilities and the Commission for Discipline Inspection's supervision responsibility. On the basis of the overall planning and top-level design of the head quarter, we further defined the main objectives, main tasks, work requirements, leadership responsibilities, and implementing measures of each business unit in terms of anti-corruption. By strictly implementing the primary responsibility of the secretary of the Party committee, the "dual responsibilities" of committee members and the supervision responsibility of the Commission for Discipline Inspection, the "two responsibilities" are extended to the secondary-level party organisations to form a working atmosphere that promotes a clean and honest Party conduct within the enterprise. Each business unit shall further refine the three-tier responsibility system, covering the secretary of the Party committee, the leaders in charge and the responsible departments, clarify the responsibilities of each department, determine the risk level, develop prevention and control measures, establish a leading group for the prevention and control of corruption risks, sign a letter of commitment for honest practice at all levels, and integrate the Party conduct construction responsibility into the management's performance appraisal, to form a responsibility system that has clear subjects and clear division of responsibilities, and enables coordination and robust accountability.

3. Enhance Supervision and Monitoring

The Company constantly improves its political awareness, promotes coordination and supervision, strictly enforces discipline and accountability to ensure that the Party's leadership and Party discipline are integrated into all aspects of corporate reform and development, and embedded into all levels of corporate governance, so as to ensure that the Company is always moving forward in the right direction.

3.1. Innovate the anti-corruption supervision mechanism

The first is organisational assurance: under the leadership of the secretary of the Party committee of the Company, the "troika" in the Company's internal control system consisting of audit, supervision and legal affairs forms an internal control and risk management system, with each function running relatively independently, to maintain the authority of the Party discipline, state laws and company policies. The second is reporting channel: the Company insists on maintaining transparency on major decision-making, income distribution, personnel employment, appointment and removal, material procurement bidding and audit. Basic-level party members and staff can report any conduct in violation of the fairness, impartiality and openness principles through Chairman's mailbox, discipline inspection and supervision hot line and other secure channels. The third is policy assurance: horizontal check and balance is realised by refining relevant policies, scientifically designing processes, and regulating the operation of processes. The fourth is the staff awareness: the Company has formulated the "eight don'ts" for the management team to strengthen their self-discipline spirit, whose behaviours are subject to the supervision of all staff.

3.2. Robust discipline enforcement and accountability

In 2023, the Company strictly executed the cost minimisation strategy and investigated corruptions throughout the supply chain; assisted in the strategic development for going global, and facilitated overseas compliance construction with targeted case study; promoted clean and high-quality projects for smart city construction; investigated any violations of laws and disciplines in the marketing field to build a strong line of defence against any illegal acts; facilitated the transformation and upgrading of agricultural machinery company, and special supervision achieved pre-set milestones; effected criminal protection of intellectual property rights to safeguard the core interests of the Company according to law.

4. **Barrier-free Reporting Channels**

The Company encourages employees to supervise others' compliance with the commercial code of conduct and report any violations of laws and disciplines and organisational policies. The Company has established reporting channels on mobile phone APP, Company Intranet and official website, and set up reporting mailboxes in the Company's various industrial parks, and publicised reporting hotline and mailbox to enable a barrier-free reporting. By warmly receiving the informants, effectively protecting their personal information, and quickly responding to the reported matters, we motivated our staff to report any misconduct at any time.

Compliance Statement

During the year, nothing has come to our attention that suggests the Company has violated any anti-corruption-related regulations that may have a significant impact on the Company, nor did anyone in the Company committed any corruption acts.

6 Community Investment

Firmly believing that "an enterprise's value comes from the society", the Company continues to engage in various types of social responsibility programmes focusing on rural revitalisation, emergency and rescue, and public welfare, through provincial and municipal charities, emergency management organisations and other channels, taking into account industry characteristics, corporate strategy and advantageous resources. In 2023, we spent more than RMB10 million to this cause.

1. Rural Revitalisation

The Company actively responds to the call of the Party and the state, upholds the spirit of the 20th National Congress of the Party and the important directive of General Secretary Xi Jinping on rural revitalisation, and vigorously promotes the implementation of the rural revitalisation strategy with education, science and technology. The Company won the "Best Practice Case" of Listed Companies for Rural Revitalisation in 2023.

Relying on its R&D and manufacturing strength, the Company actively implements the dual wheel drive strategy of "smart agriculture + smart agricultural machinery" to contribute more to the rural revitalisation cause and accelerate the construction of an agricultural power.

The Company has launched smart agriculture projects in Changsha, Changde, and Yiyang in Hunan Province, Wuhu in Anhui Province, Pengzhou in Sichuan Province, and Manas in Xinjiang as well as in other provinces, cities and regions, by cooperating with local governments and farmers. With the help of Zoomlion's intelligent decision-making system for crop planting and the rich experience in operating smart farms, Zoomlion has applied its digital planting technology, which is based on rice planting, to cotton, rape and other field crops. In September 2023, the National Smart Agriculture Promotion Conference was held in Wuhu City, Anhui Province. As the only on-site demonstration, the Zoomlion Smart Agriculture project was recognised by government leaders and experts and became a model in domestic smart agriculture exploration. Zoomlion, as a member of the Hunan Provincial Supply and Marketing Cooperative Agricultural Socialisation Service Alliance, empowers agricultural socialisation services with intelligent agricultural machinery and equipment.

With our products and services, the Company assisted farmers in performing summer collection, summer planting and crop management during summer ("Three Summer"). During the "Three Summers" period in 2023, Zoomlion established a mobile service force consisting of over 1,500 service personnel, over 500 service vehicles, and over 30 spare part vehicles to provide 24-hour uninterrupted service for machine operators, with the support of more than 400 socialisation service stations and 16 spare part warehouses across the country, thereby fulfilling our service commitment of "response in five minutes, arrive in two hours, and solving problems in one go". Zoomlion agricultural machinery helped farmers save the grain from the rainy weather in Henan Province. In May 2023, there was a continuous rain in Henan, seriously affecting the harvesting of wheat. After the rain, Zoomlion mobilised more than 20,000 agricultural machines to harvest and dry the wheat, helping local farmer successfully save the grain from the rain.

In 2023, the Company spent RMB610,000 in Jiaoshan Village, Suojie Town, Shimen County, Changde, Hunan Province to help villagers harden roads, build village clinics, water conservancy and other facilities, as part of the efforts to promote village-level projects for safe drinking water and courtyards renovation and other projects. In addition, the Company provided targeted support to 14 low-income households in Beizhou Village, Zhonghekou Town, Dingcheng District, Changde by visiting the supported households every quarter and sending daily supplies and materials.

2. Making Donation to Help Students from Families in Distress

In 2023, the Company once again participated in the "Love Changes Destiny" student charity activity and donated RMB2 million. In the past 21 years, we have donated RMB34 million in total, helping nearly 10,000 students from families in distress, making us one of the companies that have donated the most and helped the most students in the student charity activity. The Company fully supports the Hunan Charity Federation to hold the "light in the heart and dreams in the sky" social practice experience camp. We also participated in the donation event held by Hunan Red Cross Boai Bookstore, and donated 3 book collections, worth RMB90,000.

3. Emergency Relief

The Company focuses on developing an integrated solution for emergency rescue, as well as all kinds of rescue equipment for disasters and accidents. In 2023, the Company has developed the world's highest 68m scaling ladder firefighting truck, the industry's first hybrid power airport firefighting truck, the industry's most cost-effective township forest fire fighting truck, and the industry's first secondary disaster monitoring and early warning command vehicle. Currently, the Company has developed an emergency rescue solution integrating engineering equipment, fire fighting vehicles and intelligent emergency platform, enabling a seamless rescue chain covering emergency rescue, emergency support, emergency relief, post disaster handling and other processes.

On 6 February 2023, two earthquakes with magnitude of 7.8 occurred in Turkey. After the earthquakes, the Company immediately formed a rescue team and went to the hard hit Hatay, Turkey with excavator equipment, as one of the Chinese rescue forces reaching the disaster site the earliest. During the rescue, our personnel endured the risks of aftershocks, Covid-19, and post disaster epidemic diseases, tenaciously stayed on the site for 13 days, and successfully rescued more than 30 people. This rescue has been widely reported on domestic and foreign social media platforms, fully demonstrating our courage to act and international humanitarian spirit, and greatly enhancing the Company's brand reputation and global influence.

On 25 October 2023, the "People First, Life First" 2023 Hunan low-temperature disaster emergency drills were held in multiple locations in Hunan province simultaneously. The main venue was located at the Zoomlion Smart Industrial City in Xiangjiang New Area, Hunan Province. Zoomlion, as the co-organiser, completed equipment display, promotion, security, and reception for the event effectively, ensuring the successful completion of the emergency drill, thus was highly recognised by the Emergency Management Department and the Hunan Provincial Emergency Headquarters for Low Temperature Disaster.

The Company also actively participated in firefighting and disaster relief operations across the country, such as the fire rescue in Hangzhou Shenban Road warehouse, the rescue in Alashan Zuoqi coal mine collapse accident in Inner Mongolia, the fire rescue in Changsha Logistics Park warehouse in Hunan, and the Hebei rainstorm rescue, and completed various rescue tasks.

4. Supporting Sports Development

The Company actively supports the sports development in Hunan and the Asian Games, and sponsors RMB1 million to the Hunan weightlifting team. Several Zoomlion cranes were used in the installation of the main torch tower "Qianjiang Chaoyong" for the Hangzhou Asian Games, contributing to the successful demonstration of the wonderful moments of the Asian Games.

5. Young Volunteer Activity

On 4 March 2023, in order to learn and put the spirit of General Secretary Xi Jinping's important instructions for learning from Lei Feng into practice, with the support of Changsha Civilisation Office and Changsha Municipal Committee of the Communist Youth League, the Chinese Communist Youth League Committee of Zoomlion held the "Walk on Lei Feng Road" - Zoomlion Volunteer Activity, thereby reliving Lei Feng's growth experience and promoting the concept of voluntary service.

The Youth Volunteer Association under the Communist Youth League Committee of the Company has been building the public welfare brand of "Love in Zoomlion and seven hours for everyone", and creating four series of brand activities, namely "youth and benefit", "student assistance • dream building • fostering talent", "love giving • warmth sending", "responsibility taking, loving Zoomlion, and loving the society", so as to carry forward the volunteer spirit that emphasising dedication, fraternity, mutual assistance, and progress among young people. Five public welfare activities were held throughout the year, with a total donation of RMB33,800 received in cash or in kind.

7 ESG General Disclosure Reference List

ESG Index	Key performance	Description	Remark	Section
	Environment			
A1	Emissions	General Disclosures Information on: (a) the policies; and (b) compliance with the relevant laws and regulations that have a material impact on the issuer relating to waste gas and greenhouse gas emissions, discharge into water and land, generation of hazardous and non-hazardous wastes, etc. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF6). Hazardous waste refers to those defined in national regulations.		3.1
	A1.1	The types of emissions and respective emissions data.		3.1
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		3.1
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N.A. for intensity	3.1

ESG Index	Key performance	Description	Remark	Section
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Non-hazardous waste has not been identified as an important issue for the Group. We will continue to monitor regulatory changes to update any disclosed information in the future when necessary.	
	A1.5	Description of emission target(s) set and steps taken to achieve them.	The Company is performing relevant goal setting and therefore the related disclosure will be considered in the future.	
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set the and steps taken to achieve them.	The Company is performing relevant goal setting and therefore the related disclosure will be considered in the future.	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, storage, transportation, buildings, electronic equipment, etc.		3.2
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).		3.2
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume per facility).		3.2

ESG Index	Key performance	Description	Remark	Section
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Utilisation of resources has not been identified as an important issue for the Group. We will continue to monitor regulatory changes to update any disclosed information in the future when necessary.	
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Utilisation of resources has not been identified as an important issue for the Group. We will continue to monitor regulatory changes to update any disclosed information in the future when necessary.	
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Utilisation of resources has not been identified as an important issue for the Group. We will continue to monitor regulatory changes to update any disclosed information in the future when necessary.	
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
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.		3.4

ESG Index	Key performance	Description	Remark	Section
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.		3.4
	Social			
B1	Employment and labour practices	General Disclosures Information on: (a) the policies; and (b) compliance with the relevant laws and regulations that have a material impact on the issuer relating to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination as well as other benefits and welfare.		4.1
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.		4.1
	B1.2	Employee turnover rate by gender, age group and geographical region.		4.1
B2	Health and safety	General Disclosures Information on: (a) the policies; and (b) compliance with the relevant laws and regulations that have a material impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		4.2
	B2.1	Number and rate of work-related fatalities occurred 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, and how they are implemented and monitored.		4.2

Environmental, Social and Governance Report

ESG Index	Key performance	Description	Remark	Section
B3	Development & Training	General Disclosures Policies on improving employees' knowledge and skills for performing their duties. Description of training activities. Note: Training refers to vocational training, including internal and external courses paid by employers.		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
B4	Labour standards	General Disclosures Information on: (a) the policies; and (b) compliance with the relevant laws and regulations that have a material impact on the issuer relating to preventing child labour and forced labour.		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

Environmental, Social and Governance Report

ESG Index	Key performance	Description	Remark	Section
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.		5.1
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		5.1
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.		5.1
B6	Product responsibility	General Disclosures Information on: (a) the policies; and (b) compliance with the relevant laws and regulations that have a material impact on the issuer relating to health and safety, advertising, labelling and privacy relating to products and services provided as well as remedial measures.		5.2
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product recall is seldom involved in the Company's operation and thus has not been identified as an important issue for the Group. We will continue to monitor regulatory changes to update any disclosed information in the future when necessary.	

ESG Index	Key performance	Description	Remark	Section
	B6.2	Number of products and service-related complaints received and how they are dealt with.	Product related complaint is seldom received by the Company, thus has not been identified as an important issue of the Group. We will continue to monitor regulatory changes to update any disclosed information in the future when necessary.	
	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, and how they are implemented and monitored.	Consumer data protection and privacy policies have not been identified as an important issue for the Group. We will continue to monitor regulatory changes to update any disclosed information in the future when necessary.	
B7	Anti-corruption	General Disclosures Information on: (a) the policies; and (b) compliance with the relevant laws and regulations that have a material impact on the issuer relating to preventing bribery, extortion, fraud and money laundering.		5.3

ESG Index	Key performance	Description	Remark	Section
	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.	Reports of corruption behaviours are seldom received by the Company and thus have not been identified as an important issue for the Group. We will continue to monitor regulatory changes to update any disclosed information in the future when necessary.	
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.		5.3
	B7.3	Description of anti-corruption training provided to directors and staff.		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" provision set out in Section C of Appendix C2: Environmental, Social and Governance Reporting Guide of the HKEx Listing Rules.

Changes in Share Capital and Shareholders

I. Changes in Share Capital (as at 31 December 2023)

1. Changes in share capital

Unit: shares

	Before this change		After this change	
	Number	**Percentage**	**Number**	**Percentage**
1. Shares subject to sales restriction	29,918,505	0.34%	25,517,625	0.29%
2. Shares not subject to sales restriction	8,650,691,531	99.69%	8,652,474,611	99.71%
3. Total number of shares	8,677,992,236	100.00%	8,677,992,236	100.00%

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 shareholder	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
HKSCC NOMINEES LIMITED	Overseas legal person	18.19%	1,578,267,781	-327,720	0	1,578,267,781
Hunan Xing Xiang Investment Holding Group Co., Ltd.	State-owned legal person	14.48%	1,256,337,046	3,022,170	0	1,256,337,046
Changsha Zoomlion and Yisheng Investment Partnership (LLP)	Domestic non-state-owned legal person	7.86%	682,201,864	0	0	682,201,864
Zoomlion Heavy Industry Science and Technology Co., Ltd.* — Phase II Stock Ownership Plan for the Core Management	Other	4.89%	423,956,766	423,956,766	0	423,956,766
Zoomlion Heavy Industry Science and Technology Co., Ltd.* — Phase I Employee Stock Ownership Plan	Other	4.50%	390,449,961	37	0	390,449,961
Hong Kong Securities Clearing Company Limited	Overseas legal person	4.26%	369,682,592	167,394,044	0	369,682,592
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
Urumqi Phoenix Cornerstone Equity Investment Management Limited Partnership — Maanshan Xuanyuan Cornerstone Equity Investment Partnership (Limited Partnership)	Other	1.72%	148,869,223	0	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	0	0	74,434,611

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 18 April 2024 (being the latest practicable date prior to the issue of this annual report), the Company is in compliance 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 2023, so far as the Company's directors and chief executive were aware, the following persons (other than the Company's directors, supervisors and chief executive) had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or required to be recorded in the register required to be kept by the Company pursuant to Section 336 of SFO:

Name	Nature of interest	Type of shares	Number of shares[1]	% to total issued shares
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government[2]	Interest in a controlled corporation	A shares	1,256,337,046 (L)	14.48
Changsha Zoomlion and Yisheng Investment Partnership (LLP)[3]	Beneficial owner	A shares	682,201,864 (L)	7.86
Zoomlion Heavy Industry Science and Technology Co., Ltd. – Phase I Employee Stock Ownership Plan[4]	Beneficial owner	A shares	423,956,766 (L)	4.89
Changsha Hesheng Science and Technology Investment Co., Ltd.[5]	Interest in a controlled corporation	H shares	193,757,462 (L)	2.23
Schroders PLC[6]	Investment manager	H shares	125,142,600 (L)	1.44

Notes:

1. L represents long 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.

Changes in Share Capital and Shareholders

4. Zoomlion Heavy Industry Science and Technology Co., Ltd. – Phase I 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.com.hk). As stated in the form of disclosure of shareholder's interests submitted by Schroders PLC on 6 April 2023, these shares are held via its affiliates.

Save as disclosed above, as at 31 December 2023, so far as the Company's directors and chief executive were aware, no persons (other than the Company's directors, supervisors and chief executive) had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register to be kept by the Company pursuant to Section 336 of SFO.

3. Purchase, sale or redemption of shares by the Company and its subsidiaries

During the Reporting Period, the Company repurchased on the Shenzhen Stock Exchange a total of 164,093,583 A shares as follows:

Month	Number of A shares repurchased	Highest price paid per A share (RMB)	Lowest price paid per A share (RMB)	Aggregate consideration (RMB)
February	105,632,225	6.85	6.05	694,769,887.65
March	58,461,358	6.85	6.49	389,583,248.04
Total	164,093,583	–	–	1,084,353,135.69

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

Changes in Share Capital and Shareholders

III. Proceeds Brought Forward from Issue of Equity Securities Made in Previous Financial Year(s)

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 at the issue price of RMB10.17 per A share, and raised a total amount of RMB5,199 million in gross proceeds and a total amount of RMB5,146 million in net proceeds respectively. As at 31 December 2023, a total amount of RMB1,250 million of the net proceeds had not yet been utilised and will be applied as follows:

No.	Purpose	Allocation of net proceeds (RMB million)	Amount utilised during the year (RMB million)	Amount unutilised as at 31 December 2023 (RMB million)	Expected timeline of full utilisation
1	Excavating machinery intelligent manufacturing project	2,400.00	213.40	795.24	2024 2H[1]
2	Project for upgrading of intelligent manufacturing of mixer product	350.00	50.37	29.84	2024 2H[1]
3	Key components intelligent manufacturing project	1,300.00	424.90	425.39	2024 2H[1]
4	Liquidity replenishment	1,095.69	–	–	–
	Total	5,145.69	688.67	1,250.47	

Note1: As at 31 December 2023, construction of the project has been substantially completed and the project is in a ready-for-use state as scheduled. The low utilisation of funds is mainly because the conditions of settlement of certain final payment of construction costs and instalment payments of equipment had not yet satisfied as agreed in relevant agreements, as at 31 December 2023. The Company will continue to make payments in accordance with relevant agreements.

Proceeds from the issue were used during the year, and are proposed to be used, according to the intentions previously disclosed by the Company.

Directors, Supervisors, Senior Management and Employees

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

Name	Gender	Age	Post	Employment Status	Date of commencement of tenure	Date of termination of tenure	Number of Shares held at the beginning of the period (share)	Number of Shares Increased during the period (share)	Number of Shares Decreased during the period (share)	Other Changes (share)	Number of Shares held at the end of the period (share)	Reasons for changes
Zhan Chunxin	Male	68	Chairman and CEO	Incumbent	2 April 2001		10,929,076				10,929,076	
He Liu	Male	53	Director	Incumbent	29 January 2019		0				0	
Wang Xianping	Male	41	Director	Incumbent	2 August 2023		0				0	
Zhang Chenghu	Male	65	Independent Director	Incumbent	29 June 2023		0				0	
Huang Guobin	Male	55	Independent Director	Incumbent	29 June 2023		0				0	
Wu Baohai	Male	48	Independent Director	Incumbent	29 June 2023		0				0	
Huang Jun	Female	47	Independent Director	Incumbent	29 June 2023		0				0	
Zhao John Huan	Male	60	Director	Resigned	29 June 2015	29 June 2023	0				0	
Lai Kin Keung	Male	73	Independent Director	Resigned	29 June 2015	29 June 2023	0				0	
Zhao Songzheng	Male	62	Independent Director	Resigned	29 June 2015	29 June 2023	0				0	
Liu Guiliang	Female	61	Independent Director	Resigned	29 June 2015	29 June 2023	0				0	
Yang Changbo	Male	69	Independent Director	Resigned	29 June 2016	29 June 2023	0				0	
Yan Mengyu	Female	50	Chairman of Supervisory Board	Incumbent	29 June 2023		0				0	
Xiong Yanming	Male	59	Supervisor	Incumbent	29 June 2015		2,991,051				2,991,051	
Liu Xiaoping	Male	60	Employee Supervisor	Incumbent	29 January 2019		326,840				326,840	
Wang Minghua	Male	59	Chairman of Supervisory Board	Resigned	29 January 2019	29 June 2023	0				0	
He Jianming	Male	61	Supervisor	Resigned	29 January 2019	29 June 2023	946,347				946,347	
Wang Yongxiang	Male	46	Co-President	Incumbent	29 January 2019		1,227,500				1,227,500	
Luo Kai	Male	53	Co-President	Incumbent	29 January 2019		1,241,800				1,241,800	
Tang Shaofang	Male	49	Co-President	Incumbent	29 January 2019		1,087,500				1,087,500	
Du Yigang	Female	48	Chief Financial Officer	Incumbent	29 June 2015		2,506,332				2,506,332	
Sun Changjun	Male	61	Vice President	Incumbent	29 June 2015		3,229,828				3,229,828	
Fu Ling	Female	56	Vice President, Chief Engineer	Incumbent	29 June 2015		2,984,068				2,984,068	
Chen Peiliang	Male	51	Vice President	Incumbent	29 June 2023		200,000				200,000	
Shen Ke	Male	52	Vice President	Incumbent	29 June 2015		3,517,006				3,517,006	
Hu Keman	Female	57	Vice President	Incumbent	29 June 2023		1,840,000				1,840,000	
Huang Jianbing	Male	52	Assistant President	Incumbent	29 January 2019		0				0	
Qin Xiuhong	Male	49	Assistant President	Incumbent	29 January 2019		0				0	
Tian Bing	Male	49	Assistant President	Incumbent	29 January 2019		1,942,500				1,942,500	
Wang Furong	Female	52	Assistant President	Incumbent	29 June 2023		0				0	
Dong Jun	Male	55	Assistant President	Incumbent	29 June 2023		0				0	
Yuan Ye	Male	39	Assistant President	Incumbent	29 June 2023		0				0	
Tao Zhaobo	Male	37	Board Secretary	Incumbent	30 October 2023		0				0	

Directors, Supervisors, Senior Management and Employees

II. Biography of Directors, Supervisors and Senior Management

Mr. Zhan Chunxin, male, born in 1955, is the Chairman and Chief Executive Officer of our Company. Mr. Zhan has served as an engineer, senior engineer, a researcher-level senior engineer, deputy head and head of former Construction Machinery Research Institute of Changsha. As the founder of the Company, Mr. Zhan led the entrepreneurial team to establish Zoomlion Construction Machinery Industry Co., Ltd. in 1992, and has been appointed as a director of Zoomlion Heavy Industry Science and Technology Co., Ltd. since 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 has been serving various public functions. He was a representative at the 16th, 17th and 19th National Congress of the Communist Party of China, the 10th and 12th National People's Congress, a member of the 13th CPPCC National Committee, a member of the 8th, 9th and 10th National Congress of the Communist Party of China in Hunan Province and a member of the 10th session of CPC Hunan Provincial Committee. Currently, Mr. Zhan also serves as the deputy chairman of China Enterprise Confederation, China Entrepreneurs Association, China Association for Public Companies and China Construction Machinery Association. Mr. Zhan has received various titles and awards, mainly including special government subsidy granted by the State Council, National Outstanding Worker, Expert Consultant Member of the professional service centre of the Ministry of Personnel, Review Expert for the National Science and Technology Progress Award, Yuan Baohua Enterprises Management Gold Award (the most distinguished award for corporate executives in China), Leonardo Award in Italy, CCTV Chinese Economic Annual Figure and the China Outstanding Quality Model. 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 2005.

Mr. He Liu, male, born in 1970, has acted as a non-executive director since 2019 and senior economist. Mr. He has served as a member of the party committee, director, the deputy general manager, deputy secretary to CPC committee, deputy chairman, the general manager, secretary to CPC committee and chairman of Hunan Xing Xiang Investment Holding Group Co., Ltd. since August 2006. Mr. He served as the deputy chairman of Tiger Forest and Paper Co., Ltd. from April 2018 to September 2022, chairman of Power Metallurgy Research Centre of Central South University Company Limited since July 2020 (and secretary to CPC committee since September 2020), and chairman of Hunan Boyun New Materials Co., Ltd. since August 2020 (and secretary to CPC committee since November 2020). Mr. He was head of audit and legal department of Hunan Nonferrous Metals Holding Group Company Limited from August 2005 to September 2005, supervisor and head of human resources of Hunan Nonferrous Metals Corporation Limited from September 2005 to August 2006, and chairman and legal representative of Hunan Xingxiang Assets Operation Co., Ltd. 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.

Directors, Supervisors, Senior Management and Employees

Mr. Wang Xianping, male, born in 1983, has acted as a non-executive director of our Company since 2023. Mr. Wang has worked at CoStone Asset Management Co., Ltd. since 2019 and is currently a managing director of the PE Department in Beijing. He served as general manager of Xiufeng Cornerstone (Shandong) Private Equity Fund Management Co., Ltd. from August 2021 to November 2023 and has served as general manager of Beijing Ocean Cornerstone Venture Investment Management Co., Ltd. since April 2022. Mr. Wang Xianping worked at CITIC Securities Co., Ltd. from 2008 to 2018, during which time he served as vice president of the investment banking committee, and senior vice president of CITIC M&A Fund and Goldstone Investment respectively. He worked at Galaxy Asset Management Co., Ltd. from 2018 to 2019, where he served as deputy director of research and development department. Mr. Wang graduated from Wuhan University with a bachelor's degree in management and law and a master's degree in management.

Mr. Zhang Chenghu, male, born in 1958, has acted as an independent director of our Company since 2023. He is a holder of doctor of philosophy ("PhD") in management, a second-level professor and a PhD supervisor at the School of Economics and Finance of Xi'an Jiaotong University, an expert entitled to special government subsidy granted by the State Council, a director of the Research Center for Financial Business Intelligence and Anti-Money Laundering of Xi'an Jiaotong University, and president of Xi'an Jiaotong University – Hithink RoyalFlush Fintech Research Institute. Mr. Zhang Chenghu graduated from Xi'an Jiaotong University with a PhD degree in business Administration. He has hosted two projects for the National Natural Science Foundation of China, one key project for the National Financial Informatization Research Project, one major project for the National Social Science Foundation, one key project for the National Social Science Foundation, and one planning project for the National Social Science Foundation. He has hosted more than 20 provincial and ministerial projects, including those for the PRC Ministry of Education, the China Banking Regulatory Commission and Shaanxi Province. Mr. Zhang has received first, second and third prizes in provincial and ministerial teaching and scientific research on many occasions, published 10 academic publications, edited five textbooks, and published more than 150 academic papers.

Mr. Huang Guobin, male, born in 1968, has acted as an independent director of our Company since 2023. He is currently the Chairman of PEC International Group Limited. Mr. Huang Guobin worked in CICC from 1999 to 2011, responsible for CICC's key clients and major project financing and investment banking business, and served as head of human resources committee, head of business development committee, head of European investment banking department and a member of the investment bank operation committee of CICC. He was head of the China Industrials Group for Goldman Sachs from 2011 to 2015. He served as chief executive officer of global investment banking for China of J.P. Morgan between 2015 and 2022, and as legal representative, chief executive officer and head of investment banking of J.P. Morgan Securities (China) Co., Ltd and as senior consultant at J.P. Morgan Securities (Asia Pacific) Limited from 2022 to 2023. Mr. Huang Guobin graduated from Tongji University with a bachelor's degree in engineering in 1991 and received a master's degree in business administration from the Management School of Lancaster University in the United Kingdom in 1997. Mr. Huang Guobin was awarded the Shanghai Overseas Golden Talent and is a member of the council of Tongji University in the PRC.

Directors, Supervisors, Senior Management and Employees

Mr. Wu Baohai, male, born in 1975, has acted as an independent director of our Company since 2023. He is a professor and PhD supervisor at the School of Mechanical Engineering of Northwestern Polytechnical University, and the director of the Engineering Research Center of Advanced Manufacturing Technology of Aero-Engine. He has long been engaged in the research of computer-aided design and manufacturing, five-axis computer numerical control machining and intelligent manufacturing technology. Mr. Wu Baohai graduated from Xi'an Jiaotong University, and then was engaged in postdoctoral research at the School of Mechanical Engineering of Northwestern Polytechnical University, and has continued to teach thereafter. Mr. Wu has also hosted or taken part as the key participant in more than 10 national projects, such as national major science and technology projects, Programme 973 and the National Natural Science Foundation of China, and more than 20 provincial and ministerial level cooperation projects and enterprise cooperation projects. He received a second prize of National Defense Science and Technology Progress and owns 16 national invention patents and 12 national software copyright registrations and has published more than 100 papers. He also serves as the director of the Professional Committee of Intelligent Manufacturing of Shaanxi Computer Society, the director of Shaanxi Industrial Engineering and Management Society, and member of the Professional Committee of Intelligent Manufacturing of Chinese Association of Artificial Intelligence.

Ms. Huang Jun, female, born in 1976, has acted as an independent director of our Company since 2023. She is a PhD at Shanghai Jiaotong University and a Chinese certified public accountant. She is currently a professor and PhD supervisor at Hunan University, a fellow member of the Accounting Society of China, a director of the Financial Cost Branch of the Accounting Society of China, a director of the Finance Society of Hunan Province, and an expert reviewer for senior professional titles in accounting industry of Hunan Province. She has been a lecturer and associate professor at Hunan University. She is also currently an independent director of New Wellful and DIALINE New Material, and a visiting scholar sponsored by China Scholarship Council at Durham University Business School in the United Kingdom.

Ms. Yan Mengyu, female, born in 1973, has acted as the chairman of the Board of Supervisors of our Company since 2023. Ms. Yan graduated from Hunan University with a bachelor's degree in administration. She is a senior accountant, a certified public accountant, a tax accountant, a management accountant, a securities fund practitioner, a fund practitioner, and a management accounting consulting expert in Hunan Province. Ms. Yan is currently a member of the CPC committee and chief accountant of Hunan Xingxiang Investment Holding Group Co., Ltd., and also serves as chairman of Zoomlion Financial Leasing (Beijing) Co., Ltd. and director of Hunan Xingxiang Capital Management Co., Ltd. Ms. Yan Mengyu worked at the Hunan Provincial Government Offices Administration System from June 1995 to May 2017, where she served successively as department head, financial leader and head of the affiliated organs. Ms. Yan worked at Huatian Hotel Group Co., Ltd. from May 2017 to April 2020, where she served as assistant to general manager, manager of the financial management department, and assistant to general manager (in charge of finance). Ms. Yan served as chief of capital finance department and deputy chief accountant of Hunan Xingxiang Investment Holding Group Co., Ltd. from April 2020 to July 2022; and she has been a member of the CPC committee and chief accountant of Hunan Xingxiang Investment Holding Group Co., Ltd. since July 2022.

Directors, Supervisors, Senior Management and Employees

Mr. Xiong Yanming, male, born in 1964, has acted as a supervisor of the Company since 2023. Mr. Xiong Yanming 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. Mr. Xiong Yanming was previously an assistant engineer and engineer of Research Institute from 1985 to 1998. Mr. Xiong Yanming 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 Yanming 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 Yanming 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. Liu Xiaoping, male, born in 1963, is an employee supervisor of the Company, and a senior engineer. Since joining Zoomlion in 1995, Mr. Liu Xiaoping 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, an assistant to general manager of the heavy machinery division and the director of the engineering machinery centre. Mr. Liu Xiaoping 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 Xiaoping 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. Wang Yongxiang, male, born in 1977, is a co-president of our Company. Mr. Wang previously served as the general manager of marketing branch of concrete division, assistant to general manager of concrete machinery division of our Company and the head of the operation and management department of Zoomlion. He has served as the assistant president and vice president of the Company since 2019. 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, male, born in 1970, is a co-president of our Company. Mr. Luo previously served as the director of technological research institute of engineering crane branch, the deputy head of technical department of engineering crane branch, the manager of crawler crane division of engineering crane branch, deputy general manager and general manager of engineering crane branch of our Company. Mr. Luo has served as assistant president, vice president, and co-president of the Company since 2019. Mr. Luo has been the director of the National Local Joint Engineering Research Center for Mobile Crane Technology, the chairman of the Technical Subcommittee on Mobile Cranes under the National Technical Committee on Lifting Appliance of Standardization Administration of China and many other positions in the industry since 2013. He was awarded the title of Changsha Class B Talent (National Leading Talent). He has participated in and organized the formulation and revision of several national standards and industry standards, such as the Test Specifications for Truck Cranes and Tire Cranes, published a number of technical papers, and obtained multiple patents. Mr. Luo graduated from Taiyuan Heavy Machinery Institute with a bachelor's degree in lifting transportation and engineering machinery in 1995, and obtained the title of senior engineer of mechanical design.

Mr. Tang Shaofang, male, born in 1974, is a co-president and a senior engineer. Mr. Tang previously served as executive deputy general manager and general manager of construction crane branch of our Company. He has served as an assistant president and vice president of the Company since 2019. Mr. Tang was awarded the Excellent Builder of the Cause of the Socialism with Chinese Characteristics of Hunan Province. Mr. Tang graduated from University of South China majoring in mechanical engineering in 1996 and obtained a master's degree in business administration from Central South University in 2009.

Directors, Supervisors, Senior Management and Employees

Ms. Du Yigang, female, born in 1975, is the chief financial officer and a senior accountant and an Australian CPA. Ms. Du Yigang was previously the head of the accounting division of Zhuzhou Southern Motor Company Limited, the financial manager of Hunan IIN-Galaxy Software Development Co., Limited, Zoomlion Engineering Crane Company and Zoomlion Concrete Machinery Company, the deputy head of the financial management division of Zoomlion, the head of accounting and audit division of Zoomlion, the deputy general manager of Zoomlion Concrete Machinery Company, the director of Zoomlion Financial Management Center, the general manager of Zoomlion Financial Management Company, and the vice president of Zoomlion. Ms. Du was awarded the titles of the Outstanding Entrepreneur of Changsha Hi-Tech Industrial Development Zone, the First Leading Accounting Talent in Hunan Province and the National Advanced Accounting Worker. Ms. Du graduated from Xiangtan University with a bachelor's degree in international accounting in 1997 and completed a master's degree in business administration programme at the School of Business of Hunan University in September 2011.

Mr. Sun Changjun, male, born in 1962, is a vice president of our Company. Mr. Sun is a member of the Communist Party of China (CPC), a professor of law and a doctoral supervisor. Before 2006, Mr. Sun Changjun served as the deputy director of the first business section of Hunan Provincial People's Police School, a senior member of the legal and labour affairs committee of Hunan People's Congress, the director of criminal law research office of Hunan University of Finance and Economics, the vice director of the industrial economics office of Hunan University, the deputy head of the law faculty of Hunan University, and the general legal counsel of Changsha Construction Machinery Research Institute. Mr. Sun has been the vice president and Chief Legal Officer of the Company since 2006. Mr. Sun serves various other positions, including the vice president of Hunan Machinery Industry Association, the vice chairman of Changsha City Federation of Industry and Commerce, 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, a member of executive council of China Securities Law Research Association (中國證券法學研究會) and a member of the 13th session of the CPPCC of Hunan Province. Mr. Sun has won various titles and awards, including the Research Results (Grade I) Prize of Organisation Division of Central Government, the 5-Best Project Prize of Hunan Province, the Social Science Results (Grade I) Prize of Hunan Province, the Outstanding Achievements (Grade II) Prize of Philosophy and Social Sciences of Hunan Province, the Outstanding Legal Counsel of Provincial Supervisory Corporations, 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) and the Annual Outstanding Corporate Counsel in China (中國律政年度精英公司律師). Mr. Sun graduated from Southwest College of Political Science and Law (currently known as Southwest University of Political Science and Law) with a bachelor's degree in law in 1983, and obtained a doctorate degree in law (full-time) from Wuhan University in 1998.

Directors, Supervisors, Senior Management and Employees

Ms. Fu Ling, female, born in 1967, is a vice president and chief engineer of our Company. Ms. Fu is a researcher-level senior engineer, and is currently serving as President of Academia Sinica and Chairman of ZValley Technology Co., Ltd. Ms. Fu Ling was ever the deputy general manager of Zoomlion Environmental Industry Company and the general manager of Zoomlion Earthmoving Machinery Company. She is a representative of the 18th and the 20th National Congress of the CPC, and also serves as vice chairman of Hunan Association for Science and Technology. Ms. Fu has received many honors and awards, mainly including the Expert Enjoying the Special Government Allowance of the State Council, the National Labour Day Medallion, the National Woman Pacesetter, the Excellent CPC Member of Hunan Province, the First Prize of China Machinery Industry Science and Technology Award, China Patent Gold Award, the First Prize of Science and Technology Advancement Award of Hunan Province, Hunan Guangzhao Technology Award, etc. Ms. Fu Ling graduated from Shenyang Jianzhu Engineering College (currently known as Shenyang Jianzhu University) with a bachelor's degree in construction and crane transportation machinery in 1988, graduated from Jilin University of Technology (currently known as Jilin University) with a doctorate degree in mechanical design and theory in 1998 and completed a postdoctoral research programme at the Automotive Engineering Institute of China Agricultural University in 2002.

Mr. Chen Peiliang, male, born in 1972, is a vice president of our Company. Mr. Chen Peiliang previously served as the general manager of Zoomlion Overseas Company, the executive deputy general manager of Zoomlion Concrete Machinery Company, the vice president and executive president of Zoomlion Environmental Industry Company, and the chairman of Zoomlion New Materials Co., Ltd. Mr. Chen was awarded the titles of the Outstanding Entrepreneur of Changsha Hi-Tech Industrial Development Zone and the Changsha Class B High-level Talent in 2011. Mr. Chen graduated from Hunan University of Finance and Economics with a bachelor's degree in international trade in 1994.

Mr. Shen Ke, 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, the secretary of the board of directors and investment director of our Company. 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.

Directors, Supervisors, Senior Management and Employees

Ms. Hu Keman, female, born in 1966, is a vice president of our Company. Ms. Hu joined the Chief Engineer's Office of Changsha Construction Machinery Research Institute (the predecessor of Zoomlion) in 1988, became the office director of Zoomlion in 1993 and the manager of the Real Estate Department of Zoomlion in 2003, and served as the chairman of Changsha COFCO Property Co., Ltd. from June 2007 to May 2009 on behalf of Zoomlion. Ms. Hu has been the assistant to the chairman, the vice chairman of the Finance Company, the director of Zoomlion Capital, the chairman of Junlai Capital, the deputy director of the strategic management committee of Zoomlion, and the deputy director of the management committee of Zoomlion since May 2009. Ms. Hu was awarded as the Outstanding Entrepreneur of Changsha Hi-Tech Industrial Development Zone in 2017 and 2019. Ms. Hu graduated from Hunan University with a bachelor's degree in electrical engineering in 1988 and with a master's degree in management science and engineering in 2005.

Mr. Huang Jianbing, male, born in 1971, is an assistant president and senior engineer of our Company. Mr. Huang previously served as the vice president of Guangxi Liugong Machinery Co., Ltd. and the vice president of Guangxi Liugong Group Co., Ltd. Mr. Huang has served as the assistant president of our Company, and the general manager of Zoomlion Concrete Machinery Company and the general manager of Zoomlion India Business Division since January 2019. 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, male, born in 1974, is an assistant president of our Company. He graduated from China University of Mining and Technology with postgraduate qualifications and a doctor degree of Management in financial management systems engineering. Mr. Qin is currently the assistant president of the Company, the deputy director of the Financial Management Centre, senior accountant, a senior member of Accounting Society of China and qualified to serve as an independent director. He is currently a postgraduate tutor at Tsinghua University and 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. Tian Bing, 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 1995, a Bachelor of Law degree from Xiangtan University in 1999, a Bachelor of Management degree from Hunan University in 2007 and a bachelor's degree in economics from Hunan University in 2013.

Directors, Supervisors, Senior Management and Employees

Ms. Wang Furong, female, born in 1971, is an assistant president of our Company. Ms. Wang was previously the director of the investment division and the director of the capital operations division of State Development and Investment Corporation, the assistant to general manager of SDIC Capital Co., Ltd., the director of China-Belgium Direct Equity Investment Fund, the general manager of Haixia Capital Management Co., Ltd. and the general manager of Hengfeng Meilin Investment Management Co., Ltd., and is currently the general manager of the Financial Services Company. Ms. Wang Furong graduated from the University of Science and Technology Beijing with a bachelor's degree in materials science and engineering in 1993, and graduated from Renmin University of China with a master's degree in business administration in 1998.

Mr. Dong Jun, male, born in 1968, is an assistant president of our Company. Mr. Dong was previously a technician of Xuzhou Special Vehicle General Factory, the director of the Second Institute of Machinery, the director of the Production and Operation Department, the assistant to the president and the vice president of the First Design & Research Institute of Machinery Industry, and the deputy general manager of First Design & Research Institute MI China Co., Ltd. Mr. Dong is currently the deputy general director of the construction management command of Zoomlion Intelligent Industrial City, the director of the production line construction office, the general manager of Hunan Zoomlion Caizhi Technology Co., Ltd. and also serves as the vice chairman of the painting branch of China Surface Treatment Association and a member of the Subcommittee on Coatings of the National Safety Production Standardization Committee. Mr. Dong graduated from Hefei University of Technology with a bachelor's degree in automobile and tractor design and manufacturing in 1990, and completed a master's degree in engineering project management from the Graduate School of Chinese Academy of Sciences in 2008.

Mr. Yuan Ye, male, born in 1984, is an assistant president and senior engineer of our Company. He is also general manager of Zoomlion Earthmoving Machinery Company. Mr. Yuan was previously a transmission research engineer, hydraulic technology research supervisor, deputy director of new product research and development center at the central research institute of Zoomlion headquarters, and executive deputy general manager of Zoomlion Earthmoving Machinery Company. Mr. Yuan was awarded the First Prize of China Machinery Industry Science and Technology Award, the First Prize of Hunan Provincial Patent Award, and the title of "Leading Talent in Science and Technology Innovation of Hunan Province". Mr. Yuan was elected as a deputy to the Changsha People's Congress in 2021. Mr. Yuan graduated from Zhejiang University with a bachelor's degree in mechanical engineering and automation in 2008 and a master's degree in mechatronic engineering in 2011.

Directors, Supervisors, Senior Management and Employees

Mr. Tao Zhaobo, male, born in 1986, is the secretary of the Board of Directors of our Company. Mr. Tao engaged in investment banking business at China Securities Co., Ltd. from July 2012 to September 2015, at Huatai United Securities Co., Ltd. from September 2015 to December 2021, and at Huatai Financial Holdings (Hong Kong) Limited from December 2021 to October 2023; and served as an assistant president of the Company from October 2023 to December 2023. Mr. Tao obtained a bachelor's degree in economics and a bachelor's degree in science from Peking University in July 2009, a master's degree in economics from Peking University in July 2012 and a master's degree in finance from the University of Hong Kong in November 2012.

III. Remunerations of Directors, Supervisors, Senior Management

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 2023, 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 Appraisal Committee of the Board. In 2023, 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.

Directors, Supervisors, Senior Management and Employees

Unit: RMB ten thousand

Name	Gender	Age	Post	Total remuneration before tax received from the Company
Zhan Chunxin	Male	68	Chairman and CEO	270
He Liu	Male	53	Director	0
Wang Xianping	Male	41	Director	0
Zhang Chenghu	Male	65	Independent Director	7.5
Huang Guobin	Male	55	Independent Director	7.5
Wu Baohai	Male	48	Independent Director	7.5
Huang Jun	Female	47	Independent Director	7.5
Yan Mengyu	Female	50	Chairman of Supervisory Board	0
Xiong Yanming	Male	59	Supervisor	200
Liu Xiaoping	Male	60	Employee Supervisor	140
Wang Yongxiang	Male	46	Co-President	190
Luo Kai	Male	53	Co-President	180
Tang Shaofang	Male	49	Co-President	180
Du Yigang	Female	48	Chief Financial Officer	190
Sun Changjun	Male	61	Vice President	200
Fu Ling	Female	56	Vice President, Chief Engineer	200
Chen Peiliang	Male	51	Vice President	170
Shen Ke	Male	52	Vice President	140
Hu Keman	Female	57	Vice President	190
Huang Jianbing	Male	52	Assistant President	140
Qin Xiuhong	Male	49	Assistant President	130
Tian Bing	Male	49	Assistant President	140
Wang Furong	Female	52	Assistant President	140
Dong Jun	Male	55	Assistant President	130
Yuan Ye	Male	39	Assistant President	98
Tao Zhaobo	Male	37	Board Secretary	37
Total	–	–	–	3,600

IV. Service Contracts of Directors and Supervisors

None of the directors or supervisors of the Company, or an entity connected with a director or a supervisor 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.

V. Directors' and Supervisors' Interests in Contracts

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

Corporate Governance

The Company has established and improved the structure of its corporate governance to regulate its operation strictly in accordance with the Company Law, Securities Law, the relevant regulations of the CSRC and code provisions of the Corporate Governance Code contained in Appendix C1 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.

As a world-leading manufacturer of engineering machinery with a focus on digitalisation, new energy and new materials, the Company is committed to success in both the PRC and the larger global market. Our expertise extends beyond the mechanics of high-tech equipment and is acutely sensitive to changes in customer needs. We have created a rapid-response innovative chain of effective collaboration involving research and development ("**R&D**"), manufacturing, logistics, sales and service links, all of which are centred around the three leading R&D pillars of being green, smart and reliable. The Company is committed to a culture of creating real value for our stakeholders through innovative solutions, sustainable results and long-term growth.

I. Statement of the Compliance of Corporate Governance Requirements of the PRC Regulatory Authorities and Corporate Governance Code of SEHK

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.

The Board has adopted all code provisions in Part 2 of the Corporate Governance Code (the "**Code**") as set out in Appendix C1 to the Listing Rules as the code of the Company. During the year ended 31 December 2023, the Company complied with all the applicable code provisions set out in Part 2 of the Code, save and except the only deviation from code provision C.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Dr. Zhan Chunxin is currently the chairman of the Board and chief executive officer of the Company. The Board is of the view that vesting of these two roles in Dr. Zhan Chunxin can facilitate efficient formulation and implementation of business strategies of the Company, and that through the supervision of the Board and the independent non-executive directors as well as the internal check-and-balance system, the balance of power and authority between the Board and management of the Company will not be affected. The Board believes that this arrangement is in the interests of the Company and its business.

The Company has adopted the rules governing the securities transactions by directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. The Company has made specific enquiry to all directors and supervisors, and all its directors and supervisors have confirmed that they complied with the Model Code throughout the year ended 31 December 2023. The Company has not identified any non-compliance with the Model Code by any of its directors or supervisors.

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.

Corporate Governance

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 2023, 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, supervisors or senior management of the Company.

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. During the year, the changes of Directors of the Company are set out in section "Directors, Supervisors, Senior Management and Employees" in this annual report.

Corporate Governance

(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 2023, the Board had held 9 meetings. 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 2023 was as follows:

	Name of Directors	Number of Board meetings held during the director's tenure	Attendance	Number of general meetings held during the director's tenure	Attendance
Chairman	Mr. Zhan Chunxin	9	9	3	3
Non-executive Director	Mr. He Liu	9	9	3	3
	Mr. Wang Xianping (appointed on 2 August 2023)	3	3	3	3
	Mr. Zhao John Huan (retired on 29 June 2023)	4	4	1	1
Independent Non-executive Director	Mr. Zhang Chenghu (appointed on 29 June 2023)	5	5	3	3
	Mr. Huang Guobin (appointed on 29 June 2023)	5	5	3	3
	Mr. Wu Baohai (appointed on 29 June 2023)	5	5	3	3
	Ms. Huang Jun (appointed on 29 June 2023)	5	5	3	3
	Mr. Zhao Songzheng (retired on 29 June 2023)	4	4	1	1
	Mr. Lai Kin Keung (retired on 29 June 2023)	4	4	1	1
	Ms. Liu Guiliang (retired on 29 June 2023)	4	4	1	1
	Mr. Yang Changbo (retired on 29 June 2023)	4	4	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 all code provisions in Part 2 of the Code. 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

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 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 and exercises the functions and powers set out in 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 2023 are summarized as follows:

Directors	Type of training
Mr. Zhan Chunxin	ABCD
Mr. He Liu	CD
Mr. Wang Xianping	ABCD
Mr. Zhang Chenghu	BD
Mr. Huang Guobin	ABD
Mr. Wu Baohai	BD
Ms. Huang Jun	ABCD

The training records of each Director who retired on 29 June 2023 are summarised as follows:

Directors	Type of training
Mr. Zhao John Huan	BD
Mr. Zhao Songzheng	BCD
Mr. Lai Kin Keung	BCD
Ms. Liu Guiliang	BCD
Mr. Yang Changbo	BCD

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 and to abide by all code provisions in Part 2 of the Corporate Governance Code as set out in Appendix C1 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 2023, 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. Zhang Chenghu, Independent Non-executive Director, who replaced Mr. Lai Kin Keung after he retired from the Board on 29 June 2023. Other members included Mr. He Liu and Mr. Huang Guobin, who replaced Mr. Yang Changbo after he retired from the Board on 29 June 2023. In 2023, the Remuneration and Appraisal Committee held 2 meetings. 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 (retired on 29 June 2023)	2/2
Mr. He Liu	2/2
Mr. Yang Changbo (retired on 29 June 2023)	2/2

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 and recommended to the Board for approval 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 2023, the Nomination Committee had three members, including two Independent Non-executive Directors and an Executive Director. Mr. Wu Baohai, an Independent Non-executive Director, replaced Mr. Zhao Songzheng after he retired from the Board on 29 June 2023 as the chairman of the committee. Other members includes Mr. Zhan Chunxin and Mr. Zhang Chenghu, who replaced Mr. Lai Kin Keung after he retired from the Board on 29 June 2023. In 2023, the Nomination Committee held 4 meetings. During the meetings, the committee reviewed the qualifications, the election procedures and term of office of the directors and senior management.

Name	Attendance/Number of meetings during the member's tenure
Mr. Zhan Chunxin	4/4
Mr. Zhao Songzheng (retired on 29 June 2023)	1/1
Mr. Lai Kin Keung (retired on 29 June 2023)	1/1
Mr. Zhang Chenghu (appointed on 29 June 2023)	3/3
Mr. Wu Bao Hai (appointed on 29 June 2023)	3/3

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 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.

The Company currently has one female director, and the Board will endeavour to at least maintain female representation on the Board and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

As at 31 December 2023, the Company had a total of 30,563 employees in its workforce, of which female employees comprise approximately 11.5%. The Company operates in a male-dominated industry which makes achieving gender diversity across the workforce more challenging, as there tends to be only a small pool of qualified female personnel from which we are able to recruit and attract talent. Therefore, the Company has not set down any numerical target (or timeline) for achieving greater gender diversity. However, we will review the need to adopt measurable objectives from time to time. At present, the Company strives to ensure gender diversity when recruiting staff at mid to senior level, and is committed to providing female staff with career development opportunities so that a pipeline of female senior management and potential successors to the Board in the future can be developed. The Company offers all-rounded trainings to female employees whom we consider are sufficiently well-versed in our operations and business and possess relevant experience and skills.

(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 2023, the Audit committee had three members, including two Independent Non-executive Directors and one Non-executive Director. The chairman of Audit committee was Ms. Huang Jun, an Independent Non-executive Director, who replaced Ms. Liu Guiliang after she retired from the Board on 29 June 2023. Other members included Mr. Wu Baohai, an Independent Non-executive Director, who replaced Mr. Zhao Songzheng after he retired from the Board on 29 June 2023, 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.

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

The Audit Committee held four meetings during the year considering the annual results of the Company for the year ended 31 December 2022, its interim results for the six months ended 30 June 2023 and its quarterly results during the Reporting Period. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2023 and the accounting principles and practices adopted by the Company and discussed matters relating to internal control and financial reporting.

In conducting its annual review, the Audit Committee considered factors including (a) the changes, since the last annual review, in the nature and extent of significant risks and the Company's ability to respond to changes in its business and the external environment, (b) the scope and quality of management's ongoing monitoring of potential risks, and the work of our internal audit function and other assurance providers, (c) the extent and frequency of reporting to the Board, (d) internal control deficiencies or weaknesses that were identified during the reporting period, if any, and (e) other factors which affect the effectiveness of the Company's risk management system. No significant areas of concern were identified. The review has covered financial, operational and compliance controls.

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 2023, the Audit Committee considers them effective and adequate. The Board is satisfied that the Company has fully complied with the code provision in Part 2 the Code in respect of internal controls and risk management during the year ended 31 December 2023.

	Attendance/ Number of meetings during the member's tenure
Ms. Huang Jun (appointed on 29 June 2023)	2/2
Mr. Wu Baohai (appointed on 29 June 2023)	2/2
Mr. He Liu	4/4
Mr. Zhao Songzheng (retired on 29 June 2023)	2/2
Ms. Liu Guiliang (retired on 29 June 2023)	2/2

(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 2023, 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. Wang Xianping, who replaced Mr. Zhao John Huan after he retired from the Board on 29 June 2023 and Mr. Huang Guobin, who replaced Mr. Yang Changbo after he retired from the Board on 29 June 2023. In 2023, the Strategy and Investment Decision-making Committee did not hold any meeting.

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

(I) Remuneration

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

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

(II) Interests

Service contract of Directors and Supervisors

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

Directors and Supervisors' interests in contracts

None of the Directors and Supervisors, or an entity connected with a Director or a supervisor, had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group, to which the Company or any of its subsidiaries or fellow subsidiaries was a party which was entered into or subsisted during the reporting period.

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 2023 are set out in Section "Directors, Supervisors, Senior Management and Employees" in this annual report.

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

As at 31 December 2023, the Directors, Supervisors and chief executive 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 Model Code were as follows:

Name of Directors/ Supervisors	Nature of interest	Type of shares in the Company	Number of shares(1)	Percentage of the total share capital (%)
Zhan Chunxin	Beneficial owner	A Share	10,929,076 (L)	0.13%
	Interest of a controlled corporation(2)	H share	5,250,000 (L)	0.06%
Xiong Yanming	Beneficial owner	A Share	2,991,051 (L)	0.03%
Liu Xiaoping	Beneficial owner	A Share	326,840 (L)	<0.01%

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 2023, 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.

As at 31 December 2023, 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 and Supervisors. Having made specific enquiry of all Directors and Supervisors, all Directors and Supervisors confirmed that they had complied with the Model Code during 2023. The Company was not aware of any non-compliance of Model Code during the reporting period.

VI. Auditors

KPMG Huazhen LLP and KPMG, respectively, were the domestic and international auditors of the Company for 2023.

KPMG Huazhen LLP and KPMG provide audit services for the Company on its financial statements and other non-audit services, included the audit of the Company's annual financial statements of 2023, the review of interim financial report, internal control audit and the audits of subsidiaries' statutory financial statements, please refer to Note 5 (c) of the consolidated financial statements for the amount of audit fees. Other non-audit services included tax and IT consultation. The fee for financial statement audit services includes a total of approximately RMB13 million paid or payable to KPMG and its global member firms for the audit of the financial statements. Other service fees include a total of approximately RMB8 million for all services provided by KPMG and its global members to the Company and related entities controlled by the Company and included in the consolidation scope, except for financial statement audit services.

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2023.

The responsibility statements of KPMG Huazhen LLP and KPMG on the financial statements of the Company were set out in the Domestic Auditor's Report and International Auditor's Report respectively.

Baker Tilly China Certified Public Accountants, the Company's previous domestic auditors, retired upon expiry of its term of office at the conclusion of the annual general meeting held on 2 June 2022.

The Company is dually listed on the Shenzhen Stock Exchange and SEHK. To better align the audit requirements of the two stock exchanges and to streamline the audit process, the Board proposed to the shareholders of the Company, and the shareholders approved, the appointment of KPMG Huazhen LLP as the Company's domestic auditors for the year ended 31 December 2022. KPMG Huazhen LLP has acted as the Company's domestic auditors since then.

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 2023.

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 2023, 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 enquiries 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.

Shareholders' communication policy
Please refer to the Articles of Association of the Company for details of the rights of shareholders.

The Company maintains multiple channels of communication with shareholders include general meetings, the Company's website, as well as Company's H share registrar hotline for taking enquiries and for receiving information request, and various reports and announcements published from time to time.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The chairman of the Board as well as chairmen of the Board committees and, in their absence, other members of the respective committees are available to answer questions at shareholders' meetings. During the year ended 31 December 2023, the Company held one annual general meeting and two extraordinary general meetings.

To promote effective communication, the Company maintains a website where information and updates on the Company's business developments and operations, financial and stock information, press releases, social responsibility activities and other information are available for public access. The Company also publishes its reports and announcements, notices and other corporate communications on its website and the website of SEHK.

By proactively engaging with shareholders and stakeholders through announcements, website information, meetings and open channels of enquiry, the Company ensures its material information is clearly disclosed and helps its shareholders and stakeholders fully understand its operation, development and corporate actions. Following the Company's review of the implementation of its shareholders and stakeholders engagement and communication activities, the Company was satisfied with the effectiveness of its shareholders' communication policy conducted during the reporting period.

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. 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).

XIII. 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 IFRS Accounting Standards.

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 139 to 268 which comprise the consolidated statement of financial position as at 31 December 2023, 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, comprising material accounting policy information and other explanatory information.

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 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 174 to 176, page 179.</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 and acceptance note.

Sales of construction machinery contributed approximately 94% of the Group's revenue for the year ended 31 December 2023.

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, 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 and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

• selecting, on a sample basis, sales recorded during the year and inspecting the underlying customer contracts, bills of lading, 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 customer contracts, bills of lading, 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 meet specific risk-based criteria.</td></tr>
</table>

Independent Auditor's Report

Expected credit loss allowance for trade debtors	
Refer to Notes 18, 19 and 32(b)(ii) to the consolidated financial statements and the accounting policies on pages 163 to 167.	
The Key Audit Matter	**How the matter was addressed in our audit**
Trade debtors include trade receivables and receivables under finance lease arrangements. As at 31 December 2023, the Group's gross trade receivables and gross receivables under finance lease arrangements totalled RMB41,008 million and RMB11,792 million, respectively, against which allowances of RMB5,514 million and RMB829 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.	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 provision of expected credit loss allowance; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standards; • obtaining an understanding of the basis adopted by the management in assessment of the credit loss allowance on the trader debtors assessed individually, and, on a sample basis, select items to testing the public information, litigation information, ageing and other supporting information or documents on which the management assess the loss allowance based.

Independent Auditor's Report

Expected credit loss allowance for trade debtors (continued)	
Refer to Notes 18, 19 and 32(b)(ii) to the consolidated financial statements and the accounting policies on pages 163 to 167.	
The Key Audit Matter	**How the matter was addressed in our audit**
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.	• 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 ageing report were categorised in the appropriate ageing brackets by comparing a sample of individual items with the underlying goods delivery and acceptance notes, sales invoices and other relevant underlying documentation; and • recalculating the loss allowance to assess if this is consistent with the Group policies.

Independent Auditor's Report

<table>
<tr><th colspan="2">Assessing potential impairment of goodwill and trademarks</th></tr>
<tr><td colspan="2">Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies on page 157, page 159 to page 160 and page 168.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2023, the aggregate carrying value of the Group's goodwill and trademarks with an indefinite useful life totalled RMB3,867 million, which represented 2.96% 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.</td><td>Our audit procedures to assess the potential impairment of goodwill and trademarks included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to assessing potential impairment of goodwill and trademarks;

• 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 consistent with the requirements of the prevailing accounting standards;

• assessing the competence, capabilities and objectivity of the external valuer engaged by management in assessing the impairment of goodwill and trademarks;

• 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.</td></tr>
</table>

Independent Auditor's Report

<table>
<tr><th colspan="2">Assessing potential impairment of goodwill and trademarks (continued)</th></tr>
<tr><td colspan="2">Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies on page 157, page 159 to page 160 and page 168.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>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. The recoverable amount is determined by the higher of the fair value less cost of disposal of the CGU or the value-in-use based on discounted cash flow forecasts.

The discounted cash flow forecasts involves significant management judgement and estimation from the management, particularly in estimating the following:

• future revenue growth rates;

• future operating margins; and

• the discount rates applied.</td><td>• for the management's assessment of the value-in-use of CGU based on discounted cash flow forecasts, our procedures include:

– comparing the most significant inputs used in the discounted cash flow forecasts, including future revenue growth rates, future operating margins and future changes in working capital with the historical performance of the relevant CGU;

– comparing forecast revenue, operating margins and capital expenditure in the discounted cash flows forecasts with the Group's approved financial budget;

– comparing forecast sales with publicly available market forecasts, assessing the expected operating margin with reference to the trends for selling prices and forecast steel and labour costs;

– engaging our internal valuation specialists to assist us in assessing the preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards, and assessing the discount rates applied in the cash flow forecasts by benchmarking against other comparable companies in the same industry; and

– 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.</td></tr>
</table>

<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 page 157, page 159, page 160 and page 168.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>When the management uses the market approach to determine the fair value less cost of disposal of a CGU, the stock price of the listed company which the CGU belongs to is adjusted with a number of factors.

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>• for the management's assessment of the fair value less cost of disposal of CGU, our procedures include:

– comparing the share price of the listed company we obtained independently to the share price that management used in the calculation of the fair value of CGU;

– engaging our internal valuation specialists to assist us in evaluating the appropriateness of other adjustments, if any, by benchmarking with the selected comparable companies and capital transactions;

– assessing the appropriateness of estimated cost of disposal; and

– recalculating the amount of fair value less cost of disposal.

• 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 IFRS Accounting Standards 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.

Independent Auditor's Report

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 a 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

28 March 2024

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

(Expressed in RMB)

	Note	2023 RMB millions	2022 RMB millions
Revenue	3	**47,075**	41,631
Cost of sales and services		**(34,109)**	(32,543)
Gross profit		**12,966**	9,088
Other income	4	**935**	982
Sales and marketing expenses		**(3,557)**	(2,635)
General and administrative expenses		**(2,274)**	(2,400)
Expected credit losses	5(c)	**(794)**	(446)
Research and development expenses		**(3,441)**	(2,507)
Profit from operations		**3,835**	2,082
Net finance income	5(a)	**284**	300
Share of profits less losses of associates	14	**153**	130
Profit before taxation	5	**4,272**	2,512
Income tax	6	**(457)**	(86)
Profit for the year		**3,815**	2,426

The notes on pages 149 to 268 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

(Expressed in RMB)

	Note	**2023 RMB millions**	2022 RMB millions
Profit attributable to:			
Equity shareholders of the Company		**3,550**	2,347
Non-controlling interests		**265**	79
		3,815	2,426
Profit for the year		**3,815**	2,426
Earnings per share (cents)			
Basic	9	**43.05**	27.80
Diluted	9	**42.85**	27.68

The notes on pages 149 to 268 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

(Expressed in RMB)

	2023 RMB millions	2022 RMB millions
Profit for the year	**3,815**	2,426
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)	**29**	(93)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland PRC	**72**	(71)
Total other comprehensive income for the year	**101**	(164)
Total comprehensive income for the year	**3,916**	2,262
Total comprehensive income attributable to:		
Equity shareholders of the Company	**3,651**	2,183
Non-controlling interests	**265**	79
Total comprehensive income for the year	**3,916**	2,262

The notes on pages 149 to 268 form part of these financial statements.

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Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in RMB)

	Note	**2023 RMB millions**	2022 RMB millions
Non-current assets			
Property, plant and equipment	10	**17,364**	13,903
Right-of-use assets	11	**3,621**	3,995
Investment properties		**90**	161
Intangible assets	12	**1,988**	1,926
Goodwill	13	**2,641**	2,562
Interests in associates	14	**4,497**	4,476
Other financial assets	15	**2,669**	2,263
Trade and other receivables	18	**10,882**	11,829
Receivables under finance lease	19	**6,120**	6,456
Loans and advances	18(f)	**568**	277
Pledged bank deposits	20	**76**	160
Deferred tax assets	27(b)	**2,303**	1,907
Total non-current assets		**52,819**	49,915
Current assets			
Inventories	16	**22,504**	14,203
Other current assets		**708**	1,040
Financial assets measured at fair value through profit or loss ("FVPL")	17	**1,767**	4,011
Trade and other receivables	18	**32,033**	33,962
Receivables under finance lease	19	**4,843**	4,717
Loans and advances	18(f)	**280**	170
Pledged bank deposits	20	**2,265**	1,708
Cash and cash equivalents	21	**13,606**	13,791
Total current assets		**78,006**	73,602
Total assets		**130,825**	123,517
Current liabilities			
Loans and borrowings	22(a)	**7,377**	11,018
Financial liabilities at FVPL		**9**	–
Trade and other payables	23	**40,513**	35,259
Contract liabilities	24	**1,817**	1,892
Lease liabilities	25	**126**	117
Income tax payable	27(a)	**154**	107
Total current liabilities		**49,996**	48,393
Net current assets		**28,010**	25,209
Total assets less current liabilities		**80,829**	75,124

The notes on pages 149 to 268 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in RMB)

	Note	2023 RMB millions	2022 RMB millions
Non-current liabilities			
Loans and borrowings	22(b)	**14,944**	10,962
Lease liabilities	25	**308**	355
Deferred tax liabilities	27(b)	**807**	842
Other non-current liabilities	29	**5,639**	6,026
Total non-current liabilities		**21,698**	18,185
NET ASSETS		**59,131**	56,939
CAPITAL AND RESERVES			
Share capital	30(a)	**8,678**	8,678
Reserves		**47,693**	46,027
Total equity attributable to equity shareholders of the Company		**56,371**	54,705
Non-controlling interests		**2,760**	2,234
TOTAL EQUITY		**59,131**	56,939

Approved and authorised for issue by the board of directors on 28 March 2024.

Zhan Chunxin
Chairman and Chief Executive Officer

Du Yigang
Chief Financial Officer

The notes on pages 149 to 268 form part of these financial statements.

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Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(Expressed in RMB)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB millions	Capital reserve RMB millions	Statutory surplus reserve RMB millions	Exchange reserve RMB millions	Fair value reserve (non-recycling) RMB millions	Other reserves RMB millions	Retained earnings RMB millions	Total RMB millions	Non-controlling interests RMB millions	Total equity RMB millions
Balance at 31 December 2021 and 1 January 2022		8,678	19,601	4,384	(1,472)	11	260	25,369	56,831	1,429	58,260
Changes in equity for 2022											
Profit for the year		–	–	–	–	–	–	2,347	2,347	79	2,426
Other comprehensive income		–	–	–	(71)	(61)	–	(32)	(164)	–	(164)
Total comprehensive income		–	–	–	(71)	(61)	–	2,315	2,183	79	2,262
Repurchase of ordinary shares		–	(1,556)	–	–	–	–	–	(1,556)	–	(1,556)
Cash dividends	30(c)	–	–	–	–	–	–	(2,777)	(2,777)	–	(2,777)
Share incentive scheme											
– Restricted share scheme	26	–	164	–	–	–	–	–	164	–	164
Acquisition of a subsidiary	13	–	–	–	–	–	–	–	–	383	383
Acquisition of non-controlling interests in subsidiaries		–	(626)	–	–	–	–	–	(626)	(256)	(882)
Contribution from non-controlling interests in a subsidiary		–	486	–	–	–	–	–	486	625	1,111
Dividends declared by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(26)	(26)
Safety production fund	30(b)(vi)	–	–	–	–	–	42	(42)	–	–	–
Balance at 31 December 2022		8,678	18,069	4,384	(1,543)	(50)	302	24,865	54,705	2,234	56,939

The notes on pages 149 to 268 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company									
		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 2022 and 1 January 2023		8,678	18,069	4,384	(1,543)	(50)	302	24,865	54,705	2,234	56,939
Changes in equity for 2023											
Profit for the year		–	–	–	–	–	–	3,550	3,550	265	3,815
Other comprehensive income		–	–	–	72	26	–	3	101	–	101
Total comprehensive income		–	–	–	72	26	–	3,553	3,651	265	3,916
Repurchase of ordinary shares	30(d)	–	(1,085)	–	–	–	–	–	(1,085)	–	(1,085)
Cash dividends	30(c)	–	–	–	–	–	–	(2,641)	(2,641)	–	(2,641)
Share incentive scheme – Restricted share scheme	26	–	1,635	–	–	–	–	–	1,635	–	1,635
Contribution from non-controlling interests in a subsidiary		–	106	–	–	–	–	–	106	271	377
Disposal of non-controlling interests of a subsidiary		–	–	–	–	–	–	–	–	6	6
Dividends declared by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(16)	(16)
Appropriation for general risk reserve	30(b)(vi)	–	–	–	–	–	35	(35)	–	–	–
Safety production fund	30(b)(vi)	–	–	–	–	–	43	(43)	–	–	–
Balance at 31 December 2023		8,678	18,725	4,384	(1,471)	(24)	380	25,699	56,371	2,760	59,131

The notes on pages 149 to 268 form part of these financial statements.

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Consolidated Cash Flow Statement

For the year ended 31 December 2023

(Expressed in RMB)

	Note	2023 RMB millions	2022 RMB millions
Operating activities			
Profit before taxation		**4,272**	2,512
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	**995**	791
Depreciation of right-of-use assets	5(c)	**243**	201
Amortisation of intangible assets	5(c)	**150**	161
Share of profits less losses of associates		**(153)**	(130)
Interest income	5(a)	**(914)**	(989)
Interest expense	5(a)	**691**	937
(Gain)/loss on disposal of property, plant and equipment and intangible assets	4	**(233)**	8
Net realised and unrealised gains on financial assets at FVPL	4	**39**	(269)
Loss on troubled debt restructurings	4	**11**	23
Loss on disposal of trade receivables and receivables under finance lease	4	**184**	59
Dividend income from financial assets measured at fair value through other comprehensive income ("FVOCI")	4	**(34)**	(32)
Share incentive scheme expenses	5(b)	**279**	170
		5,530	3,442
(Increase)/decrease in inventories		**(7,345)**	25
(Increase)/decrease in trade and other receivables		**(1,862)**	469
Increase in receivables under finance lease		**(162)**	(302)
Decrease in contract liabilities		**(75)**	(10)
Increase/(decrease) in trade and other payables		**6,607**	(1,237)
Cash generated from operating activities		**2,693**	2,387
Income tax paid		**(401)**	(436)
Net cash generated from operating activities carried forward		**2,292**	1,951

The notes on pages 149 to 268 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023

(Expressed in RMB)

	Note	2023 RMB millions	2022 RMB millions
Net cash generated from operating activities brought forward		**2,292**	1,951
Investing activities			
Payment for purchase of property, plant and equipment		**(1,825)**	(1,116)
Payment for purchase of right-of-use assets		**(49)**	(385)
Payment for purchase of intangible assets		**(26)**	(28)
Payment for investments in associates		**(40)**	(215)
Proceeds from disposal of associates		**114**	–
Payment for acquisition of financial assets at FVOCI		**(268)**	(83)
Proceeds from disposal of financial assets at FVOCI		**84**	58
Payment for acquisition of financial assets at FVPL		**(6,894)**	(13,633)
Payment for acquisition of a subsidiary	13	**–**	(724)
Proceeds from disposal of financial assets at FVPL		**8,896**	16,388
Dividends from associates		**71**	75
Dividends income from financial assets at FVOCI	4	**34**	32
Proceeds from disposal of property, plant and equipment and intangible assets		**98**	89
Interest received		**421**	474
(Increase)/decrease in pledged bank deposits		**(473)**	109
Net cash generated from investing activities		**143**	1,041

The notes on pages 149 to 268 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023

(Expressed in RMB)

	Note	2023 RMB millions	2022 RMB millions
Financing activities			
Proceeds from loans and borrowings	21(a)	**16,538**	19,993
Proceeds of capital contributions from non-controlling shareholders		**376**	1,097
Proceeds from disposal of subsidiary's non-controlling interests		**6**	–
Repayments of loans and borrowings	21(a)	**(16,344)**	(17,242)
Payment for repurchase of own shares	30(d)	**(1,085)**	(1,556)
Payment for acquisition of non-controlling interests of subsidiaries		**–**	(886)
Interest paid	21(a)	**(681)**	(928)
Dividends paid to equity shareholders	30(c)	**(2,641)**	(2,777)
Proceeds from issue of ordinary shares	26(a)	**1,344**	–
Dividends paid by subsidiaries to non-controlling interests		**(16)**	(26)
Capital element of lease rentals paid	21(a)	**(132)**	(146)
Interest element of lease rentals paid	21(a)	**(9)**	(23)
Net cash used in financing activities		**(2,644)**	(2,494)
Net (decrease)/increase in cash and cash equivalents		**(209)**	498
Cash and cash equivalents at 1 January		**13,791**	13,190
Effect of foreign exchange rate changes		**24**	103
Cash and cash equivalents at 31 December	21	**13,606**	13,791

The notes on pages 149 to 268 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 public offering of 50 million 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.

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 of the Company.

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 ("Stock Exchange"). 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%.

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

(b) Organisation (continued)

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.

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%.

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

(b) Organisation (continued)

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%.

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 2023, the Company's equity interest held by Hunan Xing Xiang was 14.48%.

(c) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). IFRS Accounting Standards 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. Material accounting policies adopted by the Group are disclosed below.

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

(c) Basis of preparation (continued)

(i) Statement of compliance (continued)

The IASB has issued certain amendments to IFRS Accounting Standards 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 2023 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in associates.

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

The preparation of financial statements in conformity with IFRS Accounting Standards 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 IFRS Accounting Standards that have significant effect on the financial statements and the major sources of estimation uncertainty are disclosed in Note 36.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

(d) Changes in accounting policies

The IASB has issued the following amendments to IFRS Accounting Standards and new standard that are first effective for the current accounting period of the Group:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Definition of Accounting Estimates*
- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IAS 12, *International tax reform – Pillar Two model rules*
- Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*

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

2 Material accounting policies

(a) Business combinations

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

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

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

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

2 Material accounting policies (continued)

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI 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 NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(o),(p) 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.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

2 Material accounting policies (continued)

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

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

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

(c) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, 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 any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see Note 2(j)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see Note 2(j)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

2 Material accounting policies (continued)

(d) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(j)).

(e) Other investments in securities

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

Investments in 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 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) Non-equity investments

Non-equity investments 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. Expected credit losses, interest income calculated using the effective interest method (see Note 2(t)(vi)); foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– 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. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

– 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 Material accounting policies (continued)

(e) Other investments in securities (continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. 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. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and 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 (see Note 2(t)(v)).

(f) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(j)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss.

2 Material accounting policies (continued)

(g) Property, plant and equipment (continued)

The estimated useful lives for the current and comparative periods are as follows:

– buildings	20 to 40 years
– machinery, plant and equipment	3 to 10 years
– motor vehicles	3 to 10 years
– office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(j)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets with finite useful lives less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

2 Material accounting policies (continued)

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

The estimated useful lives for the current and comparative periods are as follows:

– Capitalised development costs	5 years
– Patents and trademarks	5 to 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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. This is the case 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 Material 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 leases that have a short lease term of 12 months or less and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss 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 recognised 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 are charged to profit or loss as 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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, 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, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will 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 Material accounting policies (continued)

(i) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification 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

The Group 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. Otherwise, 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 Material 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 ("ECL(s)") on:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including those loans to associates and joint ventures that are held for the collection of contractual cash flows which represent solely payments of principal and interest);

– 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 (recycling), structured deposits, wealth management products, security investment funds and derivative financial instruments and etc. are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect 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.

2 Material 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)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

2 Material 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 non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

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 Material 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 or contract asset is written off 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 Material 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. The amount initially recognised as deferred income is subsequently amortised in profit or loss over the term of the guarantee as income (see Note 2(t)(viii)).

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(j)(i) apply.

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

2 Material accounting policies (continued)

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

(iii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite useful lives are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Material accounting policies (continued)

(k) Inventories

Inventories are measured 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.

(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)).

2 Material accounting policies (continued)

(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.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method.

2 Material accounting policies (continued)

(q) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payment

The grant-date fair value of equity-settled share-based payments granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

2 Material accounting policies (continued)

(r) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

2 Material accounting policies (continued)

(r) Income tax (continued)

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 Material accounting policies (continued)

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services 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 Material accounting policies (continued)

(t) Revenue and other income (continued)

(iii) Rental income from operating lease

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. 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 is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(vi) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 Material accounting policies (continued)

(t) Revenue and other income (continued)

(viii) Income from financial guarantees issued

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

(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 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. The functional currencies of the Company's subsidiaries outside PRC is the currency of the primary economic environment in which these subsidiaries operate.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

– an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

– a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and

– qualifying cash flow hedges to the extent that the hedges are effective.

2 Material accounting policies (continued)

(u) Translation of foreign currencies (continued)

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 Material accounting policies (continued)

(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 Material 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.

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:

	2023 RMB millions	2022 RMB millions
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
Construction machinery		
– Concrete machinery	8,571	8,432
– Crane machinery	19,175	18,859
– Aerial machinery	5,701	4,593
– Earth working machinery	6,647	3,511
– Others	4,208	3,415
Agricultural machinery	2,089	2,133
	46,391	40,943
Revenue from other sources		
Rental income	187	186
Financial services	497	502
	684	688
	47,075	41,631

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).

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.

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

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

   Other machinery sub-segment primarily research, develop, manufacture and sell of other machinery products, including road construction and pile foundation machinery, material handling machinery and systems, specialised vehicles and vehicle axles.

   None of these segments met any of the quantitative thresholds for determining reportable segments for the years ended 31 December 2023 and 2022.

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 2023 and 2022 is set out below:

	2023			2022		
	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	**8,571**	**27**	**8,598**	8,432	28	8,460
– Crane machinery	**19,175**	**116**	**19,291**	18,859	120	18,979
– Aerial machinery	**5,701**	**6**	**5,707**	4,593	4	4,597
– Earthworking machinery	**6,647**	**–**	**6,647**	3,511	–	3,511
– Others	**4,208**	**35**	**4,243**	3,415	29	3,444
Agricultural machinery	**2,089**	**3**	**2,092**	2,133	5	2,138
Financial services	**–**	**497**	**497**	–	502	502
	46,391	**684**	**47,075**	40,943	688	41,631

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

	2023 RMB millions	2022 RMB millions
Reportable segment profit:		
Construction machinery		
– Concrete machinery	**1,971**	1,779
– Crane machinery	**5,989**	4,348
– Aerial machinery	**1,293**	957
– Earthworking machinery	**1,857**	824
– Others	**1,130**	594
Agricultural machinery	**246**	95
Financial services	**480**	491
	12,966	9,088

(iii) Reconciliations of segment profit

	2023 RMB millions	2022 RMB millions
Reconciliation of segment profit:		
Total reportable segment profit	**12,966**	9,088
Gross profit	**12,966**	9,088
Other income	**935**	982
Sales and marketing expenses	**(3,557)**	(2,635)
General and administrative expenses	**(2,274)**	(2,400)
Expected credit losses	**(794)**	(446)
Research and development expenses	**(3,441)**	(2,507)
Net finance expenses	**284**	300
Share of profits less losses of associates	**153**	130
Profit before taxation	**4,272**	2,512

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. Most of the 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.

	2023 RMB millions	2022 RMB millions
Revenue from external customers		
– Mainland PRC	**29,026**	31,639
– Outside PRC	**18,049**	9,992
Total	**47,075**	41,631

	2023 RMB millions	2022 RMB millions
Specified non-current assets		
– Mainland PRC	**18,931**	16,961
– Outside PRC	**1,164**	937
Total	**20,095**	17,898

4 Other income

	2023 RMB millions	2022 RMB millions
Government grants (Note)	**866**	788
Net realised and unrealised gains on financial assets at FVPL	**(39)**	269
Dividend income from financial assets at FVOCI	**34**	32
Gain/(loss) on disposal of property, plant and equipment, intangible assets and right-of-use assets	**233**	(8)
Loss on disposal of trade receivables and receivables under finance lease	**(184)**	(59)
Loss on troubled debt restructurings	**(11)**	(23)
Others	**36**	(17)
	935	982

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:

	2023 RMB millions	2022 RMB millions
Interest income	**(914)**	(989)
Interest on loans and borrowings	**682**	914
Interest on lease liabilities (Note 21(a))	**9**	23
Net exchange gain	**(61)**	(248)
	(284)	(300)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5 Profit before taxation (continued)

(b) Staff costs:

	2023 RMB millions	2022 RMB millions
Salaries, wages and other benefits	**4,491**	3,794
Share incentive scheme expenses (Note 26(b))	**279**	170
Contributions to retirement schemes (Note 28)	**690**	574
	5,460	4,538

(c) Other items:

	2023 RMB millions	2022 RMB millions
Cost of inventories sold (Note 16)	**34,109**	32,543
Depreciation charge		
– owned property, plant and equipment (Note 10)	**995**	794
– right-of-use assets, land use rights (Note 11)	**105**	79
– right-of-use assets, plant, machinery and equipment (Note 11)	**138**	122
Amortisation of intangible assets (Note 12)	**150**	161
(Gain)/loss on disposal of property, plant and equipment, intangible assets and right-of-use assets (Note 4)	**(233)**	8
Auditors' remuneration:		
– audit services	**11**	11
Product warranty costs (Note 23(b))	**191**	198
Expected credit losses:		
– trade receivables (Note 18(c))	**561**	259
– bills receivables	**2**	4
– receivables under finance lease (Note 19(c))	**164**	157
– other receivables	**56**	21
– loan and advance	**11**	5
Impairment losses:		
– inventories	**39**	590
– other current assets	**51**	–
Loss on disposal of trade receivables and receivables under finance lease	**184**	59

6 Income tax

Income tax in the consolidated statement of comprehensive income represents:

(a) Taxation charged/(credited) to profit or loss:

	2023 RMB millions	2022 RMB millions
Current tax – PRC income tax	**742**	374
Current tax – Income tax in other tax jurisdictions	**129**	18
Deferred taxation	**(414)**	(306)
Tax expenses	**457**	86

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

	2023 RMB millions	2022 RMB millions
Profit before taxation	**4,272**	2,512
Notional tax on profit before taxation, calculated at the statutory income tax rate (Note (i))	**1,068**	628
Tax effect of non-deductible expenses	**30**	37
Current year loss for which no deferred tax assets was recognised	**125**	109
Tax effect of non-taxable income	**(94)**	(51)
Tax effect of subsidiaries subject to a difference tax rate (Note (ii))	**(197)**	232
Tax effect of additional deduction for research and development expenses (Note (iii))	**(454)**	(265)
Tax effect of additional deduction for machineries and equipment acquired (Note (iv))	**–**	(604)
Others	**(21)**	–
Actual income tax expenses	**457**	86

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% (2022: 25%).

(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 PRC subsidiaries obtained or renewed its status as high-technology enterprises in 2023 and accordingly are subject to income tax at 15% for the years from 2023 to 2025.

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2022: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. In 2023 and 2022, 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% to 34% (2022: 15% to 34%).

(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 2023 (2022: 100%).

(iv) Under the income tax law and its relevant regulations, a 100% additional tax deduction was allowed for qualified machineries and equipment acquired in the fourth quarter of 2022 for high-technology enterprises. No such deduction is allowed in 2023.

(c) Pillar Two income taxes

The Group has subsidiaries operating in HKSAR, which has enacted new tax laws to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD"). The new tax laws will take effect from 1 January 2025. When these laws take effect, the Group expects to be subject to a new top-up tax in HKSAR, where the local effective tax rate is lower than 15%. As the new tax laws are not yet effective, the Group does not recognize any current tax relating to the Pillar Two model rules for the year ended 31 December 2023.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and would account for the tax as current tax when incurred.

Had the new tax laws applied in HKSAR in 2023, the profits relating to the Group's subsidiaries in HKSAR would be subject to the corresponding Pillar Two income taxes. For the year ended 31 December 2023, such profits amounted to approximately RMB838 million and the average effective tax rate applicable to those profits was 14.17%.

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 2023						
Executive director						
ZHAN Chunxin	–	1,342	1,342	16	18,251	20,951
Non-executive directors						
HE Liu	–	–	–	–	–	–
Wang Xianping (appointed on 2 August 2023)	–	–	–	–	–	–
Zhao Joan Huan (resigned on 29 June 2023)	–	–	–	–	–	–
Independent non-executive directors						
ZHANG Chenghu (appointed on 29 June 2023)	75	–	–	–	–	75
HUANG Guobin (appointed on 29 June 2023)	75	–	–	–	–	75
WU Baohai (appointed on 29 June 2023)	75	–	–	–	–	75
HUANG Jun (appointed on 29 June 2023)	75	–	–	–	–	75
LIU Guiliang (resigned on 29 June 2023)	75	–	–	–	–	75
YANG Changbo (resigned on 29 June 2023)	75	–	–	–	–	75
LAI Kin Keung (resigned on 29 June 2023)	75	–	–	–	–	75
ZHAO Songzheng (resigned on 29 June 2023)	75	–	–	–	–	75
Supervisors						
YAN Mengyu (appointed on 29 June 2023)	–	–	–	–	–	–
XIONG Yanming (appointed on 29 June 2023)	–	492	492	16	3,286	4,286
WANG Minghua (resigned on 29 June 2023)	–	–	–	–	–	–
HE Jianming (resigned on 29 June 2023)	–	442	442	16	2,301	3,201
LIU Xiaoping	–	692	692	16	2,958	4,358
	600	2,968	2,968	64	26,796	33,396

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 2022						
Executive director						
ZHAN Chunxin	–	1,342	1,342	16	17,020	19,720
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	2,441	4,241
LIU Xiaoping	–	692	692	16	1,962	3,362
	600	2,926	2,926	48	21,423	27,923

None of these directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the year (2022: Nil).

8 Individuals with highest emoluments

Of the five highest paid individuals of the Group, two individuals was director or supervisor of the Company, whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining three individuals are as follows:

	2023 RMB thousands	2022 RMB thousands
Salaries, allowances and other benefits in kind	**5,900**	7,536
Share incentive scheme expenses	**13,147**	12,031
Contributions to retirement scheme	**48**	64
	19,095	19,631

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

	2023 Number	2022 Number
RMB 3,000,001 – RMB6,000,000	**1**	4
RMB 6,000,001 – RMB9,000,000	**2**	–

None of these employees received any inducements or compensation for loss of office, or waived any emoluments during the year (2022: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 RMB3,550 million (2022: RMB2,347 million) and the weighted average of 8,247 million ordinary shares (2022: 8,443 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023 millions	2022 millions
Issued ordinary shares at 1 January	**8,301**	8,444
Effect of repurchase of ordinary A shares	**(133)**	(81)
Effect of restricted A shares unlocked (Note 26(a))	**79**	80
Weighted average number of ordinary shares at 31 December	**8,247**	8,443

(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 RMB3,550 million (2022: RMB2,347 million) and the weighted average number of ordinary shares of 8,285 million shares (2022: 8,480 million shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2023 millions	2022 millions
Weighted average number of ordinary shares at 31 December	**8,247**	8,443
Effect of deemed issue of restricted A shares (Note 26(a))	**38**	37
Weighted average number of ordinary shares (diluted) at 31 December	**8,285**	8,480

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

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 2022	6,061	4,990	917	2,968	14,936
Acquisition from business combination	122	63	6	–	191
Additions	295	52	209	4,458	5,014
Transferred from construction in progress	1,020	2,861	61	(3,942)	–
Disposals	(109)	(258)	(176)	–	(543)
Effect of exchange rate difference	14	9	4	–	27
Balance at 31 December 2022	7,403	7,717	1,021	3,484	19,625
Balance at 1 January 2023	**7,403**	**7,717**	**1,021**	**3,484**	**19,625**
Additions	**383**	**460**	**125**	**5,615**	**6,583**
Transferred from construction in progress	**2,177**	**474**	**20**	**(2,671)**	**–**
Disposals	**(1,664)**	**(629)**	**(124)**	**–**	**(2,417)**
Effect of exchange rate difference	**2**	**53**	**2**	**–**	**57**
Balance at 31 December 2023	**8,301**	**8,075**	**1,044**	**6,428**	**23,848**
Accumulated depreciation and impairment:					
Balance at 1 January 2022	(1,820)	(2,770)	(606)	–	(5,196)
Depreciation charge for the year	(219)	(479)	(96)	–	(794)
Written back on disposals	52	130	103	–	285
Effect of exchange rate difference	(6)	(8)	(3)	–	(17)
Balance at 31 December 2022	(1,993)	(3,127)	(602)	–	(5,722)
Balance at 1 January 2023	**(1,993)**	**(3,127)**	**(602)**	**–**	**(5,722)**
Depreciation charge for the year	**(283)**	**(605)**	**(107)**	**–**	**(995)**
Written back on disposals	**85**	**152**	**44**	**–**	**281**
Effect of exchange rate difference	**(11)**	**(36)**	**(1)**	**–**	**(48)**
Balance at 31 December 2023	**(2,202)**	**(3,616)**	**(666)**	**–**	**(6,484)**
Net book value:					
Balance at 31 December 2023	**6,099**	**4,459**	**378**	**6,428**	**17,364**
Balance at 31 December 2022	5,410	4,590	419	3,484	13,903

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10 Property, plant and equipment (continued)

As at 31 December 2023, the carrying amount of machinery, plant and equipment leased out under operating leases is RMB167 million (31 December 2022: RMB191 million), which mainly represents machinery of Wilbert Tower Cranes GmbH. The lease term generally ranges from 1 to 2 years (2022: 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:

	2023 RMB millions	2022 RMB millions
Within 1 year	**52**	95
After 1 year but within 2 years	**21**	51
After 2 years but within 3 years	**–**	16
Thereafter	**–**	5
	73	167

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	**2023 RMB millions**	2022 RMB millions
Land use rights, carried at depreciated cost	(i)	**3,114**	3,453
Property, plant and equipment, carried at depreciated cost	(ii)	**507**	542
		3,621	3,995

11 Right-of-use assets (continued)

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

	2023 RMB millions	2022 RMB millions
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights, carried at depreciated cost	**105**	79
Plant, machinery and equipment, carried at depreciated cost	**138**	122
	243	201
Interest on lease liabilities (Note 5(a))	**9**	23
Expense relating to short-term leases	**20**	21
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**28**	30

During the year ended 31 December 2023, disposals of right-of-use assets were RMB369 million (2022: additions RMB624 million). This amount primarily related to the disposal of leased factory building by Italian subsidiary CIFA.

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 respective 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.

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12 Intangible assets

	Trademarks RMB millions	Technical know-how RMB millions	Software, patents, operating and similar rights RMB millions	Customer relationships RMB millions	Capitalised development costs RMB millions	Total RMB millions
Cost:						
Balance at 1 January 2022	1,200	224	543	555	991	3,513
Acquisition from business combination	1	–	87	–	–	88
Additions	–	14	110	–	11	135
Disposals	–	(8)	(6)	–	(35)	(49)
Effect of exchange rate difference	23	20	–	15	36	94
Balance at 31 December 2022	1,224	250	734	570	1,003	3,781
Balance at 1 January 2023	**1,224**	**250**	**734**	**570**	**1,003**	**3,781**
Additions	**–**	**12**	**189**	**–**	**37**	**238**
Disposals	**–**	**(6)**	**(30)**	**–**	**(108)**	**(144)**
Effect of exchange rate difference	**39**	**17**	**1**	**19**	**39**	**115**
Balance at 31 December 2023	**1,263**	**273**	**894**	**589**	**971**	**3,990**
Accumulated amortisation and impairment:						
Balance at 1 January 2022	(37)	(191)	(354)	(479)	(602)	(1,663)
Amortisation for the year	–	(48)	(33)	(28)	(52)	(161)
Written back on disposals	–	4	6	–	–	10
Effect of exchange rate difference	–	(14)	–	(13)	(14)	(41)
Balance at 31 December 2022	(37)	(249)	(381)	(520)	(668)	(1,855)
Balance at 1 January 2023	**(37)**	**(249)**	**(381)**	**(520)**	**(668)**	**(1,855)**
Amortisation for the year	**–**	**(1)**	**(77)**	**(27)**	**(45)**	**(150)**
Written back on disposals	**–**	**5**	**–**	**–**	**46**	**51**
Effect of exchange rate difference	**–**	**(16)**	**(1)**	**(19)**	**(12)**	**(48)**
Balance at 31 December 2023	**(37)**	**(261)**	**(459)**	**(566)**	**(679)**	**(2,002)**
Net book value:						
Balance at 31 December 2023	**1,226**	**12**	**435**	**23**	**292**	**1,988**
Balance at 31 December 2022	1,187	1	353	50	335	1,926

12 Intangible assets (continued)

Impairment testing for CGUs containing trademarks with an indefinite useful life

For the purposes of impairment testing, trademarks with an indefinite useful life has been allocated to the Group's CGUs (operating divisions) as follows:

	2023 RMB millions	2022 RMB millions
CIFA	698	660
Zoomlion Agriculture Machinery Co., Ltd. (formerly "Zoomlion Heavy Machinery Co., Ltd.")	457	457
Other CGUs	71	70
	1,226	1,187

The recoverable amounts of the CGUs were based on their value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The cash flow projections covered a period of five years. The following table shows the amount by which the CGU's recoverable amount exceeds its carrying amount.

	2023 RMB millions	2022 RMB millions
CIFA	28	67
Zoomlion Agriculture Machinery Co., Ltd.	29	48

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2023	2022
Pre-tax discount rate		
– CIFA	14.4%	11.9%
– Zoomlion Agriculture Machinery Co., Ltd.	13.2%	13.2%
Terminal value growth rate		
– CIFA	2.5%	3.0%
– Zoomlion Agriculture Machinery Co., Ltd.	2.5%	3.0%
Sales growth rate		
– CIFA	12.6%	9.4%
– Zoomlion Agriculture Machinery Co., Ltd.	26.0%	22.6%

12 Intangible assets (continued)

Impairment testing for CGUs containing trademarks with an indefinite useful life (continued)

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change to individually for the estimated recoverable amount to be equal to the carrying amount.

	Key assumption required for carrying amount to equal recoverable amount	
	2023	2022
Pre-tax discount rate		
– CIFA	**14.9%**	13.8%
– Zoomlion Agriculture Machinery Co., Ltd.	**13.8%**	14.2%
Terminal value growth rate		
– CIFA	**1.8%**	-0.1%
– Zoomlion Agriculture Machinery Co., Ltd.	**1.4%**	1.4%
Sales growth rate		
– CIFA	**12.1%**	8.4%
– Zoomlion Agriculture Machinery Co., Ltd.	**24.3%**	20.2%

13 Goodwill and business combination

	2023 RMB millions	2022 RMB millions
Balance at 1 January	**2,562**	1,908
Addition	**–**	616
Effect of exchange rate difference	**79**	38
Balance at 31 December	**2,641**	2,562

In February 2022, the Group entered into Equity Transfer Agreement (the “Agreement”) with an independent third party (the “Seller”) for the acquisition of 29.99% equity interests in Shenzhen Luchang Technology Co., Ltd. (“Luchang Technology”), a joint stock company listed in the Shenzhen Stock Exchange, and its subsidiaries (collectively “Luchang Group”) with a total consideration of RMB780 million, which could be adjusted downward if the post-acquisition net profits of a subsidiary of Luchang Technology for the years ending 31 December 2022, 2023 and 2024 do not meet certain target guaranteed by the previous controlling shareholder of Luchang Technology.

13 Goodwill and business combination (continued)

On 23 February 2022, the Group completed the acquisition of 29.99% of the issued share capital of Luchang Technology and obtained the ability to direct the relevant activities of Luchang Technology. The Group commenced consolidation of Luchang Technology from the date of acquisition, and determined that the fair value of net identifiable assets acquired to be approximately RMB547 million, mainly comprising of property, plant and equipment of RMB191 million, investment properties of RMB164 million, intangible assets of RMB88 million, trade and other receivables of RMB156 million, cash and cash equivalents of RMB56 million, trade and other payables of RMB122 million, contract liabilities of RMB28 million, deferred tax liabilities of RMB28 million, non-controlling interest of RMB383 million, arising from this business combination, resulting in a goodwill of RMB616 million.

On 9 May 2022, the Group completed the acquisition of additional 23.83% equity interests of Luchang Technology through a tender offer to other shareholders of Luchang Technology at a total consideration of RMB620 million in cash. An amount of RMB132 million (being the proportionate share of the carrying amount of the net assets of Luchang Group) has been transferred from non-controlling interests. The difference of RMB488 million between the decrease in the non-controlling interests and the consideration paid has been debited to capital reserve.

The goodwill arose from the acquisition of the following entities:

		Carrying amount	
Name of entity	**Date of acquisition**	**2023 RMB millions**	2022 RMB millions
CIFA	September 2008	**1,526**	1,449
Zoomlion Earth Working Machinery (formerly "Shaanxi Xinhuanggong Machinery Co., Ltd.")	June 2008	**85**	85
Hunan Zoomlion Axle Co., Ltd.	June 2008	**11**	11
m-tec	April 2014	**34**	32
Zoomlion Agriculture Machinery Co., Ltd. (formerly "Zoomlion Heavy Machinery Co., Ltd.")	January 2015	**363**	363
Guoyu Europe Holding GmbH	June 2019	**6**	6
Shenzhen Luchang Technology Co., Ltd. ("Luchang Technology")	February 2022	**616**	616
		2,641	2,562

13 Goodwill and business combination (continued)

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs (operating divisions) as follows:

	2023 RMB millions	2022 RMB millions
CIFA and concrete business ("CMS business")	**1,526**	1,449
Luchang Technology	**616**	616
Zoomlion Agriculture Machinery Co., Ltd	**363**	363
Other CGUs	**136**	134
	2,641	2,562

The recoverable amounts of these CGUs have been determined by the higher of value-in-use and fair value less costs of disposal. The following table shows the amount by which the CGU's recoverable amount exceeds its carrying amount.

	2023 RMB millions	2022 RMB millions
CMS business	**7,312**	2,078
Luchang Technology	**1,570**	320
Zoomlion Agriculture Machinery Co., Ltd	**157**	694

The calculation of value-in-use 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 11.0% to 14.2% (2022: 11.4% to 15.6%). The discount rates were determined based on the applicable weighted average cost of capital of the CGUs, 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 2.5% (2022: 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.

13 Goodwill and business combination (continued)

The calculation of fair value less costs of disposal is determined by market method. When using the market method, the fair value of the CGU is estimated on the basis of the stock price of the listed company which the CGU belongs to, and adjusted with a number of factors (including adjustment of working capital, non-operating assets or liabilities and interest-bearing liabilities of the CGU, etc.).

The key assumptions used in the estimation of the recoverable amount of CMS business and Zoomlion Agriculture Machinery Co., Ltd based on value-in-use are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2023	2022
Pre-tax discount rate		
– CMS business	**12.9%**	14.2%
– Zoomlion Agriculture Machinery Co., Ltd	**13.7%**	15.2%
Terminal value growth rate		
– CMS business	**2.5%**	3.0%
– Zoomlion Agriculture Machinery Co., Ltd	**2.5%**	3.0%
Sales growth rate		
– CMS business	**21.0%**	6.5%
– Zoomlion Agriculture Machinery Co., Ltd	**26.0%**	22.6%

The key assumption used in the estimation of the recoverable amount of Luchang Technology based on fair value less costs of disposal is mainly the stock closing price of Luchang Technology which was RMB35.04 per share as at 31 December 2023 (2022: RMB24.95 per share).

Management has identified that a reasonably possible change in key assumptions could cause the carrying amount to exceed the recoverable amount for CGUs with significant goodwill. The following table shows the amount by which these two assumptions would need to change to individually for the estimated recoverable amount to be equal to the carrying amount.

	Key assumption required for carrying amount to equal recoverable amount	
	2023	2022
Pre-tax discount rate		
– CMS business	**16.5%**	16.0%
– Zoomlion Agriculture Machinery Co., Ltd	**14.6%**	19.6%
Terminal value growth rate		
– CMS business	**-4.4%**	0.0%
– Zoomlion Agriculture Machinery Co., Ltd	**2.2%**	0.0%
Sales growth rate		
– CMS business	**16.0%**	5.9%
– Zoomlion Agriculture Machinery Co., Ltd	**25.4%**	19.1%

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14 Interests in associates

	2023 RMB millions	2022 RMB millions
Infore Environment Technology Group Co., Ltd. ("Infore Environment")	**3,191**	3,132
Aggregate carrying amount of individually material associates in the consolidated financial statements	**3,191**	3,132
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**1,306**	1,344
Total	**4,497**	4,476

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

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

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital (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 2023, the quoted market price of Infore Environment was RMB4.75 (2022: RMB4.51) per share and the fair value of the investment in Infore Environment was RMB1,897 million (2022: RMB1,800 million), which was lower than the carrying value. As at 31 December 2023, the management carried out an impairment assessment of the investment and determined its recoverable amount based on the present value of projected future cash flows. The cash flow projections covered a period of five years and adopted a pre-tax discount rate of 11.92%. Cash flows beyond the five-year period are extrapolated using estimated growth rates 2.5%. The discount rate used to estimate the cash flow is based on the cost of capital used to assess investments of a similar nature in mainland China. Forecasting the future cash flow involves the judgment of management. The key assumptions are determined with reference to external information. According to the results of the assessment, no impairment of the investment is required as at 31 December 2023.

14 Interests in associates (continued)

	2023 RMB millions	2022 RMB millions
Amounts of the Group's share of Infore Environment		
Profit from operations	**102**	61
Other comprehensive income	**–**	–
Total comprehensive income	**102**	61

During the year ended 31 December 2023, Infore Environment distributed dividends of RMB44 million (2022: RMB40 million) to the Group.

	2023 RMB millions	2022 RMB millions
Aggregate amounts of the Group's share of individually immaterial associates		
Profit from operations	**51**	69
Other comprehensive income	**–**	–
Total comprehensive income	**51**	69

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15 Other financial assets

	Note	2023 RMB millions	2022 RMB millions
Financial assets at FVOCI			
Equity securities	(i)	2,417	2,186
Financial assets at FVPL			
Listed equity securities		44	77
Investment funds		208	–
Total		2,669	2,263

Notes:

(i) The equity securities comprise listed equity securities and other unlisted equity securities. The aggregate fair value of listed equity securities and other unlisted equity securities was RMB422 million and RMB1,995 million, respectively, as at 31 December 2023 (2022: RMB12 million and RMB2,174 million). The Group designated these investments at FVOCI (non-recycling), as these investments are held for strategic purposes. Dividends of RMB34 million (2022: RMB32 million) were received from these investments in equity securities during the year ended 31 December 2023 (see Note 4). A gain accumulated in the fair value reserve (non-recycling) of RMB3 million in relation to disposal of equity securities was transferred to retained earnings during the year ended 31 December 2023 (2022: accumulated loss of RMB32 million).

16 Inventories

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

	Note	2023 RMB millions	2022 RMB millions
Raw materials		4,762	4,350
Work in progress		2,799	2,555
Finished goods		12,510	7,241
Land to be developed	(i)	2,433	57
		22,504	14,203

16 Inventories (continued)

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

Note:

(i) Land to be developed are related to land use rights owned by subsidiaries of the Group engaging in real estate development.

(b) The amount of inventories recognised as an expense and included in profit or loss is presented in Note 5(c).

17 Financial assets at fair value through profit or loss

	Note	2023 RMB millions	2022 RMB millions
Financial assets carried at fair value through profit or loss:			
– Wealth management products	(i)	**349**	2,806
– Securities investment funds	(ii)	**1,418**	1,205
		1,767	4,011

Notes:

(i) The Group invests its spare cash in wealth management products and structured deposits offered by banks and other financial institutions. These products generally have a pre-set maturity and expected return, with its underlying assets being a wide range of government and corporate bonds, central bank bills, money market funds as well as other listed and unlisted equity securities in the PRC. The Group evaluates these products on a fair value basis in accordance with the accounting policy set out in Note 2(e).

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

18 Trade and other receivables

	2023 RMB millions	2022 RMB millions
Trade receivables (Notes (a) and (b))	**41,008**	44,764
Less: loss allowance (Note (c))	**(5,514)**	(5,260)
	35,494	39,504
Less: trade receivables due after one year (Notes (a))	**(10,882)**	(11,829)
	24,612	27,675
Bills receivable (Note (d))	**1,572**	1,239
	26,184	28,914
Amounts due from related parties (Note 35(b))	**137**	240
Prepayments for purchase of raw materials	**930**	735
Prepaid expenses	**334**	215
Prepayments for land use rights (Note (e))	**1,703**	1,703
VAT recoverable	**2,120**	1,458
Deposits	**75**	99
Others	**550**	598
	32,033	33,962

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

(a) Trading terms and factoring of trade receivables

The Group generally allows certain customers with appropriate credit standing to make payments in instalments generally over a period of 6 to 60 months ("instalment payment method"). Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2023, the discount rates ranged from 2.57% to 18.75% (2022: 4.45%) per annum.

18 Trade and other receivables (continued)

(a) Trading terms and factoring of trade receivables (continued)

Trade receivables due after one year is as follows:

	2023 RMB millions	2022 RMB millions
Gross investment	**11,660**	12,766
Unearned finance income	**(621)**	(814)
	11,039	11,952
Less: loss allowance	**(157)**	(123)
Trade receivables due after one year	**10,882**	11,829

(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:

	2023 RMB millions	2022 RMB millions
Within 1 year	**21,237**	28,233
Over 1 year but less than 2 years	**5,849**	6,730
Over 2 years but less than 3 years	**4,078**	1,279
Over 3 years but less than 5 years	**1,859**	1,391
Over 5 years	**2,471**	1,871
	35,494	39,504

Trade receivables under credit sales arrangement are generally due within 1 to 6 months (2022: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 5% to 30% (2022: 30% to 50%) of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 60 months (2022: 6 to 60 months), customers are normally required to make an upfront payment ranging from 5% to 30% (2022: 20% 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:

	2023 RMB millions	2022 RMB millions
Balance at 1 January	**5,260**	4,937
Impairment losses recognised	**580**	292
Reclassification from loss allowance of receivables under finance lease (Note 19(c))	**124**	284
Uncollectible amounts written off	**(174)**	(244)
Written off upon sale of trade receivables (Note)	**(276)**	(9)
Balance at 31 December	**5,514**	5,260

Note: During the year ended 31 December 2023, RMB174 million of loss allowance for trade receivables were written off due to disposal of certain receivables (2022: RMB9 million).

(d) As at 31 December 2023, bills receivable of RMB1,489 million (2022: RMB952 million), including bank acceptance bills and digital bills receivable, whose fair values approximate to their carrying values were classified as financial assets at FVOCI under IFRS 9. The fair value changes of these bills receivable measured at FVOCI were insignificant during the year.

Other bills receivable of RMB83 million (2022: RMB287 million) are measured at amortised cost, including bank and commercial acceptance bills.

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

18 Trade and other receivables (continued)

(d) (continued)

As at 31 December 2023, 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 2023, 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 RMB1,998 million (31 December 2022: RMB658 million).

As at 31 December 2023, bills receivable of RMB1,304 million (31 December 2022: RMB1,362 million) was discounted to banks 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) Prepayments for land use rights

Prepayments for land are related to land acquisition costs prepaid by subsidiaries engaged in real estate development while the relevant land use right certificates have not been obtained as at 31 December 2023.

(f) Loans and advances

	2023 RMB millions	2022 RMB millions
Loans and advances	**870**	458
Less: loss allowance	**(22)**	(11)
	848	447
Less: Loans and advances due after one year	**(568)**	(277)
Loans and advances due within one year	**280**	170

The Group provides loans to customers purchasing machinery products of the Group. Customers are normally required to make an upfront payment ranging from 20% to 50% (2022: 20% to 50%) of the product price. Loans and advances under these arrangements are generally due within 1 to 5 years (2022: 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

	2023 RMB millions	2022 RMB millions
Gross investment	**12,364**	12,587
Unearned finance income	**(572)**	(615)
	11,792	11,972
Less: loss allowance (Note (c))	**(829)**	(799)
	10,963	11,173
Less: receivables under finance lease due after one year	**(6,120)**	(6,456)
Receivables under finance lease due within one year	**4,843**	4,717

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of un-reimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for periods ranging from 1 to 6 years (2022: 1 to 6 years). Customers are normally required to make an upfront payment ranging from 5% to 50% of the product price (2022: 5% to 50%) and pay a security deposit ranging from 1% to 20% of the product price (2022: 1% to 20%). At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

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19 Receivables under finance lease (continued)

(a) Ageing analysis of receivables under finance lease

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

	2023 RMB millions	2022 RMB millions
Present value of the minimum lease payments		
Within 1 year	5,157	5,043
Over 1 year but less than 2 years	3,070	3,001
Over 2 years but less than 3 years	1,906	1,968
Over 3 years	1,659	1,960
	11,792	11,972
Unearned finance income		
Within 1 year	265	270
Over 1 year but less than 2 years	131	140
Over 2 years but less than 3 years	88	98
Over 3 years	88	107
	572	615
Gross investment		
Within 1 year	5,422	5,313
Over 1 year but less than 2 years	3,201	3,141
Over 2 years but less than 3 years	1,994	2,066
Over 3 years	1,747	2,067
	12,364	12,587

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:

	2023 RMB millions	2022 RMB millions
Not yet due	**10,498**	10,841
Within 1 year past due	**1,084**	929
Over 1 year but less than 2 years past due	**72**	176
Over 2 years past due	**138**	26
Total past due	**1,294**	1,131
	11,792	11,972
Less: loss allowance	**(829)**	(799)
	10,963	11,173

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	2023 RMB millions	2022 RMB millions
Balance at 1 January		**799**	954
Impairment losses recognised		**164**	157
Written off upon sale of receivables under finance lease		**–**	(19)
Reclassification to loss allowance of trade receivables	18(c)	**(124)**	(284)
Written off upon repossession of sold machinery		**(10)**	(9)
Balance at 31 December		**829**	799

(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

	2023 RMB millions	2022 RMB millions
Cash at bank and on hand		
– RMB denominated	**10,701**	12,182
– USD denominated	**1,541**	439
– EUR denominated	**623**	549
– HKD denominated	**33**	39
– Other currencies	**708**	582
	13,606	13,791

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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)	Lease liabilities RMB million (Note 25)	Total RMB million
At 1 January 2022		18,905	413	19,318
Changes from financing cash flows:				
Capital element of lease rentals paid		–	(146)	(146)
Interest element of lease rentals paid		–	(23)	(23)
Proceeds from loans and borrowings		19,993	–	19,993
Repayments of loans and borrowings		(17,242)	–	(17,242)
Interest paid		(928)	–	(928)
Total changes from financing cash flows		1,823	(169)	1,654
Exchange adjustments		328	–	328
Other changes:				
Loans and borrowings Loan and borrowing acquired from business combination		10	12	22
Increase in lease liabilities from entering into new lease during the year		–	193	193
Interest on loans and borrowings	5(a)	914	–	914
Interest on lease liabilities	5(a)	–	23	23
Total other changes		924	228	1,152
At 31 December 2022		**21,980**	**472**	**22,452**

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)	Lease liabilities RMB million (Note 25)	Total RMB million
Changes from financing cash flows:				
Capital element of lease rentals paid		–	(132)	(132)
Interest element of lease rentals paid		–	(9)	(9)
Proceeds from loans and borrowings		16,538	–	16,538
Repayments of loans and borrowings		(16,344)	–	(16,344)
Interest paid		(681)	–	(681)
Total changes from financing cash flows		(487)	(141)	(628)
Exchange adjustments		146	–	146
Other changes:				
Increase in lease liabilities from entering into new lease during the year		–	94	94
Interest on loans and borrowings	5(a)	682	–	682
Interest on lease liabilities	5(a)	–	9	9
Total other changes		682	103	785
At 31 December 2023		22,321	434	22,755

21 Cash and cash equivalents (continued)

(b) Total cash outflow for leases

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

	2023 RMB millions	2022 RMB millions
Within operating cash flows	**48**	51
Within financing cash flows	**141**	169
	189	220

These amounts relate to the following:

	2023 RMB millions	2022 RMB millions
Lease rentals paid	**189**	220

22 Loans and borrowings

(a) Short-term loans and borrowings

	Note	2023 RMB millions	2022 RMB millions
Pledged short-term bank loans			
– RMB denominated	(i)	**254**	308
Unsecured short-term bank loans			
– RMB denominated	(ii)	**5,230**	3,750
– USD denominated		**–**	133
– EUR denominated	(iii)	**170**	1,990
– THB denominated		**–**	20
		5,654	6,201
Add: current portion of long-term loans and borrowings	22(b)	**1,723**	4,817
		7,377	11,018

Notes:

(i) As at 31 December 2023, RMB denominated pledged short-term bank loan of RMB254 million (31 December 2022: RMB308 million) bore interest at rates ranging from 1.79% to 2.00% per annum were pledged by invention patents and bank acceptance bills and will be repayable in full in 2024.

(ii) As at 31 December 2023, RMB denominated unsecured short-term bank loans of RMB5,230 million (31 December 2022: RMB3,750 million) bore interest at rates ranging from 2.14% to 2.65% per annum and will be repayable in full in 2024. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 31 December 2023, the Group was in compliance with these financial covenants.

(iii) As at 31 December 2023, EUR denominated unsecured short-term bank loans of RMB170 million (31 December 2022: RMB1,990 million) bore interest at rates ranging from 1.02% to 6.10% per annum and will be repayable in 2024.

22 Loans and borrowings (continued)

(b) Long-term loans and borrowings

	Note	2023 RMB millions	2022 RMB millions
Unsecured long-term bank loans			
– RMB denominated	(i)	**15,916**	12,350
– EUR denominated	(ii)	**550**	195
– USD denominated	(iii)	**159**	197
Secured long-term bank loans			
– EUR denominated		**17**	18
RMB medium-term notes		**–**	50
Debentures		**25**	2,969
		16,667	15,779
Less: current portion of long-term loans	22(a)	**(1,723)**	(4,817)
		14,944	10,962

Notes:

(i) As at 31 December 2023, RMB denominated unsecured long-term bank loans of RMB14,306 million (31 December 2022: RMB10,571 million) bore interest at rates ranging from 2.45% to 3.35% per annum and will be repayable from 2025 to 2030. Such loans were subject to the fulfilment of certain financial covenants of the Group. As at 31 December 2023, the Group was in compliance with these financial covenants.

As at 31 December 2023, RMB denominated unsecured long-term bank loans of RMB1,610 million (31 December 2022: RMB1,779 million) bore interest at rates ranging from 2.45% to 3.35% per annum and will be repayable within 12 months.

(ii) As at 31 December 2023, EUR denominated unsecured long-term bank loans of RMB462 million (31 December 2022: RMB186 million) bore interest at rates ranging from 1.02% to 6.10% per annum and will be repayable from 2025 to 2030. Such loans were subject to the fulfilment of certain financial covenants of the Group. As at 31 December 2023, the Group was in compliance with these financial covenants.

As at 31 December 2023, EUR denominated unsecured long-term bank loans of RMB88 million (31 December 2022: RMB9 million) bore interest at rates ranging from 2.00% to 3.41% per annum and will be repayable within 12 months.

(iii) As at 31 December 2023, USD denominated unsecured long-term bank loans of RMB159 million (31 December 2022: RMB197 million) bore interest at rates of 1.80% per annum and will be repayable from 2025 to 2030.

22 Loans and borrowings (continued)

(c) Except as disclosed in Note 22(a)(ii) and Note 22(b)(i) above, none of the Group's loans and borrowings contains any financial covenants.

23 Trade and other payables

	2023 RMB millions	2022 RMB millions
Trade creditors	**11,215**	13,075
Digital bills payable	**8,663**	5,260
Bills payable	**11,836**	8,159
Trade creditors and bills payable (Note (a))	**31,714**	26,494
Accrued staff costs	**895**	834
Value added tax payable	**992**	1,120
Sundry taxes payable	**74**	66
Security deposits (Note 29)	**764**	774
Payable for acquisition of property, plant and equipment	**2,778**	2,314
Product warranty provision (Note (b))	**127**	126
Financial guarantees issued (Note 34)	**43**	68
Amounts due to related parties (Note 35(b))	**–**	1
Other accrued expenses and payables	**3,126**	3,462
	40,513	35,259

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

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23 Trade and other payables (continued)

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

	2023 RMB millions	2022 RMB millions
Due within 1 month or on demand	**8,288**	2,386
Due after 1 month but within 3 months	**11,261**	14,624
Due after 3 months but within 6 months	**9,159**	6,026
Due after 6 months but less than 12 months	**3,006**	3,458
	31,714	26,494

(b) Product warranty provision

	RMB millions
Balance at 1 January 2022	137
Provision for the year	198
Utilisation during the year	(209)
Balance at 31 December 2022 and 1 January 2023	**126**
Provision for the year	**191**
Utilisation during the year	**(190)**
Balance at 31 December 2023	**127**

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

	2023 RMB millions	2022 RMB millions
Contract liabilities		
Receipts in advance from customers	1,817	1,892
	1,817	1,892

	2023 RMB millions	2022 RMB millions
Balance at 1 January	1,892	1,874
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	(1,892)	(1,874)
Increase in contract liabilities as a result of billing in advance	1,817	1,892
Balance at 31 December	1,817	1,892

25 Lease liabilities

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

	2023		2022	
	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	**126**	**126**	117	117
After 1 year but within 2 years	**89**	**92**	95	100
After 2 years but within 5 years	**94**	**104**	100	115
After 5 years	**125**	**166**	160	201
	308	**362**	355	416
	434	**488**	472	533
Less: total future interest expenses		**(54)**		(61)
Present value of lease liabilities		**434**		472

26 Share incentive scheme

On 15 November 2019, an Employee Stock Ownership Plan ("ESOP") was considered and approved at the seventh extraordinary meeting of the sixth session of the board of directors. On 6 January 2020, the ESOP and the related resolution were considered and passed at the first extraordinary general meeting of 2020, pursuant to which 390,449,924 restricted shares were planned to be granted to no more than 1,200 selected current employees ("the Participants") of the Group. On 3 April 2020, related resolutions were considered and passed at the First Meeting of Participants, pursuant to which the date of grant for the ESOP has been set for 3 April 2020. The Participants are entitled to purchase Zoomlion restricted A shares at RMB2.75 each. The Participants of the ESOP included directors, senior executives and core technical employees. As a result, 390,449,924 restricted shares were granted to the ESOP Participants on 3 April 2020 and the transfer of restricted A shares was completed on 28 April 2020.

The first vesting period of the ESOP 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 subject to certain performance conditions, whose percentages of restricted shares vested are 40%, 30% and 30% respectively.

On 30 August 2023, a new Employee Stock Ownership Plan (Phase II) ("ESOP II") was considered and approved at the second extraordinary meeting of the seventh session of the board of directors. On 27 September 2023, the ESOP II and the related resolution were considered and passed at the second extraordinary general meeting of 2023, pursuant to which 423,956,766 restricted shares were planned to be granted to no more than 1,500 selected current employees ("the Participants") of the Group. On 28 September 2023, the Participants signed the share subscription agreement under ESOP II, pursuant to which the date of grant for the ESOP II has been set for 28 September 2023. The Participants are entitled to purchase Zoomlion restricted A shares at RMB3.17 each. The Participants of the ESOP II included directors, senior executives and core technical employees. As a result, 423,956,766 restricted shares were granted to the Participants of the ESOP II on 28 September 2023 and the transfer of restricted A shares was completed on 17 October 2023.

The first vesting period of the ESOP II 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 subject to certain performance conditions, whose percentages of restricted shares vested are 40%, 30% and 30% respectively.

26 Share incentive scheme (continued)

(a) Restricted shares

The number of restricted shares are as follows:

	2023 Number of restricted shares	2022 Number of restricted shares
Outstanding at the beginning of the year	**117,134,977**	234,269,954
Vested during the year	**(117,134,977)**	(117,134,977)
Granted during the year	**423,956,766**	–
Outstanding at the end of the year	**423,956,766**	117,134,977
Contractual life of restricted shares	**1.73 years**	0.33 years

The fair value of restricted share of the ESOP granted on 3 April 2020 were RMB3.00 per share, and the fair value of restricted share of the ESOP II granted on 28 September 2023 were RMB3.72 per share, which is the difference between the market price of the ordinary share at the grant date and the proceeds received from the employees.

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

For the ESOP and the ESOP II, no matter Participants leave the Group or not at the end of the vesting period, all share incentive scheme expenses are to be recognised in the consolidated statement of comprehensive income. In 2023, share incentive scheme expenses of RMB279 million (2022: RMB170 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:

	2023 RMB millions	2022 RMB millions
Provision for PRC income tax	128	99
Provision for income tax in other tax jurisdictions	26	8
	154	107

(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 2023

	Balance at 31 December 2022 RMB millions	Credited/ (charged) to profit or loss RMB millions	Credited/ (charged) to reserves RMB millions	Balance at 31 December 2023 RMB millions
Deferred tax assets arising from:				
Receivables	852	(7)	–	845
Inventories	125	(9)	–	116
Accrued expenses	73	17	–	90
Tax losses	578	(58)	–	520
Others	279	477	2	758
Total	1,907	420	2	2,329
Deferred tax liabilities arising from:				
Property, plant and equipment	(54)	13	–	(41)
Intangible assets	(267)	2	–	(265)
Right-of-use assets	(43)	20	–	(23)
Others	(478)	(41)	15	(504)
Total	(842)	(6)	15	(833)

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

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

	Deferred tax assets RMB millions	Deferred tax liabilities RMB millions
Gross amount	**2,329**	**(833)**
Offset amount	**(26)**	**26**
After offset	**2,303**	**(807)**

Year ended 31 December 2022

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

As at 31 December 2023, deferred tax assets in respect of tax losses totalling RMB469 million (31 December 2022: RMB422 million) were not recognised by certain subsidiaries of the Company, as it is not probable that sufficient future taxable profits will be available to utilise such tax benefits.

28 Employee benefits plans

As stipulated by the regulations of the PRC, the Company and its subsidiaries in the PRC participate in various defined contribution retirement plans organised by municipal and provincial governments for the Group's PRC employees. These entities are required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employee, subject to certain salary limits. A member of the above plans is entitled to a pension equal to a fixed percentage of the salary prevailing at his or her retirement date. In addition, the Group have some subsidiaries outside the PRC, and pursuant to the local laws, the foreign subsidiaries are required to contribute to a government-mandated pension fund from 3.7% to 30% 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

	2023 RMB millions	2022 RMB millions
Deferred income of government grants	**2,488**	2,298
Security deposits received from finance lease arrangement	**439**	532
Compensation for tentative relocation of production premises	**2,637**	3,098
Others	**75**	98
	5,639	6,026

30 Capital and reserves

(a) Share capital

	2023 RMB millions	2022 RMB millions
Ordinary shares issued and fully paid:		
At 1 January and 31 December	**8,678**	8,678
7,096,027,626 A Shares of RMB1.00 each 1,581,964,548 H Shares of RMB1.00 each (2022: 7,096,027,626 A Shares of RMB1.00 each 1,581,964,548 H Shares of RMB1.00 each)	**8,678**	8,678

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	
	2023 RMB millions	2022 RMB millions
Capital reserve		
Balance at 1 January	**19,794**	21,183
Repurchase of ordinary shares (Note 30(d))	**(1,085)**	(1,556)
Share incentive scheme (Note 26)		
– Restricted share scheme	**1,634**	167
Capital injection of a subsidiary	**7**	–
Balance at 31 December	**20,350**	19,794
Statutory surplus reserve		
Balance at 1 January	**4,383**	4,383
Balance at 31 December	**4,383**	4,383
Other reserves		
Balance at 1 January	**(19)**	(41)
Safety production fund	**5**	10
Other comprehensive income	**(25)**	12
Balance at 31 December	**(39)**	(19)

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30 Capital and reserves (continued)

(b) Reserves (continued)

	The Company	
	2023 RMB millions	2022 RMB millions
Retained earnings		
Balance at 1 January	**13,878**	15,734
Safety production fund (Note 30(b)(vi))	**(5)**	(10)
Cash dividends (Note 30(c))	**(2,641)**	(2,777)
Profit for the year	**733**	931
Balance at 31 December	**11,965**	13,878
Total		
Balance at 1 January	**38,036**	41,259
Balance at 31 December	**36,659**	38,036

(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 2023, such reserve balance has reached 50% of the registered capital.

The statutory surplus reserve is non-distributable other than in liquidation and can be used to make good previous years' losses, if any, and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issuance is not less than 25% of the registered capital. No such statutory surplus reserve is required for the Group's subsidiaries outside the mainland PRC.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's subsidiaries outside the mainland PRC which are dealt with in accordance with the accounting policies set out in Note 2(u).

(iv) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under IFRS 9 held at the end of the reporting period (see Note 2(e)).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 2(e)).

30 Capital and reserves (continued)

(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 2.35% 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 29 June 2023, a final cash dividend of RMB0.32 per share based on 8,254 million ordinary shares in issue, totaling RMB2,641 million in respect of 2020 was declared, which was fully paid by 31 December 2023.

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

30 Capital and reserves (continued)

(d) Repurchase of own shares

In 2023, the Company repurchased its own shares on the Shenzhen Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share RMB	Lowest price paid per share RMB	Aggregated price paid RMB millions
February to March/2023	**164,093,583**	**6.85**	**6.05**	**1,085**

The total amount paid for the repurchased shares of RMB1,085 million was paid wholly out of capital reserve.

31 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide investment returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Management regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Management monitors its capital structure on the basis of the debt-to-equity ratio. For this purpose, the Group defines debt as total loans and borrowings and defines equity as all components of equity attributable to equity shareholders of the Company.

During 2023, the Group's strategy, which was unchanged from 2022, was to maintain the debt-to-equity ratio at less than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

31 Capital management (continued)

As at 31 December 2023, the Group's debt-to-equity ratio was as follows:

	2023 RMB millions	2022 RMB millions
Current liabilities:		
Short-term loans and borrowings	**7,377**	11,018
Lease liabilities	**126**	117
Total current liabilities	**7,503**	11,135
Non-current liabilities:		
Long-term loans and borrowings	**14,944**	10,962
Lease liabilities	**308**	355
Total non-current liabilities	**15,252**	11,317
Total debt	**22,755**	22,452
Total equity attributable to equity shareholders of the Company	**56,371**	54,705
Debt-to-equity ratio	**40.37%**	41.04%

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 2023 RMB millions	Fair value measurements as at 31 December 2023		
		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	1,489	–	–	1,489
– Unlisted equity securities	1,995	–	–	1,995
– Listed equity securities	422	422	–	–
Fair value through profit or loss				
– Wealth management products and structured deposits	349	–	322	27
– Listed equity securities	44	44	–	–
– Private equity fund	208	–	–	208
– Securities investment funds	1,418	1,418	–	–
Financial liabilities:				
Fair value through profit or loss				
– Derivatives	(9)	–	–	(9)

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 2022 RMB millions	Fair value measurements as at 31 December 2022 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	952	–	–	952
– Unlisted equity securities	2,174	–	–	2,174
– Listed equity securities	12	12	–	–
Fair value through profit or loss				
– Wealth management products and structured deposits	2,806	–	2,294	512
– Listed equity securities	77	77	–	–
– Securities investment funds	1,205	1,205	–	–

The Group holds an investment in equity shares Horizon Construction Development Limited (“Horizon C&D”) with a fair value of RMB417 million at 31 December 2023 (31 December 2022: RMB218 million). The fair value of this investment was categorised as Level 3 at 31 December 2022 as the shares were not listed and there were no recent observable arm’s length transactions of the shares.

During the year ended 31 December 2023, Horizon C&D’s equity shares became listed on the Main Board of the Stock Exchange of Hong Kong Limited. The equity shares now have a quoted price in an active market, so its fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at 31 December 2023. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 other than this.

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

	Valuation technique(s)	Unobservable(s)	Relationship of unobservable input(s) to fair value	Range
Unlisted equity securities	Comparable transaction method/ Comparable company method	Price book value ratio Price earnings ratio Lack of marketability discount	The fair value measurement is positively correlated to the price book value ratio and earnings ratio. The fair value measurement is negatively correlated to the lack of marketability discount.	Price book value ratio: 0.62-1.92 Price earnings ratio: 6.86-25.96 Lack of marketability discount: 0%-70%
Bills receivable	Discounted cash flow model	Lack of marketability discount	The fair value measurement is negatively correlated to the lack of marketability discount.	0%
Wealth management products and structured deposits	Cost method	Expected yield	The fair value measurement is positively correlated to the expected yield.	0%-3.10%
Derivatives	Derived from derivatives valuation report from financial institution	Foreign currency exchange rate	The fair value measurement is positively correlated to purchase currency rate/ sell currency rate.	Not applicable
Investment funds	Derived from fund valuation report from fund manager	Net assets	The fair value measurement is positively correlated to the net assets.	Not applicable

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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)

	1 January 2023	Acquisition/ (disposal)	Transfer to Level 1	Net unrealised gains or losses recognised in other comprehensive income during the period	Net unrealised gains or losses recognised in profit or loss during the period	**31 December 2023**
Financial assets:						
Unlisted equity securities	2,174	(14)	(244)	45	34	**1,995**
Bills receivable	952	537	–	–	–	**1,489**
Wealth management products and structured deposits	512	(513)	–	–	28	**27**
Derivatives	–	102	–	–	(111)	**(9)**
Private Equity fund	–	210	–	–	(2)	**208**

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 2023 and 2022 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 2023	**Fair value at 31 December 2023 categorised into Level 1**	Carrying amount at 31 December 2022	Fair value at 31 December 2022 categorised into Level 1
RMB medium-term notes	**–**	**–**	50	50
Debentures	**25**	**25**	2,969	2,979

(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.

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.

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

(b) Financial risk management (continued)

(i) Risk management framework (continued)

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 6 months from the date of billing, and an upfront payment ranging from 5% to 30% 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 60 months, customers are normally required to make an upfront payment ranging from 5% to 30% 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 2023

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:

	As at 31 December 2023		
	Expected loss rate %	Gross carrying amount RMB millions	Loss allowance RMB millions
Within 1 year	**1.0%**	**21,841**	**(229)**
Over 1 year but less than 2 years	**3.9%**	**6,085**	**(236)**
Over 2 years but less than 3 years	**7.7%**	**4,120**	**(316)**
Over 3 years but less than 5 years	**21.9%**	**2,379**	**(521)**
Over 5 years	**64.0%**	**6,583**	**(4,212)**
		41,008	**(5,514)**

	As at 31 December 2022		
	Expected loss rate %	Gross carrying amount RMB millions	Loss allowance RMB millions
Within 1 year	1.1%	28,560	(327)
Over 1 year but less than 2 years	4.5%	7,046	(316)
Over 2 years but less than 3 years	12.9%	1,469	(190)
Over 3 years but less than 5 years	36.6%	2,194	(803)
Over 5 years	66.0%	5,495	(3,624)
		44,764	(5,260)

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:

	As at 31 December 2023		
	Expected loss rate %	Gross carrying amount RMB millions	Loss allowance RMB millions
Current (not past due)	**1.2%**	**4,562**	**(56)**
1 – 30 days past due	**4.5%**	**1,401**	**(63)**
31 – 60 days past due	**9.0%**	**1,091**	**(98)**
61 – 90 days past due	**8.8%**	**1,157**	**(102)**
More than 90 days past due	**14.2%**	**3,581**	**(510)**
		11,792	**(829)**

	As at 31 December 2022		
	Expected loss rate %	Gross carrying amount RMB millions	Loss allowance RMB millions
Current (not past due)	1.2%	5,758	(67)
1 – 30 days past due	2.3%	1,323	(31)
31 – 60 days past due	4.7%	787	(37)
61 – 90 days past due	6.8%	763	(52)
More than 90 days past due	18.3%	3,341	(612)
		11,972	(799)

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 2023, 1.4% (31 December 2022: 0.1%) of the total trade and bills receivables was due from the Group's largest customer and 4.4% (31 December 2022: 0.9%) of the total trade and bills receivables was due from the Group's five largest customers respectively. As at 31 December 2023, 92.1% and 91.1% (31 December 2022: 91.9% and 99.4%) 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).

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

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

	As at 31 December 2023					
	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	**22,321**	**23,177**	**7,871**	**9,563**	**5,667**	**76**
Trade and other payables	**40,513**	**40,513**	**40,513**	**–**	**–**	**–**
Lease liabilities	**434**	**488**	**126**	**92**	**104**	**166**
Other non-current liabilities	**5,639**	**5,639**	**–**	**55**	**5,584**	**–**
	68,907	**69,817**	**48,510**	**9,710**	**11,355**	**242**
Financial guarantees issued and payment commitments Maximum exposure (Note 34)	**50**	**6,918**	**3,375**	**2,163**	**1,380**	**–**

	As at 31 December 2022					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	21,980	23,524	11,591	2,950	8,847	136
Trade and other payables	35,259	35,259	35,259	–	–	–
Lease liabilities	472	533	117	100	115	201
Other non-current liabilities	6,026	6,026	–	95	5,916	15
	63,737	65,342	46,967	3,145	14,878	352
Financial guarantees issued and payment commitments Maximum exposure (Note 34)	68	9,467	4,274	2,501	2,692	–

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 2023.

	As at 31 December 2023		As at 31 December 2022	
	Effective interest rate %	Amount RMB millions	Effective interest rate %	Amount RMB millions
Fixed rate borrowings:				
Lease liabilities	2.9%	434	2.9%	472
Short-term loans and borrowings	2.5%	7,095	2.4%	10,227
Long-term loans and borrowings	2.7%	10,287	2.9%	10,510
		17,816		21,209
Variable rate borrowings:				
Short-term loans and borrowings	3.3%	282	0.7%	791
Long-term loans and borrowings	2.8%	4,657	2.8%	452
		4,939		1,243
Total borrowings:		22,755		22,452
Fixed rate borrowings as a percentage of total borrowings		78.3%		94.5%

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:

Effect in millions of RMB	Profit or loss 100 bp increase	Profit or loss 100 bp decrease	Retained profits 100 bp increase	Retained profits 100 bp decrease
31 December 2023				
Variable rate borrowings	**37**	**(37)**	**37**	**(37)**
31 December 2022				
Variable rate borrowings	(9)	9	(9)	9

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 2022.

(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)					
	31 December 2023			31 December 2022		
	USD	**EUR**	**HKD**	USD	EUR	HKD
Trade debtors	**9,944**	**2,005**	**683**	4,805	5,164	463
Cash and cash equivalents	**458**	**134**	**33**	328	55	39
Trade creditors	**(8,422)**	**(169)**	**(645)**	(4,378)	(2,474)	(463)
Loans and borrowings	**(35)**	**(385)**	**–**	(219)	(1,873)	–
Net exposure arising from recognised assets and liabilities	**1,945**	**1,585**	**71**	536	872	39

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 2023				
USD (5% movement)	**73**	**(73)**	**73**	**(73)**
EUR (5% movement)	**59**	**(59)**	**59**	**(59)**
HKD (5% movement)	**3**	**(3)**	**3**	**(3)**
31 December 2022				
USD (5% movement)	20	(20)	20	(20)
EUR (5% movement)	33	(33)	33	(33)
HKD (5% movement)	2	(2)	2	(2)

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 2022.

33 Commitments

Capital commitments

As at 31 December 2023, the Group had capital commitments as follows:

	2023 RMB millions	2022 RMB millions
Authorised and contracted for		
– property, plant and equipment	**5,333**	5,716

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 2023, the Group's maximum exposure to such guarantees was RMB3,188 million (31 December 2022: RMB5,649 million). For the year ended 31 December 2023, the Group made payments of RMB154 million (2022: RMB124 million) to 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 2023, the Group's maximum exposure to such guarantees was RMB1,558 million (31 December 2022: RMB529 million). For the year ended 31 December 2023, the Group made payments of RMB82 million for repossession of machinery incurred (2022: RMB43 million) under the guarantee arrangement as a result of customer default.

34 Financial guarantee issued and payment commitments (continued)

(a) Financial guarantee issued (continued)

Certain customers of the Group finance their purchase of the Group's agricultural machinery and Anhui Industrial Vehicle 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 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 2023, the Group's maximum exposure to such guarantees was RMB16 million (31 December 2022: RMB15 million). For the year ended 31 December 2023, there was no payment (2022: RMB2 million) to the banks for repossession of machinery under the guarantee arrangement as a result of customer default.

(b) Payment commitments

During years 2021 and 2023, 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 an aggregate face value of RMB6,850 million which bore interest at rates ranging from 2.4% to 4.2% per annum for priority traches and 8% to 10% per annum for inferior tranches. The Group undertakes to provide payment to the ABS&ABN plans should any shortage, between actual cash inflows from the Underlying Assets and the planned cash inflows of RMB6,850 million. The payment for the shortage will be compensated by future cash inflows from the Underlying Assets. As at 31 December 2023, the Group's maximum exposure due to the ABS&ABN plans was approximately RMB2,156 million (31 December 2022: RMB3,118 million), none of which has any shortage as at 31 December 2023 (31 December 2022: nil).

35 Related party transactions

(a) Transactions with related parties

	2023 RMB millions	2022 RMB millions
Transactions with associates:		
Sales of products	110	344
Purchase of raw materials and finished goods	16	21
Debit and credit premium of non-commercial factoring receivables	–	2
Transactions with Beijing Leasing:		
Finance lease service provided through Beijing Leasing	3,545	3,691
Repossession of machinery	290	160
Transactions with other related parties:		
Factoring of accounts receivable	497	519

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and in accordance with the agreements governing such transactions which are comparable to normal commercial terms.

(b) Outstanding balances with related parties

Amounts due from/to related parties are arising in the Group's normal course of business and are included in the account captions of trade and other receivables and trade and other payables, respectively. These balances bear no interest, are unsecured and are repayable in accordance with the agreements governing such transactions which are comparable to credit period with third-party customers/suppliers.

35 Related party transactions (continued)

(c) Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key management personnel compensation are as follows:

	2023 RMB thousands	2022 RMB thousands
Short-term employee benefits	**30,582**	28,074
Retirement scheme contributions	**368**	256
Share incentive scheme	**81,362**	56,163
	112,312	84,493

Total emoluments are included in “staff costs” as disclosed in Note 5(b).

(d) Contributions to retirement plans

The details of the Group’s employee benefit plans are disclosed in Note 28.

36 Accounting estimates and judgements

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. Management bases the assumptions and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The material 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) 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.

36 Accounting estimates and judgements (continued)

(c) 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.

36 Accounting estimates and judgements (continued)

(d) 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.

(e) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37 Investments in subsidiaries

The following list contains particulars of subsidiaries as at 31 December 2023 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Particulars of issued and paid-up capital (millions)	Proportion of ownership interest			Principal activities	Location of incorporation and principal location of operations
		Group's effective interest	Held by the Company	Held by a subsidiary		
Zoomlion Agriculture Machinery Co., Ltd. (formerly "Zoomlion Heavy Machinery Co., Ltd.")	RMB1,200	79.16%	65.57%	13.59%	Manufacture of agriculture machinery	China Mainland
CIFA S.p.A	EUR15	100%	–	100%	Manufacture of concrete machinery	Italy
Shaanxi Zoomlion Earth Working Machinery Co., Ltd.	RMB254	100%	–	100%	Manufacture of earth working machinery	China Mainland
Hunan Zoomlion Axle Co., Ltd.	RMB466	100%	100%	–	Manufacture of motor vehicle components	China Mainland
Zoomlion Material Handling Equipment Co., Ltd.	RMB100	100%	100%	–	Manufacture of material handling machinery	China Mainland
Hunan Zoomlion International Trade Co., Ltd.	RMB50	100%	100%	–	Trading of equipment and machinery	China Mainland
Hunan Teli Hydraulic Co., Ltd.	RMB180	84.43%	84.43%	–	Manufacture of hydraulic products	China Mainland
Hunan Zoomlion Special Vehicles Co., Ltd.	RMB69	100%	100%	–	Manufacture of specialised vehicles	China Mainland
Zoomlion Finance and Leasing (China) Co., Ltd.	RMB280	100%	–	100%	Leasing of equipment and machinery	China Mainland
Hunan Zoomlion Crawling Crane Ltd.	RMB360	100%	100%	–	Manufacture of crawling cranes	China Mainland

37 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid-up capital (millions)	Proportion of ownership interest			Principal activities	Location of incorporation and principal location of operations
		Group's effective interest	Held by the Company	Held by a subsidiary		
Hunan Zoomlion Hardware Co., Ltd.	RMB100	100%	100%	–	Manufacture of components	China Mainland
Shanghai Zoomlion Pile Foundation Machinery Co., Ltd.	RMB50	100%	100%	–	Manufacture of pile foundation Machinery	China Mainland
Hunan Zoomlion Intelligent Technology Co., Ltd.	RMB50	100%	100%	–	Research and manufacture of machine software	China Mainland
Hunan Zoomlion Concrete Machinery Site Equipment Co., Ltd.	RMB451	100%	100%	–	Manufacture of concrete machinery	China Mainland
Zoomlion H.K. SPV Co., Limited	USD25	100%	–	100%	Bond issuance	Hong Kong
Anhui Zoomlion Earth Working Machinery Co., Ltd.	RMB500	100%	100%	–	Manufacture of earth working machinery	China
Zoomlion Finance Co., Ltd.	RMB1,500	100%	100%	–	Financial services	China Mainland
Shaanxi Zoomlion Culture Tourism Development Co., Ltd.	RMB220	100%	100%	–	Exploitation and management of tourism resource	China Mainland
Hunan Zoomlion Hoisting Machinery Co., Ltd.	RMB500	100%	100%	–	Manufacture of hoisting machinery	China Mainland
Zoomlion Sales Co., Ltd.	RMB100	100%	100%	–	Sales of equipment and machinery	China Mainland

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid-up capital (millions)	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities	Location of incorporation and principal location of operations
Guoyu Europe Holding GmbH	EUR4	100%	100%	–	Manufacture of tower cranes	Germany
Hunan Zoomlion engineering hoisting equipment Co., Ltd.	RMB200	100%	100%	–	Manufacture of hoisting machinery	China Mainland
Hunan Zoomlion Construction Hoisting Machinery Co., Ltd.	RMB800	100%	100%	–	Manufacture of hoisting machinery	China Mainland
ZValley Co., Ltd.	RMB50	72%	72%	–	Research and manufacture of machine software	China Mainland
Changsha Zoomlion Auto Parts Co., Ltd.	RMB50	100%	100%	–	Automotive manufacturing	China Mainland
Changsha Zoomlion Zhicheng Real Estate Development Co., Ltd.	RMB10	100%	100%	–	Real estate development	China Mainland
Changsha Zoomlion Yizhen Real Estate Development Co. Ltd.	RMB10	100%	100%	–	Real estate development	China Mainland
Shenzhen Luchang Technology Co., Ltd.	RMB120	53.82%	53.82%	–	Research and manufacture of electronic component of automobile	China Mainland
Hunan Zoomlion Intelligent Aerial Work Machinery Co., Ltd.	RMB500	64.69%	61.43%	3.26%	Manufacture of aerial machinery	China Mainland

37 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid-up capital (millions)	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Location of incorporation and principal location of operations
Zoomlion Neo Material Technology Co., Ltd.	RMB50	75.55%	75.55%	–	Manufacture of material machinery and new material	China Mainland
Changsha Zoomlion emergency equipment Machinery Co.,Ltd.	RMB50	65.00%	65.00%	–	Manufacture of emergency equipment	China Mainland
Zoomlion Brazil Industry and Trade of Machinery Ltd.	BRL127	100%	–	100%	Sales of equipment and machinery	Brazil
Zoomlion Heavy Industry RUS LLC	RUB32	100%	–	100%	Sales of equipment and machinery	Russia
Zoomlion Heavy Industry India Private Limited	INR813	100%	–	100%	Sales of equipment and machinery	India
Pt.Zoomlion Indonesia Heavy Industry	IDR40,001	100%	–	100%	Sales of equipment and machinery	Indonesia
ZOOMLION International Trading Company	SAR30	100%	–	100%	Sales of equipment and machinery	SaudI Arabia
Zoomlion International Trading (H.K.) Co., Limited	USD297	100%	–	100%	Sales of equipment and machinery	Hong Kong
ZOOMLION CIFA MAKiNE SANAYi VE TiCA	TRY3	100%	–	100%	Sales of equipment and machinery	Turkey

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

38 Company-level statement of financial position

	2023 RMB millions	2022 RMB millions
Non-current assets		
Property, plant and equipment	6,915	5,052
Right-of-use assets	1,174	1,381
Intangible assets	268	190
Investments in subsidiaries	31,105	24,528
Interests in associates	3,290	3,290
Other financial assets	302	345
Trade and other receivables	7,624	10,692
Pledged bank deposits	76	160
Deferred tax assets	1,032	733
Total non-current assets	51,786	46,371
Current assets		
Inventories	3,826	4,001
Other current assets	708	1,040
Financial assets at fair value through profit or loss	307	2,670
Trade and other receivables	71,581	68,972
Pledged bank deposits	1,779	1,318
Cash and cash equivalents	5,042	7,590
Total current assets	83,243	85,591
Total assets	135,029	131,962

38 Company-level statement of financial position (continued)

	Note	2023 RMB millions	2022 RMB millions
Current liabilities			
Loans and borrowings		**10,406**	14,678
Trade and other payables		**59,586**	54,490
Financial liabilities at fair value through profit or loss		**9**	–
Contract liabilities		**999**	1,228
Income tax payable		**64**	–
Lease liabilities		**35**	29
Total current liabilities		**71,099**	70,425
Net current assets		**12,144**	15,166
Total assets less current liabilities		**63,930**	61,537
Non-current liabilities			
Loans and borrowings		**13,894**	10,597
Lease liabilities		**42**	35
Deferred tax liabilities		**119**	136
Other non-current liabilities		**4,538**	4,055
Total non-current liabilities		**18,593**	14,823
Net assets		**45,337**	46,714
Capital and reserves			
Share capital	30(a)	**8,678**	8,678
Reserves	30(b)	**36,659**	38,036
Total equity		**45,337**	46,714

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 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 IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 16 and IFRS 7, *Disclosure of Supplier finance arrangements*	1 January 2024
Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

40 Reconciliation of financial information prepared under PRC GAAP to IFRS Accounting Standards

(a) Reconciliation of total equity of the Group

	As at 31 December 2023 RMB millions	As at 31 December 2022 RMB millions
Total equity reported under PRC GAAP	**59,168**	56,976
– Acquisition-related costs incurred on prior year business combination	**(37)**	(37)
Total equity reported under IFRS Accounting Standards	**59,131**	56,939

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

	2023 RMB millions	2022 RMB millions
Total comprehensive income for the year reported under PRC GAAP	**3,873**	2,220
– Safety production fund (Note)	**43**	42
Total comprehensive income for the year reported under IFRS Accounting Standards	**3,916**	2,262

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 IFRS Accounting Standards, 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 IFRS Accounting Standards.

41 Non-adjusting events after the reporting period

Proposed cash dividend

Pursuant to a resolution passed at the directors' meeting on 28 March 2024, a final dividend in respect of the year ended 31 December 2023 of RMB0.32 per share, totalling approximately RMB2,777 million (2022: RMB0.32 per share totalling approximately RMB2,694 million) was proposed for shareholders' approval at the forthcoming Annual General Meeting, and repurchased shares are not included in the profit distribution. The final dividend proposed after the reporting period has not been recognised as a liability at the balance sheet date.


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