中聯重科股份有限公司

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

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

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

* For identification purpose only

2022
ANNUAL REPORT

Important notice

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

Definition

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

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

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

CONTENTS

ZOOMLION
中联重科

Company Profile

I. Company Information

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

Legal representative of the Company: Zhan Chunxin

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

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

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

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

Company Profile

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 2022 witnessed the successful convening of the 20th National Congress of the Communist Party of China. It was also a year for Zoomlion to pursue stable operation and innovative development. Pressing ahead with unwavering commitment and perseverance, all employees of Zoomlion strengthened operations, tapped innovation, refined management, reduced costs, and developed overseas market while meeting the utmost standards, which further enhanced our resilience and momentum of high-quality sustainable development.

In 2022, we insisted on giving priority to quality and efficiency. In spite of fierce market competition, we forged ahead at our own pace, and created sustainable competitive advantages. We accelerated the expansion and development of our industrial segments to foster new sources of growth, which further consolidated the foundation of high-quality development. With constant innovation and creation of our technologies and products, we fully opened up the technology chains of new energy, new materials, and new digital industries, and our 4.0A project continued to facilitate the iteration and upgrading of our technologies and products. Thanks to our end-to-end digital transformation, our management became more refined, real-time, and intelligent, which greatly improved management efficiency and benefits. We escalated our efforts in overseas strategy in pursuit of unified management and seamless connection across the globe, and thus we achieved rapid growth and breakthroughs in our overseas performance. We achieved substantial progress as to the construction of our Zoomlion Smart Industry City. In particular, the excavating park was completed construction and put into production. It is fully equipped with cutting-edge technologies, becoming an important benchmark for advanced manufacturing. Our young and energetic talent team shares a common vision and strives for the best results. We are full of vigor and achieve steady progress.

2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China. It is also a year for Zoomlion to head for our next 30 years to open up a new landscape, start a new chapter, and make new achievements.

On our new journey, aiming at high-quality development, we will accelerate the transformation and upgrading of new energy, new materials, and new digital sectors, and firmly seize the opportunities arising from market recovery to further deepen, refine and thoroughly carry out various tasks to the utmost. We will enhance our core competitiveness in terms of research and development, manufacturing, management, sales and services as well as our global operations in all aspects. Targeting at the full completion of our Zoomlion Smart Industry City with high quality and high efficiency, Zoomlion strives to become an enterprise with entrenched leadership in technological innovation, breakthroughs in the industry echelon, and bursting development vitality. We will create greater value for customers and bring more returns to shareholders.

Last, on behalf of the Board of Directors, I would like to express my heartfelt thanks to all the shareholders, customers, partners, people from all 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

	2022	2021	Change	2020
Operating income	**41,631,497,729.32**	67,130,626,817.29	-37.98%	65,108,942,242.75
Net profit attributable to shareholders of the Company	**2,306,047,166.93**	6,269,768,140.19	-63.22%	7,280,671,792.59
Net profit attributable to equity shareholders of the Company after extraordinary items	**1,292,757,628.93**	5,828,383,686.81	-77.82%	6,308,545,968.50
Net cash flow from operating income	**2,424,632,272.28**	2,624,725,832.05	-7.62%	7,421,753,673.31
Basic earning per share	**0.27**	0.76	-64.47%	0.98
Diluted earning per share	**0.27**	0.74	-63.51%	0.97
Return on net assets	**4.13%**	11.56%	-7.43%	16.70%

	End of 2022	End of 2021	Change	End of 2020
Total assets	**123,553,025,612.04**	122,018,160,397.82	1.26%	116,274,938,529.14
Net assets attributable to shareholders of the Company	**54,741,097,896.87**	56,867,851,034.55	-3.74%	46,743,743,472.54

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

Unit: RMB million

Revenue and Profit	**2022**	2021	2020	2019	2018
Revenue	**41,631**	67,131	65,109	43,307	28,697
Profit before taxation	**2,512**	7,357	8,668	5,044	2,650
Income tax	**(86)**	(938)	(1,297)	(759)	(682)
Profit for the year	**2,426**	6,419	7,371	4,285	1,968
Profit attributable to:					
Equity shareholders of the Company	**2,347**	6,303	7,296	4,381	2,031
Non-controlling interests	**79**	116	75	(96)	(63)
Basic earnings per share (RMB)	**0.28**	0.76	0.98	0.58	0.27
Diluted earnings per share (RMB)	**0.28**	0.75	0.97	0.58	0.26
Gearing ratio (%) (Note)	**53.90%**	52.24%	58.84%	57.08%	58.54%

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

Principal Financial Data and Indicators

Unit: RMB million

Assets and Liabilities	2022	2021	2020	2019	2018
Non-current assets	**49,915**	49,268	49,287	37,979	28,657
Current assets	**73,602**	72,714	66,956	54,052	64,762
Current liabilities	**48,393**	49,675	46,928	34,569	39,623
Net current assets	**25,209**	23,039	20,028	19,483	25,139
Total assets less current liabilities	**75,124**	72,307	69,315	57,462	53,796
Non-current liabilities	**18,185**	14,047	21,465	17,965	15,065
Net assets	**56,939**	58,260	47,850	39,497	38,731
Total equity attributable to equity shareholders of the Company	**54,705**	56,831	46,706	38,827	38,164
Non-controlling interest	**2,234**	1,429	1,144	670	567

III. Reconciliation of Financial Data under PRC GAAP and IFRSs

Unit: RMB

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	Current year	**Last year**	**Current year**	**Last year**
Under PRC GAAP	2,306,047,166.93	6,269,768,140.19	54,741,097,896.87	56,867,851,034.55
Items and amounts adjusted under IAS				
Acquisition related costs incurred on prior year business combination			-36,528,600.00	-36,528,600.00
Excess in the limit of withdrawal over expenses of safety production fund for the current period	41,316,866.76	31,928,492.70		
Under IFRSs	2,347,364,033.69	6,301,696,632.89	54,704,569,296.87	56,831,322,434.55

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 2022 together with the audited financial statements of the Company and the Group.

I. Review of operation for the year 2022

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

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

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

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

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

1. The industrial echelons of the Company gathered momentum continuously

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

Report of the Board of Directors

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

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

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

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

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

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

② *Significant breakthroughs in potential business opportunities*

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

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

③ *Accelerating independent research and development of key components*

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

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

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

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

(3) Our dry mortar mixer business was gathering momentum

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

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

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

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

2. Promoting digital transformation

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

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

Report of the Board of Directors

3. An intelligent manufacturing industry cluster is taking shape

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

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

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

(2) The application research in advanced intelligent manufacturing technologies produced speedy results. The Company integrated AI, intelligent manufacturing technology and intelligent equipment in a deep-going way to create intelligent, flexible and green manufacturing lines. The Company also integrated intelligent control algorithms and digital systems to create an efficient and collaborative business chain. We kept on promoting the application research

in more than 150 industry-leading end-to-end complete sets of intelligent manufacturing technologies. 113 technologies of them were applied to the intelligent manufacturing lines. 52 technologies of them were new technologies in the industry. The advanced technologies facilitated the progress of empowering and upgrading manufacturing and helped the Company lead the development of the intelligent manufacturing industry.

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

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

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

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

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

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

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

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

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

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

Report of the Board of Directors

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

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

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

(1) The overseas market of engineering machinery products kept on breaking records of growth. Remarkable results of localisation development strategies were achieved in Indonesia, India, the United Arab Emirates, Saudi Arabia, Turkey and other key countries, the sales showed a year-on-year increase rate of over 100%. The export revenue of construction crane machinery exceeded RMB3 billion. Being the largest tonnage all-terrain crane exported overseas by China, the ZAT8000H all-terrain crane was delivered in batches. The products of work-at-height machinery were sold to more than 80 countries and regions overseas, successfully entering the high-end market in Europe and the United States, and achieving the largest market share of Chinese brands in Canada, Mexico, Brazil, Poland and other countries.

(2) Promoting the reform of overseas business management in depth. With the airport as the business fulcrum and the ground forces as the business networks, the Company improved its localisation management in terms of people, funds, materials, software and hardware, completed the construction of localised business and operation systems in 30 key countries, and created a professional, practical and efficient localised talent team.

(3) Promoting the expansion and upgradation of overseas manufacturing bases continuously. CIFA (headquartered in Italy) was expanded and upgraded to a comprehensive global company covering concrete, engineering cranes and construction cranes. The Company accelerated the assimilation of the tower crane technology of WILBERT TowerCranes GmbH and connected to global high-end tower crane R&D technology with WILBERT as the window. The Company strengthened the synergy between Rabe, the world's leading agricultural machinery manufacturer, and the agricultural sector.

Report of the Board of Directors

6. Continuous improvement of operation and management quality and efficiency

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

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

(2) Strengthening the construction of a supply chain system. The Company kept on promoting the integration of the purchases of materials of similar character and the strategic purchase of critical materials for multiple categories of materials, optimised the supply chain ecology and achieved cost-effective.

(3) Creating the ultimate service capability. The Company put the operation service dispatching centre into operation, kept on promoting the digital and intelligent upgradation of services, promoted the refined management of services and achieved the improvement of service efficiency, customer satisfaction and service quality.

(4) Strengthening the construction and motivation of talent teams. The Company adhered to the human resource management concept of "being in conformity with the strategy and business development of the Company", recruited key talents, optimised the quality structure of employees, strengthened the cultivation of key talents and took multiple measures to develop the key talent team. During the Reporting Period, the Company announced a share repurchase programme, and all of the repurchased shares shall be used to implement the Employee Stock Ownership Plan, further mobilising the enthusiasm of teams, boosting the Company's digital transformation, upgradation, internationalisation and rapid development of emerging businesses and promoting the Company's long-term healthy development. 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.

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

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

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

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

2. Agricultural machinery market

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

(2) Operation initiatives in 2023

1. Consolidating, developing and expanding the industrial echelons

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

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

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

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

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

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

2. **Fully accelerating the development of overseas markets**

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

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

3. **Continuously strengthening scientific research and innovation**

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

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

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

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

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

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

IV. Profit Distribution and Bonus Dividend

According to the profit distribution plan for 2022 of the Company, based on the total share capital by the time of profit distribution, the Company will pay cash dividend of RMB0.32 (tax inclusive) for every share and will not issue bonus shares by capitalisation of the capital reserve.

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

V. Pre-emptive Rights

The Articles of 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 IFRSs.

VII. Major suppliers and customers

Total purchases by the Company from the top five suppliers amounted to RMB3,739,921,919.11, accounting for 12.73% of the aggregate annual purchase of the Company and total purchases by the Company from the largest supplier accounted for 3.76% 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 RMB1,748,550,630.12, accounting for 4.20% of the aggregate annual sales of the Company and the total sales to the largest customer of the Company accounted for 1.29% 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.

Report of the Board of Directors

VIII. Donations

During the reporting period, the charity donations and other donations of the Company amounted to approximately RMB5.24 million in aggregate.

IX. Human Resources

As at 31 December 2022, the Company had employed a total of 25,283 employees. Details of the Company's staff costs and employee benefit plans for 2022 are disclosed in notes 5(b), 26 and 28 to the financial statements prepared under IFRSs respectively.

X. Charge on Assets

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

XI. 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 123 to 124 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 212 to 214 of this annual report.

XII. Distributable Reserves

The Company's distributable reserves, calculated in accordance with applicable PRC statutory provisions, were RMB24,865 million as at 31 December 2022.

XIII. Employee Benefit Plans

During the year ended 31 December 2022, the Group had no forfeited contributions under its retirement benefit schemes which may be used to reduce existing level of contributions.

XIV. Final Dividend

Pursuant to a resolution passed at the Board meeting on 30 March 2023, a final dividend for the year ended 31 December 2022 of RMB0.32 per share was proposed, totalling RMB2,694 million. The final dividend is calculated based on the total share capital of the Company as of 31 December 2022, and adjusted accordingly based on the total share capital at the date of record when profit distribution is made. The specific amount is subject to actual distribution. Such proposal is subject to shareholders' approval. The proposed final dividend is expected to be paid to the shareholders of the Company by 26 July 2023.

During the reporting period and as at the date of this annual report, the directors of the Company are Dr. Zhan Chunxin as executive director, Mr. He Liu and Mr. Zhao John Huan as non-executive directors, and Mr. Zhao Songzheng, Mr. Lai Kin Keung, Ms. Liu Guiliang and Mr. Yang Changbo as independent non-executive directors.

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 2022.

	Year Ended 31 December	
	2022 RMB millions	2021 RMB millions
Revenue	**41,631**	67,131
Cost of sales and services	**(32,543)**	(51,280)
Gross profit	**9,088**	15,851
Other income	**982**	1,413
Sales and marketing expenses	**(2,635)**	(3,473)
General and administrative expenses	**(2,400)**	(1,983)
Impairment loss on trade and other receivables and receivables under finance lease	**(446)**	(746)
Research and development expenses	**(2,507)**	(3,865)
Profit from operations	**2,082**	7,197
Net finance income	**300**	6
Share of profits less losses of associates	**130**	154
Profit before taxation	**2,512**	7,357
Income tax	**(86)**	(938)
Profit for the year	**2,426**	6,419

Management Discussion and Analysis

Revenue

The following table sets forth the breakdown of our consolidated turnover by our operating segments for 2022:

	Year Ended 31 December	
	2022 RMB millions	2021 RMB millions
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
Construction machinery		
– Concrete machinery	8,432	16,379
– Crane machinery	18,859	36,308
– Aerial machinery	4,593	3,351
– Earth working machinery	3,511	3,236
– Others	3,415	4,058
Agricultural machinery	2,133	2,907
	40,943	66,239
Revenue from other sources		
Rental income from construction machinery		
– Concrete machinery	28	1
– Crane machinery	120	185
– Aerial machinery	4	–
– Others	29	5
Agricultural machinery	5	–
	186	191
Financial services	502	701
	688	892
	41,631	67,131

Management Discussion and Analysis

Revenue

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

Gross profit

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

Other income

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

Sales and marketing expenses

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

General and administrative expenses

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

Net finance income

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

Profit for the year

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

Cash Flow

The following table sets forth a summary of our consolidated cash flows for 2022:

	Year Ended 31 December	
	2022 RMB millions	2021 RMB millions
Net cash generated from operating activities	**1,951**	2,189
Net cash generated from/(used in) investing activities	**1,041**	(1,397)
Net cash (used in)/generated from financing activities	**(2,494)**	2,420
Net increase in cash and equivalents	**498**	3,212
Effect of foreign exchange rate changes	**103**	(108)
Cash and cash equivalents at the beginning of the period	**13,190**	10,086
Cash and cash equivalents at the end of the period	**13,791**	13,190

Operating activities

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

Investing activities

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

Management Discussion and Analysis

Financing activities

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

Working Capital and Indebtedness

The table below sets forth the details of our current assets and liabilities as of 31 December 2022:

	31 December	
	2022 **RMB millions**	2021 RMB millions
Current assets		
Inventories	**14,203**	13,501
Other current assets	**1,040**	1,156
Financial assets at fair value through profit or loss	**4,011**	6,408
Trade and other receivables	**33,962**	32,108
Receivables under finance lease	**4,717**	4,496
Loans and advances	**170**	80
Pledged bank deposits	**1,708**	1,775
Cash and cash equivalents	**13,791**	13,190
Total current assets	**73,602**	72,714
Current liabilities		
Loans and borrowings	**11,018**	11,011
Trade and other payables	**35,259**	36,600
Contract liabilities	**1,892**	1,874
Lease liabilities	**117**	93
Income tax payable	**107**	97
Total current liabilities	**48,393**	49,675
Net current assets	**25,209**	23,039

Our net current asset increased from RMB23,039 million as at 31 December 2021 to RMB25,209 million as at 31 December 2022.

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 2022, 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 2022 and the earliest date the Company would be required to repay:

	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 Discussion and Analysis

	As at 31 December 2021					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	18,905	19,845	11,687	3,781	4,153	224
Trade and other payables	36,600	36,600	36,600	–	–	–
Lease liabilities	413	452	93	95	102	162
Other non-current liabilities	5,428	5,428	–	3,257	1,681	490
	61,346	62,325	48,380	7,133	5,936	876
Financial guarantees issued and payment commitments						
Maximum exposure	94	14,412	5,514	3,060	5,838	–

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

Credit Risk

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

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

Management Discussion and Analysis

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

Interest Rate Risk

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

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

Currency Risk

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

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

Events after the Reporting Period

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

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

Environmental, Social and Governance Report

1 About this Report

Statement by the Board of Directors

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

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

Basis of preparation

This report marks the seventh consecutive Environmental, Social and Governance (ESG) report issued by Zoomlion Heavy Industry Science and Technology Co., Ltd., and has been prepared in accordance with *the Environmental, Social and Governance Reporting Guide* (the "ESG Guide") set out in *Appendix 27* to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "HKEX Listing Rules"). The report covers the period from 1 January 2022 to 31 December 2022. Previous activities relating to certain reporting aspects are also considered retrospectively. This report has been prepared in the same way as in previous years.

Release cycle

The report is prepared annually. The *Environmental, Social and Governance Report* for the next reporting period (2023) is expected to be released in April 2024. This report is available on the website of Hong Kong Stock Exchange and the Company's official website.

Environmental, Social and Governance Report

Reporting scope

Considering that the Company's overseas subsidiaries and some small business segments of construction machinery (such as material handling machinery and systems, specialised vehicles and vehicle axles) have inconsiderable environmental, social and governance impacts, the report is focused on the environmental, social and governance policies of the primary construction machinery segment and the agricultural machinery segment of the Company and its subsidiaries within China during the reporting period. There is no change in the scope of this year's report from that of the previous year.

Definition

For 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 is mainly engaged in the research and development, manufacturing, sales, and services of high-tech equipment, such as construction machinery and agricultural machinery. Specifically, the construction machinery segment provides concrete related machinery, crane machinery, earthmoving machinery, foundation machinery, mobile elevated working platforms (MEWPs), fire-fighting machinery, mining machinery, forklift trucks, 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 the provision of a complete package of services for breeding, field preparation, sowing, field management, harvesting, drying and storage. Guided by the idea of "operating the business with an internet mind-set and making products with the finest thoughts," the Company has focused on high-quality development goals, accelerated the pace of digitalisation, intelligence, and green transformation and upgrading, and accelerated planning in emerging sectors, deepening the expansion of overseas markets. Development resilience and endogenous momentum has continued to increase, thereby achieving an operating quality above than that of the industry.

Environmental, Social and Governance Report

Social responsibility strategy

As a company issuing both A shares and H shares, we have adhered to President Xi Jinping's Thoughts on Socialism with Chinese Characteristics for a New Era and firmly believe that individual value comes from the enterprise while corporate value originates from society, and always foster the corporate culture with the core idea of "Sincere, Ceaseless, Large, Substantial, Far-reaching, and Long-enduring." In addition to delivering returns for investors and providing huge economic benefits to the country, we are committed to fulfilling our responsibilities and obligations as a responsible corporate citizen. We have actively participated in public welfare undertakings. Through long-term cooperation with provincial and municipal charity organisations and emergency management agencies, we have carried out social welfare, rural revitalisation and other social responsibility work through charitable donations, educational donations, disaster relief, assistance for the vulnerable and disadvantaged, and youth volunteer actions based on industry characteristics, our corporate strategy and advantageous resources. In this way, we have steadily contributed to the building of a rich, strong, democratic and civilised socialist country.

Stakeholder involvement

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

Materiality assessment

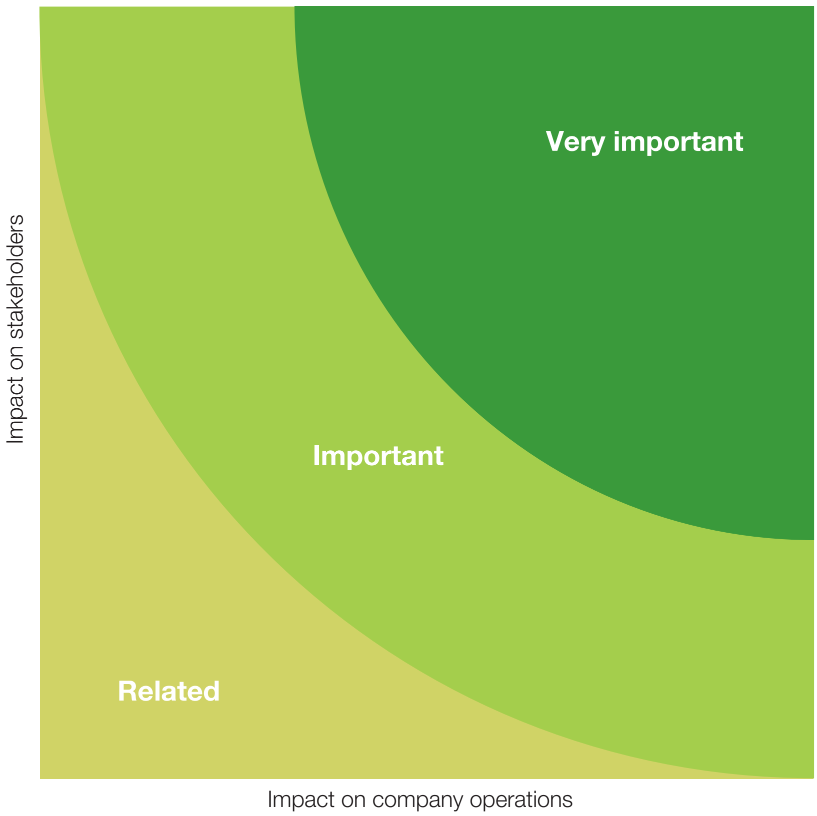
We conducted a materiality assessment during the year to identify the ESG topics important to our business and stakeholders. The Board participated in assessing, sorting and identifying important ESG-related matters in the materiality assessment. The steps taken in conducting the materiality assessment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

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

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

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

Materiality Assessment Matrix



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

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

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

3 Environment

In 2022, the Company studied and implemented the spirit of the 20th Party Congress, fully implementing the strategic positioning and mission tasks relating to the "three highlands and four new missions," and vigorously controlling carbon emissions, contributing to the achievement of the "3060 Dual Carbon Targets." The Company has formulated the *Preliminary Plan for Carbon Emission Accounting* to promote the phased accounting of carbon emissions, which has laid a solid foundation for its overall future green transformation. Meanwhile, adhering to the corporate vision of "safe, green and high-quality development," we have earnestly pursued the safety and environmental management policy of "people-oriented and green manufacturing," have totally revised the *Safety and Environmental Protection Management Assessment Measures*, have constantly consolidated the safety and environmental system, and have increased investment in environmental protection, actively assuming our social responsibilities in this regard.

We remain highly attentive to the possible impacts that machinery manufacturing has on the environment, and consider energy conservation and environmental protection a paramount issue in our production and business operations. In 2022, the Company actively promoted "one enterprise, one policy" based on the "self-inspection, online monitoring and special monitoring" system. Our industrial parks in Changsha, Changde and other regions were named "Advanced units, green plants" in recognition of our efforts in renovating and upgrading environmental protection equipment, gradually improving the configuration of online fugitive emissions monitoring equipment, and strengthening waste and gas treatment at hazardous waste and oil and gas storage sites. In light of national environmental protection and energy conservation and emissions reduction policies, we organised training on the implementation of the dual carbon strategic plan and accounting guidelines, attracting a total of 137 participants, effectively enhancing the professional standards of environmental management personnel, and paving the way for subsequent full-scale application of carbon emission accounting. In 2022, there were no environmental pollution accidents or regulatory investigations or penalties from government authorities. Although product assembly and painting inevitably consumes energy and gives 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 industrial parks obtained pollutant discharge permits in 2022, and their environmental protection facilities were running normally and effectively and met the design and emissions standards. In 2022, 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 a staggered peak production method, among other methods, to maintain air quality. The Company strictly complies with the requirements of the new *Solid Waste Pollution Prevention and Control Law of the People's Republic of China* to strengthen management of hazardous waste, enhance its hardware setup, and strengthen internal management to ensure that the treatment of hazardous waste complies with and abides by laws and regulations. Each year we entrust qualified technical services agencies with the supervision and inspection of plant emissions of waste water, exhaust gases and noise, and then submit relevant inspection reports to the local environmental protection authorities for filing and public disclosure.

By adhering to the philosophy of "technology as the root, products as the fundamental," the Company has integrated "digitalisation, intelligence and greening" to create industry-leading technologies and high-end products, and has established a new energy technology development entity to accelerate the development of new energy technologies and products. Technological innovation supports the rapid growth of our three major business segments: new digital, new material, and new energy. In 2022, the Company developed 127 major new products, and conducted 330 research projects on key core technologies. "Digitalisation, intelligence and greening" technologies accounted for 77% of the research projects, with breakthroughs seen in the safety of construction crane operation and the stability of tower cranes. In addition, our multi-dimensional original innovations in the fields of lithium batteries, electric propulsion, hydrogen fuel and complete machine have fully opened up the three technology chains of new energy, creating a new green landscape. New energy can now be used to power all machinery, and the key feature of the product group development is obvious. We will continue to take the lead in using new energy for construction machinery.

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 this issue, the Company has developed the *Procedures for Identifying, Evaluating and Controlling Environmental Factors* to screen environmental factors relevant to the Company, to identify significant factors and to formulate specific plans for controlling such factors.

During 2022, the types of air pollutants directly or indirectly produced by the Company's domestic industrial parks and the related emission data are as follows:

Types of air pollutants	**2022 (tonne[1])**	2021(tonne[1])
Sulphur dioxide	**0.15**	0.18
Nitrous oxides	**22.04**	25.97

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

The calculation method of sulphur dioxide emission:

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

The calculation method of nitrogen oxides emission:

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

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

P_{NOX}: Nitrogen oxide emission, kg; Q: fossil fuels consumption, tonne; μ: sewage coefficient.

In addition, greenhouse gases emitted by the Company in 2022 were mainly generated from the burning of fossil fuels and the consumption of electricity. The Company generated approximately 173,047.25 tonnes of greenhouse gases in 2022 (2021: 208,096.31 tonnes), with a greenhouse gas emission intensity of 4.16 tonnes per million revenue in Renminbi (2021: 3.10 tonnes per million revenue in Renminbi), an increase of 34% from the previous year. This was largely due to a decline in revenue and stable greenhouse gas emissions from manufacturing in 2022. The related emission data are as follows:

Sources of greenhouse gas	Total greenhouse gas emissions in 2022 (Unit: tonne[2])	Greenhouse gas emission intensity in 2022 (Unit: tonnes per million revenue in Renminbi)	Total greenhouse gas emissions in 2021 (Unit: tonne)[2]	Greenhouse gas emission intensity in 2021 (Unit: tonnes per million revenue in Renminbi)
Directly generated	50,885.29	1.22	60,116.92	0.90
Indirectly generated	122,161.96	2.94	147,979.39	2.20
Total	**173,047.25**	**4.16**	208,096.31	3.10

The total amount of hazardous waste produced by the Company in 2022 is 3,063.7 tonnes (2021: 4,219.80 tonnes).

2 The conversion of greenhouse gases is based on the *Accounting Methods and Reporting Guidelines for Greenhouse Gases Discharged by Machinery Equipment Manufacturers (Trial)* issued by the National Development and Reform Commission of the People's Republic of China. The sum of carbon dioxide emissions generated by the consumption of purchased electricity and fossil fuel is calculated as follows:

$E = E_{combustion} + E_{manufacture} + E_{electricity} + E_{thermo}$

Note: E: Total greenhouse gas emission, tCO_2e

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

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

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

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

Environmental, Social and Governance Report

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

In order to control waste water disposal and emissions of exhaust gases, and reduce environmental pollution, the Company has formulated the *Rules on Treatment of Exhaust Gas, Waste Water and Noise* to ensure control over, and management of, exhaust gases, waste water and noise. The Company annually entrusts environmental testing institutes with testing environmental contamination factors, including waste water, waste gases, noise and dust, to reinforce monitoring of the production process, so as to strictly prevent environmental pollution accidents. The Company will hand over hazardous waste to units with disposal qualifications for treatment, and hand over waste with utilisation value to those with utilisation qualifications for treatment. Subsequently, the Company will change the production process to reduce the generation of hazardous waste. The Company is building a smart industry town and, after starting its production, the hazardous waste generated will be greatly reduced. With regard to emissions of exhaust 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 Waste Water Disposal* (GB/8978-96), and follows waste water isolation and sedimentation processes or subjects waste water to treatment at a water treatment plant until it meets required standards and is safe to be disposed of. Key waste water sources in the Company's daily business operations include production-related and domestic waste water. In 2022, the Company continued to invest in environmental protection and energy conservation, so as to continuously track pollutant emissions and ensure compliance with regulations.

3.2 Utilisation of Resources

The Company uses power for production and non-production purposes. Production-related power is mainly used by various processing machines, electric traction equipment, air compressors, heat treatment of machine parts and electric welders. Non-production-related power is mainly used by offices, canteens and apartments. Water consumption is also for production and non-production purposes. Production-related water is mainly used for cleaning, quenching, cooling and test-run purposes. Non-production-related water is mainly used by offices, canteens and apartments. There is no issue in sourcing water that is fit for purpose.

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

Resources consumed by the Company's domestic industrial parks during 2022 were as follows:

Variety of energy	Unit	Total consumption in 2022	Total consumption in 2021
Kerosene	Tonne	–	–
Un-leaded petrol	Tonne	325.83	350.29
Purchased electricity	10,000 kWh	19,032.00	23,041.00
Freshwater	10,000 cubic metres	286.12	357.10
Natural gas (for cooking)	10,000 cubic metres	1,140.00	1,355.00
Diesel (for contingency power-generation equipment)	Tonne	8,165.11	9,622.04

The Company records its electricity and water consumption and reports it to relevant government authorities. It manages use of electricity, water and other resources in accordance with the requirements of relevant government authorities. This year's electricity consumption density is 4,572.91 kwh per million revenue in RMB (2021: 3,430.25 kwh per million revenue in RMB), water consumption density is 68.75 tonnes per million revenue in RMB (2021: 53.16 tonnes per million revenue in RMB) and natural gas is 273.91 cubic metres per million revenue in RMB (2021: 201.73 cubic metres per million revenue in RMB). Overall resource consumption intensity has increased in all areas, primarily due to a 38% drop in operating income and no reduction in resource consumption in day-to-day production in 2022.

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

3.3 Environment and Natural Resources

We devote ourselves to introducing and developing green manufacturing technologies. Since 2009, the Company has set up a dedicated new energy research and development (R&D) institution to push forward the integration of digital, intelligent and green product innovation for the development of industry-leading technologies and high-end products, and to accelerate the development of new energy technologies and products. Our multi-dimensional original innovations in the fields of lithium batteries, electric propulsion, hydrogen fuel and complete machine have fully opened up the three technology chains of new energy, creating a new green landscape. New energy can now be used to power all machinery, and the feature of the product group development is obvious. We will continue to take the lead in using new energy in construction machinery. In accordance with the national strategy of "carbon peak and carbon neutrality," we continue to pursue green product development and the integration of the concept of new energy into product design to lead technological advancement.

The Company completed verification of 13 new energy core technologies such as electric propulsion axle integrated control technology and a platform-based electric wheel vehicle chassis control system. We launched 18 new energy parts and components development projects; and launched 15 new energy products including truck cranes, crawler cranes, truck-mounted concrete pumps and MEWPs. The Company has released the first 220-tonne hybrid all-terrain crane, the first 40-tonne pure electric off-road tyre crane, and the largest 125-tonne hydrogen fuel-cell off-highway wide-body dump truck in the world.

On 15 December 2022, the Company launched 14 newly developed green parts and components and 32 new energy equipment products at a new energy products and smart construction site press conference themed "Green Smart Manufacturing Leading to the Future of Dual Carbon Goals." The two key new energy technology chains of lithium batteries and hydrogen fuel have been fully opened up, creating a key technology and component industry channel, from parts to complete machines, hardware to software. These achievements have demonstrated our strength in leading the industry's green development. The news was selected as one of the "Top Ten Science and Technology News in Hunan Province."

Up to now, the Company has launched more than 100 new energy products, covering truck-mounted concrete pumps, concrete mixers, truck cranes, MEWPs, excavators, mining trucks, forklifts, emergency vehicles, and agricultural machinery. The new energy forms include pure electric, hybrid power, hydrogen fuel. A full range of new energy products has basically been formed. The electric boom lift 24-40m MEWP product series has achieved bulk sales, taking a leading position in the industry.

3.4 Climate Change

On the occasion of COP26 of the United Nations Framework Convention on Climate Change (UNFCCC), China demonstrated to the world its resolution to achieve "peak carbon" and "carbon neutrality" through macro policy releases. As an international company with a global influence in the construction machinery industry, the Company has always been a practitioner of ecological civilisation and an activist in climate governance, and is committed to contributing to addressing climate change-related risk.

Against a backdrop of global climate change, the frequency and intensity of extreme weather, such as torrential rain and tropical cyclones, will increase, and the company will generally be affected by disruptions in production, transportation and supply chains, which may lead to higher operating costs, lower productivity, and equipment wear and tear. The Company is fully aware of the risks and opportunities that climate change may bring to its business and various value chains in the supply chain. It has included the foreseeable risks of climate change and extreme weather events in the Board's consideration of business continuity plans, monitored and reviewed the impacts of climate change on its operations, formulated contingency plans for severe weather.

In the future,the Company will continue to focus on climate change risk issues, identifying and assessing potential business risks, planning ahead, formulating strategies to cope with climate change, and proactively implementing the national strategy relating to the "dual carbon" goals. In addition, we will integrate climate change into our development plan, take practical actions to assume our mission and responsibilities, and contribute to the realisation of the "dual carbon" goals by promoting the cleanliness of fossil energy, the scale of clean energy, and the low-carbon production process.

Compliance Statement

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

4 Society

4.1 Employment

The Company adheres to the following principles: talent is a company's most important resource; the acquisition of talent is a long-term investment; and the cultivation of talent is a strategic relay. We place great importance on the growth of each employee and focus on protecting our employees' legitimate rights and interests. Guided by the Company's "four essentials," "four strengths" and "four ultimate" requirements, and based on the department's three major functions of development, management and services, the Human Resources Department orderly carried out the work of talent acquisition, cultivation, motivation and care, and enhanced the cohesiveness and core competitiveness of our employees in 2022. Our employees are encouraged to be mindful of their social responsibilities and drive the Company's high-quality and sustainable development, thereby creating a win-win scenario for both employees and the Company as a whole.

Please refer to the section headed "Directors, Supervisors, Senior Management and Employees" for the Company's remuneration policy.

1. Regular updates of Company systems to protect the rights and interests of employees

We strictly comply with related laws and regulations, including the *Labour Law* and the *Employment Contract Law*, and we manage the procedures and processes for signing, amending, cancelling and terminating employment contracts based on these laws and regulations, with an employment contract signing rate of 100%. In addition, rules and regulations for checking employee attendance and their welfare have been devised and revised in accordance with related rules and regulations. We have also made timely and full contributions to employee social insurance and housing provident funds to achieve full social insurance coverage according to related laws, and have expanded accident insurance coverage and purchased accident insurance for all regular employees, while purchasing accidental injury insurance for them according to the nature of their jobs.

In addition, the Company provides a variety of staff benefits and labour security initiatives. Apart from festivals and public holidays, we have also set up a diversified paid leave mechanism that provides a variety of leave choices for our employees, including home leave for expatriates, Company Founding Day leave, birthday leave, etc. We have also distributed work uniforms and work protection items on a regular basis to employees according to their job positions, including the staff work uniform upgrade project to further enhance staff experience and better demonstrate staff spirit, and we have provided complimentary benefits including free laundry, a shuttle bus service, work lunches and well-equipped apartments to facilitate employee work and life. The Company cares about its employees' physical and mental health and has provided free health checks and occupational health examinations at a designated qualified hospital for those who are exposed to occupational hazards. Such examinations are provided before and during employment, as well as when such employment is ended. Health examinations during the employment are provided once a year, so as to support sustainable development and improve engagement of employees.

2. **Emphasis on employee care, empowering employees**

The Company attaches importance to the care and love of employees, gradually improving the staff care system, taking multiple measures to steadily improve the sense of identity, belonging and happiness of all employees, and promoting the harmonious and healthy development of the enterprise. The Company provides a variety of welfare payments to its employees, such as marriage grants, maternity grants and funeral compassionate grants. We also offer other forms of assistance, including routine relief and emergency relief; and we regularly hold the "Love-Changes-Destiny" event to help alleviate poverty through education. We do our best to extend warm festival greetings, express sympathy to our employees, and help them solve any difficulties they may be experiencing to extend our care and support for our employees. We have also started special projects to improve canteens and staff dormitories to enhance the living standards of our staff. Furthermore, we have arranged activities such as themed "Friendship Activities," "Family Cultural Experience Day," and "Family Film Appreciation Day for Expatriate Staff" to show that we care for our employees and their family members.

3. **Deepening staff care to create a happy corporate atmosphere**

The Company carries out proactive internal relief and condolence work. In 2022, we provided assistance to 475 employees in need, and issued RMB4,353,000 of relief funds, effectively alleviating the desperate needs of those employees in difficulties and demonstrating our care for them. At the same time, we extensively express sympathy for our employees stationed abroad, those working outdoors and their families, further enhancing their sense of belonging, happiness and security.

We actively resolve concerns raised by employees. In 2022, the Company received a total of 615 concerns from employees. After receiving the concerns, the Company's labour union took the lead in coordinating with relevant departments and department heads to resolve the issues in a timely manner. The satisfaction rate of the handling results exceeded 90%, which greatly safeguarded the legitimate rights and interests of the staff.

We use a the staff canteen satisfaction evaluation platform. In order to improve the quality of staff catering, the Company releases a monthly "Staff Catering Satisfaction Briefing" to report the staff satisfaction ranking for the canteen catering of each industrial park. The ranking drives canteen management to constantly upgrade food quality and, as a result, the satisfaction rate of canteen food is above 90%, greatly raising the living quality of our staff.

Environmental, Social and Governance Report

Benefiting from solid development, the Company recruited nearly 4,287 new employees (2021: 4,500 new employees) during the reporting period, serving as a solid platform to promote social stability and job creation. The Company has a total employee headcount of more than 25,283, of which 60.78% are below 35 years old (inclusive), with a sustainable employment structure. The number of employees in China mainland is 22,768 and 2,515 in overseas. All such employees are full-time. As at 31 December 2022, the Company had 3,708 salespersons, 7,511 technical staff, 588 financial staff and 4,122 administrative staff.

As at 31 December 2022, the breakdown of the Company's employees by category is as follows:

Sex	**Number of employees**
Male	22,441
Female	2,842
Total	**25,283**

Age group	**Number of employees**
Below 25 (inclusive)	3,855
26-30 (inclusive)	4,770
31-35 (inclusive)	6,742
36-40 (inclusive)	4,616
41-45 (inclusive)	2,150
46-50 (inclusive)	1,615
Above 51 (inclusive)	1,535
Total	**25,283**

During 2022, the Company's employee turnover rate by category is as follows:

Sex	Active turnover rate
Male	14.56%
Female	8.43%
Total	**13.90%**

Age group	Turnover rate
Below 25 (inclusive)	25.2%
26-30 (inclusive)	20.3%
31-35 (inclusive)	13.3%
36-40 (inclusive)	9.0%
41-45 (inclusive)	6.0%
46-50 (inclusive)	2.6%
Above 51 (inclusive)	1.0%
Total	**13.90%**

Among those who ceased employment with the Group during the year, approximately 93% were located in Mainland China and 7% were overseas.

Compliance Statement

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

4.2 Health and Safety

Driven by the vision of “Safe Development, Green Development and High-quality Development,” the Company has conscientiously studied the important remarks of President Xi Jinping on safe production, has fully implemented national regulations and policies on safety and environmental protection, and has followed the policy of “People-oriented, Green Manufacturing.” To achieve our goals, we constantly improve the safety and environmental management, identify risks and address hidden hazards, innovate education and training approaches, and accelerate the digital transformation and upgrading of safety and environmental management to create a workplace that cares for employees by ensuring safety. As a result, the number and rate of minor injuries occurring during production has been decreasing each year, with the overall safety level under control. In 2022, the Company established a dual risk prevention mechanism featuring self-identification and control of risks, and self-investigation of hidden hazards at different levels involving all employees, and we formulated an implementation plan to provide data support for the subsequent construction of a digital EHS platform. At the same time, in response to the national environmental protection and energy conservation and emissions reduction policies, we organised training on the implementation of the dual carbon strategic plan and accounting guidelines, attracting a total of 137 participants, effectively enhancing the professional standards of environmental management personnel, and laying a solid foundation for the subsequent full-scale application of carbon emissions accounting.

1. Be a responsible enterprise shouldering ESG responsibilities

In accordance with the doctrine of “safety management as a key component of business management and production and operations management,” the Company adopts a matrix and decentralised management with the principle of level-to-level management, line-to-line responsibility, in which the headquarters is responsible for the development of policy guidelines and indicators, process monitoring, resources allocation and annual reviews; and all business units are responsible for carrying out specific safety work. A Safety Production Committee headed by Zhan Chunxin, the Chairman and CEO of the Company, has been set up while the sub-committee at each business unit is headed by their respective General Manager.

In 2022, supported by our “policies, commitment and two-way incentives,” the Company promoted the establishment of a production safety responsibility system for all employees, improved the assessment policy, increased accountability, raised reward and punishment standards, and expanded the scope of functional supervision to achieve thorough horizontal and vertical management. Meanwhile, safety responsibilities are integrated into job duties, so that responsibilities are organically integrated with business. Both the process and targets are evaluated to make everyone responsible for ensuring safety.

System build-up has been strengthened. The Company conscientiously implemented the latest legal and regulatory requirements, focusing on refining the production safety responsibility system for all employees, increasing economic leverage, broadening the scope of functional supervision, and deepening risk management at source. Revisions have been made to the *Production Safety Responsibility Policy*, the *Safe Production Accident Management System*, the *Safety and Environmental Protection Management Assessment Methods*, the *Hazardous Work Approval and Management System* and 21 other policies and measures at the company level. These revised policies and measures are promptly distributed within the Company to promote compliance and orderly development.

2. **Strengthening the foundation for better safety and environmental management**

The Company has optimised its contingency management mechanism and enhanced its emergency response capabilities. In order to better regulate the reporting, response and handling processes of various safety accidents, guide emergency rescue operations and drills for safety accidents, and enable all departments and business units to effectively perform their emergency duties, in 2022 the Company revised the "comprehensive contingency plan, special contingency plan and on-site handling plan" and the contingency plan system in accordance with the *Guidelines for Emergency Plan Preparation* and other regulatory requirements. We have supervised and guided our departments and business units to formulate drill plans and implement emergency drills. A total of 12 fire safety training sessions, 8 emergency evacuation drills, and 14 fire-fighting drills were organised in 2022, further increasing our emergency response capabilities.

Innovative safety training and promotion activities are conducted to enhance the safety awareness and the response capabilities of employees. To help all business units learn from accidents, in 2022 the Company planned and produced four animated educational films on typical accidents, attracting a total of 15,877 participants. The participation rate reached 67%, an increase of 8% compared with the traditional mode. Posted on the Cultural Zoomlion WeChat Platform with the help of the Party-mass Work Department, the messages on the theme of "A good life starts from safety" were read more than 17,000 times, further creating a strong safety environment culture and raising the safety awareness of all employees.

Risk and hidden hazard investigation, management and rectification were deepened to eliminate accidents. Learning from past accidents, special rectification actions were frequently taken in key areas such as buildings, construction sites, charging carports and gas. A total of 3,877 hidden hazards were investigated, and the rectification rate was 100%. For the special rectification of buildings, we coordinated all departments and business units to perform building safety inspections, and inspected 3,693 residential premises, 402 industrial premises, 341 office premises and 277 other premises. A total of 81 hidden dangers were identified and rectified, achieving a 100% rectification rate. Inspection of construction projects has been increased to once a month, gradually establishing a regular inspection mechanism.

Environmental, Social and Governance Report

Compliance evaluation is constantly improved to ensure compliant operations. The list of safety and environment-related laws and regulations have been collected and updated, increasing from 347 in 2021 to 388 in 2022. 697 national safety and environment standards were also added. The Company instructs and supervises business units to evaluate the provisions of applicable laws, regulations and standards. A total of 49 non-compliances were identified and rectified during the year, achieving a 100% rectification rate.

The Company abides by the requirements of the *Occupational Disease Prevention and Control Law* and other regulations, ensures that employees are informed of occupational hazards, and provided health checks before and during employment, as well as after termination of employment, achieving a health check rate of 100%. The monitoring of occupational hazards at work sites and routine spot checks at protection facilities have been strengthened, with a focus on reducing noise, which significantly improves the work site environment. The Company conducts activities such as the selection of outstanding improvements and encourages business units to eliminate accident risks through technical solutions. In 2022, 118 improvements were collected, an increase of 12% compared with 2021, which greatly motivated business units to make improvements on their own.

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

Year	Death in course of duty	Ratio
2020	0	0
2021	1	0.038%
2022	0	0

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

Year	The number of lost weekdays due to work injuries
2020	7,515
2021	9,984
2022	2,204

Compliance Statement

During the year, no violation of any laws and regulations relating to occupational health and safety that have a significant impact on the Company could be observed within 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, for instance, laws and regulations, policies and guidelines, regulatory requirements, and case studies related to the capital market to ensure that they comply with such rules and perform their duties accordingly. We have formulated the *Measures for Training Management*, setting a high standard for employee codes of conduct and competence. We provide new employees with induction training on codes of conduct and ethics, as well as on corporate culture to help them identify with positive values.

1. **Focusing on high-potential talent to invigorate the Company**

   By focusing on core R&D talent, high-potential talent and newcomers, the Company has continued to conduct talent development programmes such as the "Science and Innovation Camp," "Management Workshop," "Mentorship," "Elite Scheme," "Smart Leader Scheme" and "Concrete Source Scheme," as well as debates and job reviews. We have organised the evaluation and recruitment of technical positions, appraisal of deputy and executive positions and applied for 14 technical talent projects at the provincial level or above to obtain more benefits for technical personnel.

2. **Strengthening sales and service teams for future growth**

   A variety of training camps, such as "Tongxing Camp," "Tonghang Camp," "Tongling Camp" and "Zhenlang Camp" were organised for sales and service personnel. These training camps were attended by 2,841 participants, successfully spreading "end-to-end" marketing management thinking and the entrepreneurial drive and spirit to the entire company, empowering marketing personnel at different levels and helping to build sales and service teams that are competitive and capable of winning. The *Adjustment Plan on Professional Development Paths of After-sales Service Teams* has been formulated to motivate sales and service personnel to climb the promotion ladder. It enables the formation of high-technical, high-quality service teams, giving full play to the contribution of service personnel.

3. **Actively responding to demand and deepening training**

During the year, our training system improved in the following ways: (a) Coverage of a wider range of participants, with a focus on the learning and development of key talent in R&D, marketing, smart manufacturing, university students, and functional management. Through a hybrid of online and offline channels, 155 operational training courses were offered to a total of 27,295 participants (including customers, agents and workers); (b) More specific training content. In terms of professional talent development, on the basis of the existing EDP workshops in integrated management, we developed in-depth training programmes and ran special camps for different professional lines to enrich the training system; (c) Higher quality instructors and courses, with 986 part-time instructors from training and certification institutes, and courses reviewed by both business leaders and training experts to provide finer courses; (d) Specific training camps for professional functional management lines, including the "Lingshi Camp" for finance personnel, the "Innovative Supply Camp" for supply chain personnel, the "Excellent Performance Camp" for quality management personnel, and the "Corporate Culture Officer Camp" for Party cadres. These endeavours work together to drive our functional teams forward.

4. **Rational planning to form an intelligent manufacturing team**

Our intelligent manufacturing freshman site technician course, and the transformation certification course have trained more than 500 people. The Xie Chunqiang Welding Robot Master Workshop was named a Changsha Municipal Crafts Master Workshop. The technical grade evaluation and recruitment rules, and remuneration management rules for site technicians have been formulated to refine the talent development mechanism. We give priority to the need for training talent for the management of smart factories for pilot implementation, and continue to run the "Digital Intelligence Camp" for management personnel of manufacturing systems.

In 2022, the Company had a total of 25,283 participants in training, with a training coverage rate of 100% and 30.78 hours of training per participant. The data of our employees participating in training by category are as follows:

Level of employees	Male	Ratio of employees trained	Female	Ratio of employees trained
Staff	22,274	100%	2,812	100%
Middle management (deputy position included for level-2 entity)	147	100%	24	100%
Executive	20	100%	6	100%
Total	**22,441**	**100%**	**2,842**	**100%**

Level of employees	Male	Average number of training hours completed	Female	Average number of training hours completed
Staff	22,274	30.33	2,812	34.86
Middle management (deputy position included for level-2 entity)	147	22.82	24	25.78
Executive	20	25.71	6	23.66
Total	**22,441**	**30.28**	**2,842**	**34.76**

5. Enhanced cooperation with education institutions

The Company continues to deepen cooperation with education institutions to develop a talent reservoir and solve the problems of talent shortage and sourcing employment of students.

We have discussed extensively with Tsinghua University, Huazhong University of Science and Technology, Shanghai Jiao Tong University, Sun Yat-sen University, Central South University, Hunan University, Xiangtan University, Changsha University of Science & Technology, and Hunan Agricultural University on cooperation. Such cooperation includes organising the 2023 summer camp, and attracting 30 college students from across the country to participate; holding seminars with professors from the Department of Mechanical Engineering of Tsinghua University; travelling thousands of miles to assist Shanghai Jiaotong University to combat the pandemic; establishing a mutual visit mechanism with Huazhong University of Science and Technology and Sun Yat-sen University. Furthermore, we have sponsored the construction of an interactive classroom for lecturers and students at the College of Mechanical and Electrical Engineering of Central South University; reached an agreement with Hunan University to develop a long-term mechanism for promoting employment of its graduates; run the Zoomlion training course with Xiangtan University to nurture interdisciplinary engineering talent with an innovative mindset; and established a recruitment base with Hunan Agricultural University for its graduates.

In addition to jointly offering training courses with the College of Automotive and Mechanical Engineering of Changsha University of Science & Technology, the Company has worked with Changsha University, Hunan Industry Polytechnic, Hunan Chemical Vocational and Technical College, Hunan Automotive Engineering Vocational College, Hunan University of Finance and Economics, Changsha Vocational and Technical College, and Changsha Nanfang Vocational College to determine the training methods to be adopted at the intern training bases. Such collaboration integrates the industry with education to ensure a supply of workforce.

The Company hosted the "Doctors and Masters" exchange visits organised by Changsha High-tech Industrial Development Zone, and received nearly 100 fresh doctoral graduates from National University of Defense Technology, Central South University, Hunan University and University of Chinese Academy of Sciences. We have proactively participated in high-level talent recruitment activities such as "Lugu and High-tech Zone Talent Recruitment," "Xiaoxiang Talent Recruitment" and "Changsha Talent Recruitment." Additionally, we have completed online career planning coaching at Central South University, Huazhong University of Science and Technology, Nankai University and Northwestern Polytechnical University, and shared career development stories at Zoomlion; participated in the 8th Career Planning Competition for College Students at Central South University; conducted the summer intern week activity for the Business School of Hunan University; and organised the 2023 Corporate Open Day activity for Changsha University of Science and Technology, the 2022 graduation commemoration activities of School of Automotive Engineering of Wuhan University of Technology, and the 8th Zoomlion Cup Metallographic Skills Competition of Xiangtan University.

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 labourers (those aged below 16). The Company carries out stringent screening and verification of applicants' identity at the recruitment stage to avoid accidentally hiring child labour due to false information. The Company also performs daily inspections and audits to strengthen supervision in this respect. During the reporting period, the Company had no incidents of child labourer employment, nor did we have any discriminatory or harassment incidents in the aspect of recruitment.

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

2. Provision of multiple incentives to arouse potential

During the reporting period, we continued to enhance the Company's performance management system and incentive mechanism. In addition, we have helped employees reach their full potential, improved organisational efficiency, and guided the management personnel to focus on the improvement of organisational and individual performance; enabled the technicians to focus on their professional skill, for the purpose of improving the R&D capability and performance; encouraged marketing personnel to emphasise profits and marketing effectiveness; and guided the service personnel to pay attention to market feedback on our products and return to the nature of service, encouraged them to improve their skills, for the purpose of providing convenient and efficient services for customers, to further strengthen the interaction between marketing and service.

In order to create a fair workplace environment that facilitates growth and development, we continue to deepen the dual-dimensional appraisal system of "performance + behaviour" and implement the "four" performance management systems of "comprehensiveness," "differentiation," "fragmentation" and "objectivity." We have strengthened the measurement of contribution and output, and continuously focus on the performance and output of employees and their contributions to the achievement of organisational goals. Performance management covers all employees and is closely related to performance appraisal with employees' personal development, merit evaluation, performance bonus payments, and other aspects so as to stimulate employees' motivation and create a performance culture in all aspects. In order to drive employees forward, the Company gives differentiated distribution ratios to units and departments that are rated as outstanding collectives. Meanwhile, we have improved the new fragmented appraisal model, with timely recording, regular spot checks, and two-way communication and counselling during the appraisal process to continuously improve the whole process of performance management. Additionally, we set up a "three-tier" performance results calibration mechanism, introduced business related parties to jointly evaluate the results, made performance announcements and refined management requirements to ensure that results are objective and fair.

With incentives oriented towards "allocation according to work and allocation according to contribution," the Company continues to make its incentive mechanism more diversified, sustainable and competitive. In addition, during the year, the Company has developed the *Zoomlion Salary Management System* to "benchmark against market practices, adhere to the principles of fairness and justice, prioritise performance, and emphasise openness and transparency." The Company prides itself on providing employees with competitive remuneration packages. In addition to a basic salary, the Company has also set up commissions, performance rewards, bonuses, dividends, equity incentives, core management shareholding plans, and other diversified incentive measures according to the nature of employees' positions and their job descriptions.

Compliance Statement

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

5 Operating Practices

5.1 Supply Chain Management

Zoomlion always adheres to the business philosophy of “integrity-based, win-win cooperation,” and we aim to develop a “fully green, intelligent supply chain.” To this end, we are steadily upgrading the layout of our supply chain ecosystem, redefining supply chain value, supporting suppliers and enhancing their capacity, and digitalising the supply chain, with the goal of making management breakthroughs, continuously optimising the supply chain ecosystem, developing an advanced green supply chain management system, and generating value for the Company and society.

1. Upgrading the layout of the supply chain ecosystem

In 2022, the Company had 880 suppliers in Hunan Province (918 in 2021) and 1,891 suppliers outside of Hunan Province (1,978 in 2021).

In terms of supplier selection, the Company has established a company-level supplier selection process and standards. We focus on suppliers’ sustainable development, safety, environmental protection, occupational health, etc., and perform comprehensive reviews to reduce procurement costs and risk, and promote green procurement. In terms of supplier management, we have established a company-level list of qualified suppliers, unified supplier classification standards, standardised full life cycle management, established a supplier performance evaluation system, standardised performance evaluation, and applied the results of dynamic quantitative evaluation of suppliers, with a view to supporting supply chain development and creating long-term, stable partnerships with suppliers that excel in the evaluation process. The Company’s supply chain layout focuses on ecosystem suppliers, asset-heavy input suppliers and suppliers that offer economic advantage, and we devise plans for the layout of the supply chain at different stages based on market conditions. Meanwhile, we are steadily improving automation, encouraging suppliers to replace human resources with commercial machines, and prioritising CNC devices and high-precision tooling to reduce dependence on human resources and comprehensively upgrade the Company’s supply chain ecosystem. The Company has established the *Supplier Management Regulations* to manage all suppliers throughout the entire supply chain life cycle. When selecting new suppliers, suppliers’ qualifications are assessed in accordance with the *Supplier Admittance Management Measures*, and suppliers can only be added to the list of qualified suppliers after they pass the assessment and pass the trial production. After being included on the qualified suppliers list, the qualified suppliers are continuously supervised and managed in accordance with the *Management Regulations for Supplier Performance Assessment*.

According to the terms of signed contracts, the Company requires its suppliers to ensure product safety, prevent product damage and deterioration, and reduce pollution in line with national standards, industrial standards, sample standards and the Company's requirements. To meet these goals, suppliers take various measures, including but not limited to using environmentally friendly and degradable packaging materials for product packaging, not using materials expressly prohibited by laws and regulations, and accepting follow-up supervision based on supplier product review.

2. Redefining the supply chain

We always strive to select high-quality suppliers in the industry, and we aim to engage in collective procurement and integration of bulk, general and standard materials to eliminate intermediate links, realise scale procurement and optimise costs. We are also steadily deepening strategic cooperation in respect of key strategic materials; building supplier ecosystem alliances; and pursuing value co-creation, benefit co-sharing and win-win cooperation. For outsourced materials, we calculate ultimate costs by entering relevant information into our pricing model; closely monitor the optimisation of suppliers' processes, working hours and quotas; and encourage suppliers to upgrade their processes and leverage intelligent technology, with the goal of helping them reduce costs and increase efficiency.

3. Supporting suppliers and enhancing their capacity

First, we provide on-site technical guidance and quality audits and prescribe rectifications in order to improve suppliers' quality. Second, we help suppliers combine costs and achieve cost reduction targets by optimising their production processes and improving their material utilisation rates. Thirdly, in terms of suppliers' collaborative development, the Company proactively communicates with local governments, greatly supporting the development of local company collaboration, encouraging them to upgrade their manufacturing and management, helping large and medium-sized supportive companies become larger and stronger, building supportive industrial parks, thereby forming cluster advantages.

4. Digital supply chain construction

Based on internet centric thinking, we have built a platform for the digital supply chain to support the transformation of the Company's supply chain from an integrated supply chain to a smart supply chain, creating an "end-to-end, ultimate" supply chain system. We use a "Three steps" implementation: the first step is to complete the unification of the supply chain platform, including a unified interface, unified standards, having all staff online, and with business synergy; the second step is to bring about the network of the supply chain platform, extending it to upstream suppliers to make it externally transparent and controllable, and allow efficient collaboration between internal and external parties, improving the toughness and flexibility of the entire supply chain; the third step is to foster the ecology of the supply chain platform, building an industrial ecosystem centralised with Zoomlion, promoting the integration of industrial chain resources to bring into being "fully green, intelligent supply."

The Company's supply chain system takes "fully green, intelligent supply" as its mission to drive the full development of both the upstream and downstream supply chains. In terms of enhancing supplier support and capability, we have improved suppliers' quality via on-site technical guidance and quality audit and rectification. This includes specific guidance for suppliers of core structural parts, and those involved in painting, and casting and forging, to improve their welding, painting and forging quality, so as to identify and deal with environmental and social risks in each link of supply chain.

5.2 Product Responsibility

Focusing on achieving the highest quality, Zoomlion strives to become an industry model in terms of quality, innovation and creation. Based on market demands, the Company continuously improves product quality and management ability.

The Company is one of the earliest machinery companies in China to establish a quality management system according to the ISO9001 standards. We have been committed to the construction of quality management systems since, and continue to optimise and improve them.

1. **Quality control policy and its contents**
   The policy of "Quality Model, Made by Zoomlion" expresses the Company's "pursuit of product quality" and "expectation of market position." The policy mainly includes four aspects: (1) the core competitiveness of products with excellent performance and reliable quality; (2) meeting customer needs, while exceeding their expectations with outstanding products; (3) gaining a competitive advantage by obtaining recognition from customers and the market, and finally becoming the industry benchmark; (4) leading industrial development, developing a global vision, and standing among the global manufacturing players.

2. **Quality goal management**
   According to the "goal-led" planning, a leading quality management plan of the Company, when combined with the features of "hierarchical matrix management" we have established a multi-dimensional and standard-unified quality goal management system based on production lines and products. The Company's quality goals include 8 dimensions: customer satisfaction, domestic and overseas products quality, quality improvement, a quality economy, quality management maturity, a quality culture, supplier quality, and manufacturing quality, with further additional quality pluses and minuses.

3. Initiatives to achieve the policy and goal

In 2022, the Company focuses on "targets, standards, methods, and the system" to vigorously push forward the solving of quality issues and reduce quality loss. We promote an all-round Z-QMS quality information system to unify the platform and basic language and carries out overseas products quality improvement to strengthen the quality management of export product "entire life cycle." We systematically evaluate and diagnose the quality management system to steadily improve its overall maturity while deepening the construction of quality culture and creating awards that strive to create a quality culture of "doing the best."

4. Maintenance and protection of intellectual property rights

The Company continues to refine its internal intellectual property protection system by further improving related regulations and measures and constructing an intellectual property protection network based on the intellectual property system planning, and the transformation, application, and routine management of intellectual property. Meanwhile, we are enhancing staff awareness of intellectual property protection by further opening up internal rights protection feedback channels and strengthening publicity and the implementation of intellectual property protection.

The Company fully considers the problems of intellectual property rights protection in the high-end equipment manufacturing industry and the difficult problems of intellectual property rights protection in all entities and business units. We actively coordinate and cooperate with departments of market supervision and management, intellectual property protection, public security etc. to strengthen the crackdown on infringements, forming a strong deterrent effect, and actively creating a positive industrial environment of intellectual property protection.

5. Important developments in quality management system

The Company's quality management system adopts a hierarchical management model of "headquarters + business units": the headquarters coordinates the overall planning, operation, continuous improvement, and system certification of the Company's system, while the business units are responsible for the specific operation and implementation of respective self-owned systems (such as management reviews, internal audits, special audits, etc.) and the corresponding improvements.

Since 2020, the Company has introduced the "Quality Management System Maturity" evaluation method. As the only one in the construction machinery industry promoting and carrying out the evaluation to the full range of the Company, we have conducted "quantitative + qualitative" evaluation and diagnosis for the entire company for three consecutive years, outputting systematic "quality management check-up reports," effectively promoting the optimization and upgrading of the quality management system, and significantly improving the Company's quality management level. We have been praised by the China Quality Association and the China Machinery Industry Quality Management Association many times and invited to share our experiences.

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

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

Compliance Statement

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

5.3 Incorruptible Management

Corruption harms the interests of a company and affects its corporate image. Anti-corruption upholds the business ethics of a company, constitutes the foundation for a company's long-term development and protects a company's core teams and employees. The Company carries out anti-corruption and integrity work to proactively create a clean corporate environment by strengthening the organisation, improving rules and regulations, deepening education and training, being serious about discipline and accountability, and opening up reporting channels to promote the construction of the "Three No's" mechanism – no want to corrupt, no ability to corrupt, and no desire to corrupt.

1. **Strengthen the organisation**
Knowing the key aspects of something can open up further aspects. The Company continuously consolidates the construction of an internal control compliance system, covering discipline inspection, audits, and legal affairs, for the purpose of promptly detecting company supervision loopholes, and effectively preventing management risks arising from violations, which plays an important role in terms of company integrity management. We continue to strengthen the construction of grassroots Party organisations and organise the study and implementation of President Xi Jinping's important discussions on the overall strict governance of the Party, Party conduct and moral integrity, and the construction of a culture of integrity.

We consolidate the main responsibility of secretaries of grass-roots party organisations for integrity education and promote the signing of a new round of letters of responsibility for building a clean and honest company. We deepen the construction of embedded integrity risk prevention and control mechanism and promote the main responsible departments to proactively identify their own problems, so that every grassroots party organisation can become a fighting fortress of integrity. Meanwhile, for key project construction and significant project bidding and procurement etc., we have set up a group to lead on infrastructure and production line equipment bidding, a supply chain management committee, and other institutions that make collective decisions to ensure that power is exercised in a transparent manner.

2. **Improve rules and regulations**

Great wisdom is solving problems by establishing sound systems. The Company uses institutionalisation as an important tool to improve the efficiency of its daily supervision. The Company has revised the *Code for Executives*, the *Eight No's for Management Teams*, *Assessment Methods for Senior Management*, etc., putting discipline and rules at the forefront and further clarifying the subjects and contents of accountability. The Company has formulated *Bidding Management Regulations*, *Bidding Management Measures for Infrastructure and Production Line Equipment*, *Bidding Management Measures for Production Materials*, *Supervision and Management Regulations*, a *Gift and Cash Gift Hand-over System*, a *Reporting System*, an *Employee Complaints System*, etc., to promote the use of power pursuant to the law, the impartial use of power, and the clean use of power.

3. **Deepen education and training**

Always being alert to unexpected developments eliminates potential risks. A good working environment of honesty is the foundation to promoting a company's stability and success. This year, the Company has organised 12 sessions of large-scale integrity alertness education, involving our directors and management, key project construction crew, R&D technical talents, post-sales staff, and students. In particular, as the Company's Wisdom Industry City construction project enters a critical stage, we have developed a special training, *Zero Tolerance,* focusing on integrity alertness to warn judges, staff, project managers, principal contractors, supervisors and representatives from the project management company involved in the project, so as to further optimise the construction environment, strengthen friendly-clean cooperative relations and build a firewall for the construction of the Wisdom Industry City. The Company has persistently done a good job in preventing corruption and insisting on carrying out initiatives such as cultivating a positive atmosphere and deepening alertness education at the primary level throughout the company, to guide and help management and staff to strengthen their honesty and self-discipline, not to approach the warning line and not to exceed the bottom line.

4. **Make discipline and accountability serious**

It's important to be practical and down-to-earth. We adhere to the general principle of "the Company's interests above all else," practise the idea of "develop steadily for a better future" and resolutely implement the general spirit of the "four strengths." In terms of integrity management, the Company has persevered and sharpened its efforts to focus on discipline and accountability, insisting on investigating cases and using them to promote reform, rectification and construction. In 2022, we have focused on investigating and handling cases of violations of law and discipline, such as in construction, in bidding and procurement, in marketing and risk control, in intellectual property, etc., which reported by staff in key areas/positions and seriously infringe on the Company's interests. We have also focused on cracking down on cases related to dereliction of duty, embezzlement and misappropriation of company property, commercial bribery, and contract fraud. We have learned lessons from these cases to tighten management loopholes and improve management functionality.

5. **Open reporting channels**

Extensive supervision with broad discussions. The Company encourages staff to supervise the compliance of the codes of business conduct and to report any violations of law, discipline, and organisational policy. We have opened a reporting channel via a mobile phone app, the intranet, the Company's official website and other network platforms, and have also set up a reporting mailbox in each park, and publicised the reporting hotline and email address. The reporting channels therefore cover the entire company. We warmly and meticulously treat informants, strictly protect the information of real-name informants, and actively respond to the reported matters, to mobilise staff for wide monitoring.

Compliance Statement

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

6 Community Investment

The Company has been established for 30 years, and we have always adhered to the ideal that "personal value comes from the company and company value comes from society." Through long-term cooperation with provincial and municipal charity organisations and emergency management agencies, we have carried out social welfare, rural revitalisation and other social responsibility work through charitable donations, educational donations, disaster relief, assistance for the vulnerable and disadvantaged, and youth volunteer actions based on the industry characteristics, our corporate strategy and our advantageous resources. The Company donated a total of more than RMB10 million in 2022, contributing the Company's power of caring.

1. Rural revitalisation

To earnestly implement President Xi Jinping's instruction on rural revitalisation, the Company continues to invest in rural construction and education. In 2022, the Company invested RMB690,000 in Jiao Shan Village, Guan Shang Village, Sanyangta and Zhaiping Village in Suojie Township, Shimen County, Hunan Province, to help villagers strengthen roads, build infrastructure such as water conservation, activity centres, health clinics, and cultural and entertainment centres, and promote projects of "Happy House" and "Beautiful Yard." Meanwhile, we also invested RMB200,000 in Harmony Village in Liangshuikou Township, Sansangzhi County, Zhangjiajie, to help villagers build an industrial road to strengthen the foundations for industrial development. In June 2022, Zoomlion, working with the Agricultural and Rural Bureau of Kaifeng Urban-Rural Integration Demonstration Zone, came to Yangqiao Community in Shuidao Township, Kaifeng, to harvest wheat for free for farmers in need. The Company delivered its new TB90 harvester to harvest a total of more than 70 mu of wheat, helping 6 local families in need, including Zhou Yingchun, to turn a year of hard work and expectation into a good harvest.

2. Aid for public education

In 2022, the Company contributed to the "Love-Changes-Destiny" charity event for the 18th consecutive year, donating RMB2 million to university students from poor areas unable to afford tuition fees. In the first half of the year, the Company made targeted donations to Huarong Yiyun Mingde Primary School and Changde Puyuan Primary School, totalling RMB198,000. In the first half of 2022, the Company's customer alliance carried out initiatives with the theme "Achieve Dreams with United Love, Warm Mountain Students" at Haotang Junior High School in Xinshao County, Central School in Hupingshan Town, Shimen County, both in Hunan Province, Mingshui Primary School in Nanhua Town, Gaotai County in Gansu Province and Jiufeng School in Linshui County in Sichuan Province, donating a total of more than RMB400,000 to the poor students in these schools. The Longshan Education Support Project continued: a total of 60 students from the Longshan Vocational Education Support Class have come to the Company for production internships since June 2021. During their internship, we provided various subsidies for these students totalling more than RMB1.8 million. In the first half of 2022, the Company provided internship subsidies of more than RMB900,000. All 60 students have finished their internships so far and officially gone on to work in relevant positions, indicating the successful completion of our Vocational Education Support project. On 4 March 2022, the school building of Liye Primary School, built with the Company's help, was completed and put into use in the autumn. It effectively solves the difficulty for local school-age children who cannot attend school in time and lays a solid foundation for the revitalisation of education in Liye area.

3. Emergency rescue

As a heavy engineering machinery emergency rescue team in Hunan Province, the Company continues to make efforts in the development of emergency rescue equipment. In 2022, to solve the difficulties of fire fighting in tunnels, forests, oil stations and other typical scenarios, a double-headed fire truck, a forest fire fighting isolation belt vehicle, a backpack CAFS firefighting system and many other new products were successfully rolled out and delivered to customers. On 29 April 2022, an eight-storey self-built building at Panshuwan, Jinping Community, Jinshanqiao Street, Wangcheng District, Changsha collapsed. We despatched truck cranes, aerial work equipment and more than 10 emergency rescue team members to the scene immediately, actively cooperating with the emergency rescue department to rescue the trapped victims.

On 5 September 2022, an earthquake measuring 6.8 occured in Luding County, Ganzi Prefecture, Sichuan Province. Zoomlion despatched 3 batches of support forces to the stricken zone in Luding, delivering a total of 22 excavators, 2 truck cranes and more than 40 relief workers. The staff of Zoomlion, fighting on the front line of the quake, bravely and perseveringly, worked with rescue forces of all levels and contributed all their strength to ensure the safety of people's lives and property in the stricken zone and achieving a fully successful quake relief effort.

As a manufacturer of emergency fire-fighting equipment, the Company actively participated in firefighting and relief missions in the province, such as the fire rescue response for the telecommunications building in Changsha and hill fire rescue in Yongzhou, Chenzhou and Loudi. The Company deployed a total of 17 sets of equipment such as fire extinguishing trucks and isolation belt vehicles, and 29 workers fought continuously for nights and days, successfully completing various protection and fire-fighting tasks.

In early 2023, two consecutive earthquakes measuring 7.8 struck in Turkey, causing heavy casualties and property damage. Upon hearing the news, Zoomlion immediately contacted the national emergency management department and organised a rescue team with excavators to Hatay province, the severely damaged area. We were one of the first Chinese rescue teams to arrive at the scene.

4. Sports charities

In 2022, the Company continued to support Hunan sports public welfare, donating RMB1 million to the provincial weightlifting team. Meanwhile, to support the Beijing Winter Olympics, Zoomlion Agriculture Machinery Co., Ltd. organised a snowplough tractor team to be stationed in the Zhangjiakou zone and help to maintain clear roads in the competition zone.

In April 2022, a local epidemic broke out in Wuhu, where Zoomlion Agriculture Machinery Co., Ltd. is located. To help prevent and control the epidemic and assume our corporate social responsibility, we donated medical masks, disinfectant, and other anti-epidemic materials to Fanchang District and Eqiao Town of Wuhu. We also formed a volunteer team to participate in various anti-epidemic work.

5. Youth volunteering activities

On 5 March 2022, to brighten the brand of "Learning from Lei Feng in his Hometown" and further promote the spirit of Lei Feng, the Youth League Committee of Zoomlion held a non-profit volunteer activity of learning from Lei Feng to celebrate the centenary of the founding of the League, with guidance from the Changsha Civilisation Office and the Changsha Municipal Committee of the Communist Youth League. Our Youth League Committee also launched the month of Lei Feng themed "Learning the Lei Feng Spirit, Continuing Heroic Sentiment." On 12 March 2022, more than 80 youth volunteers from the Youth Volunteer Association of the Youth League Committee of Zoomlion organised a tree-planting activity themed "Spring Breeze – Planting Trees Together" at the tree-planting base in Qiaoyi Town, Wangcheng District, Changsha, Hunan Province, as an active response to the call.

7 Reference Table for ESG General Disclosures

ESG Index	Key performance	Description	Remark	Reporting
	Environment			
A1	Emissions	General Disclosures Policies on waste gas and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste, etc.; and (a) Policies; and (b) Compliance with the relevant laws and regulations that have a material impact on the issuer. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		3.1
	A1.1	The types of emissions and respective emissions data.		3.1
	A1.2	Direct (Scope 1) and indirect energy (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).		3.1
	A1.3	Hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Intensity not applicable	3.1

ESG Index	Key performance	Description	Remark	Reporting
	A1.4	Non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Non-hazardous waste is not recognised as the most important issue of the Company. We will continue to monitor regulatory changes to update any disclosures as necessary on a later date.	
	A1.5	Description of the emissions targets established, and the steps taken to achieve them.	The Company is in the process of formulating relevant targets and therefore the related disclosure will be considered in the future.	
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of the waste reduction targets established, and the steps taken to achieve them.	The Company is in the process of formulating relevant targets 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, in storage, transportation, in buildings, electronic equipment, etc.		3.2
	A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).		3.2

ESG Index	Key performance	Description	Remark	Reporting
	A2.2	Water consumption in total and intensity (e.g., per unit of production volume per facility).		3.2
	A2.3	Description of the energy efficiency goals established, and the steps taken to achieve them.	Utilisation of resources is not recognised as the most important issue of the Company. We will continue to monitor regulatory changes to update any disclosures as necessary on a later date.	
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, and the water efficiency targets established, and the steps taken to achieve them.	Utilisation of resources is not recognised as the most important issue of the Company. We will continue to monitor regulatory changes to update any disclosures as necessary on a later date.	
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Utilisation of resources is not recognised as the most important issue of the Company. We will continue to monitor regulatory changes to update any disclosures as necessary on a later date.	
A3	Environment and natural resources	General Disclosures Policies on minimising the impact of the issuer on the environment and natural resources.		3.3
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		3.3

Environmental, Social and Governance Report

ESG Index	Key performance	Description	Remark	Reporting
A4	Climate Change	General Disclosures Policies on identifying and addressing major climate-related issues that have already had, or may have, an impact on the issuer.		3.4
	A4.1	Description of significant climate-related issues that have had. and may have, an impact on the issuer, and actions to address them.		3.4
	Society			
B1	Employment and labour regulations	General Disclosures Policies on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination as well as other benefits and welfare; and (a) Policies; and (b) Compliance with the relevant laws and regulations that have a material impact on the issuer.		4.1
	B1.1	Total employment by gender, employment type (full-time or half-time), age group and geographical region.		4.1
	B1.2	Employee turnover rate by gender, age group and geographical region.		4.1

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

Environmental, Social and Governance Report

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

ESG Index	Key performance	Description	Remark	Reporting
	B5.3	Description of practices relating to identifying environmental and social risks in each segment of the supply chain, and how they are implemented and monitored.		5.1
	B5.4	Description of practices that promote the increased use of environmentally friendly products and services when choosing suppliers, and how they are implemented and monitored.		5.1
B6	Product responsibility	General Disclosures Policies on health and safety, advertising, labelling, and privacy relating to products and services provided as well as remedial measures; and (a) Policies; and (b) Compliance with the relevant laws and regulations that have a material impact on the issuer.		5.2
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Company's principal activities rarely involve product recall, so it is not recognised as an important issue of the Company. We will continue to monitor regulatory changes to update any disclosures as necessary on a later date.	
	B6.2	Number of products and service-related complaints received and how they are dealt with.	The Company rarely receives complaints related to products, so it is not recognised as an important issue of the Company. We will continue to monitor regulatory changes to update any disclosures as necessary on a later date.	

ESG Index	Key performance	Description	Remark	Reporting
	B6.3	Description of practices relating to observing and protecting intellectual property rights.		5.2
	B6.4	Description of the quality assurance process and recall procedures.		5.2
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Consumer data protection and privacy policies are not recognised as the most important issues of the Company. We will continue to monitor regulatory changes to update any disclosures as necessary on a later date.	
B7	Anti-corruption	General Disclosures Policies on preventing bribery, extortion, fraud and money laundering; and (a) Policies; and (b) Compliance with the relevant laws and regulations that have a material impact on the issuer.		5.3
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period, and the outcomes of the cases.	The Company rarely receives reports of corruption cases, so it is not recognised as an important issue of the Company. We will continue to monitor regulatory changes to update any disclosures as necessary on a later date.	

Environmental, Social and Governance Report

ESG Index	Key performance	Description	Remark	Reporting
	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
B8	**Communities** Community investment	General Disclosures Policies on community engagement to understand the needs of communities where the issuer operates and to ensure its business activities take into consideration the communities' interests.		6
	B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).		6
	B8.2	Resources contributed (e.g., money or time) to the focus area.		6

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

Changes in Share Capital and Shareholders

I. Changes in Share Capital (as at 31 December 2022)

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%	27,300,705	0.31%
2. Shares not subject to sales restriction	8,648,073,731	99.66%	8,650,691,531	99.69%
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						Shares pledged, tagged or frozen	
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	Condition of shares	Number
HKSCC NOMINEES LIMITED	Overseas legal person	18.19%	1,578,595,501	-438,540	0	1,578,595,501		
Hunan Xing Xiang Investment Holding Group Co., Ltd.	Domestic legal person	14.44%	1,253,314,876	0	0	1,253,314,876		
Changsha Zoomlion and Yisheng Investment Partnership (LLP)	Domestic non-state-owned legal person	7.86%	682,201,864	0	0	682,201,864	Pledged	409,230,000
Zoomlion Heavy Industry Science and Technology Co., Ltd.* — Phase I Employee Stock Ownership Plan	Other	4.50%	390,449,924	0	0	390,449,924		
China Securities Finance Corporation Limited	State-owned legal person	2.69%	233,042,928	0	0	233,042,928		
Hong Kong Securities Clearing Company Limited	Overseas legal person	2.33%	202,288,548	-47,377,246	0	202,288,548		
Real Smart International Limited	Overseas legal person	1.94%	168,635,602	0	0	168,635,602	Pledged	168,635,602
Urumqi Phoenix Cornerstone Equity Investment Management Limited Partnership — Maanshan Xuanyuan Cornerstone Equity Investment Partnership (Limited Partnership)	Other	1.72%	148,869,223	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		
Ning Chen	Domestic natural person	0.52%	44,708,859	44,708,859	0	44,708,859		

Based on information that is publicly available to the Company and within the knowledge of the Directors as at 19 April 2023 (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.

Changes in Share Capital and Shareholders

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

As at 31 December 2022, 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	Class of shares	Number of shares[1]	% to class of shares issued	% 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	1,253,314,876 (L)	17.66	14.44
Changsha Zoomlion and Yisheng Investment Partnership (LLP)[3]	Beneficial owner	A shares	682,201,864 (L)	9.61	7.86
Zoomlion Heavy Industry Science and Technology Co., Ltd. – Phase I Employee Stock Ownership Plan[4]	Beneficial owner	A shares	390,449,924 (L)	5.50	4.50
Changsha Hesheng Science and Technology Investment Co., Ltd.[5]	Interest in a controlled corporation	H shares	193,757,462 (L)	12.25	2.23
Citigroup Inc.[6]	Interest in a controlled corporation	H shares	83,392,112 (L)	5.27	0.96
			14,053,547 (S)	0.88	0.16
			64,973,930 (P)	4.10	0.75
Schroders PLC[7]	Investment manager	H shares	142,126,800 (L)	8.98	1.64

Notes:

(1) L represents long position

S represents short position

P represents lending pool

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

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

(6) The disclosure is based on information available on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk). As stated in the form of disclosure of shareholder's interests submitted by Citigroup Inc. on 12 December 2022, these shares are held via its affiliates.

(7) The disclosure is based on information available on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk). As stated in the form of disclosure of shareholder's interests submitted by Schroders PLC on 5 August 2022, these shares are held via its affiliates.

Save as disclosed above, as at 31 December 2022, 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 259,863,183 A shares as follows:

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

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 2021, 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 2022, a total amount of RMB1,939 million of the net proceeds had not yet been utilised and will be applied as follows:

No.	Purpose	Allocation of net proceeds	Amount utilised during the year (RMB million)	Amount unutilised as at 31 December 2022	Expected timeline of full utilisation
1.	Excavating machinery intelligent manufacturing project[1]	2,400.00	454.34	1,008.63	2023 1H
2.	Project for upgrading of intelligent manufacturing of mixer product[1]	350.00	38.16	80.21	2023 1H
3.	Key components intelligent manufacturing project	1,300.00	222.01	850.30	2023 2H
4.	Liquidity replenishment	1,095.69	–	–	–
	Total	**5,145.70**	**714**	**1,939**	

Note 1: Both projects have both been substantially completed. As at 31 December 2022, the relevant commissioning work has been completed and the projects have reached the expected operating conditions. However, there is a slight delay in utilising the proceeds allocated to these projects as there is a timing difference in recognising construction-in-progress as fixed assets in the consolidated financial statements of the Company.

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	Post	Employment Status	Gender	Age	Date of commencement of tenure	Date of termination of tenure	Number of Shares held at the beginning of the period (share)	Number of Shares Increased during the period (share)	Number of Shares Decreased during the period (share)	Other Changes (share)	Number of Shares held at the end of the period (share)	Reasons for changes
Zhan Chunxin	Chairman and CEO	Incumbent	Male	67	2 April 2001		10,929,076				10,929,076	
He Liu	Director	Incumbent	Male	52	29 January 2019		0				0	
Zhao John Huan	Director	Incumbent	Male	59	29 June 2015		0				0	
Lai Kin Keung	Independent Director	Incumbent	Male	72	29 June 2015		0				0	
Zhao Songzheng	Independent Director	Incumbent	Male	61	29 June 2015		0				0	
Liu Guiliang	Independent Director	Incumbent	Female	60	29 June 2015		0				0	
Yang Changbo	Independent Director	Incumbent	Male	68	29 June 2016		0				0	
Wang Minghua	Chairman of Supervisory Board	Incumbent	Male	58	29 January 2019		0				0	
He Jianming	Supervisor	Incumbent	Male	60	29 January 2019		946,347				946,347	
Liu Xiaoping	Employee Supervisor	Incumbent	Male	59	29 January 2019		326,840				326,840	
Xiong Yanming	Vice President	Incumbent	Male	58	29 June 2015		2,991,051				2,991,051	
Sun Changjun	Vice President	Incumbent	Male	60	29 June 2015		3,229,828				3,229,828	
Guo Xuehong	Vice President	Incumbent	Male	60	29 June 2015		3,471,094				3,471,094	
Fu Ling	Vice President	Incumbent	Female	55	29 June 2015		2,984,068				2,984,068	
Du Yigang	Vice President	Incumbent	Female	47	29 June 2015		2,506,332				2,506,332	
Wang Yongxiang	Vice President	Incumbent	Male	45	29 January 2019		1,227,500				1,227,500	
Luo Kai	Vice President	Incumbent	Male	52	29 January 2019		1,241,800				1,241,800	
Tang Shaofang	Vice President	Incumbent	Male	48	29 January 2019		1,087,500				1,087,500	
Shen Ke	Vice President	Incumbent	Male	51	29 June 2015		3,517,006				3,517,006	
Huang Jianbing	Assistant President	Incumbent	Male	51	29 January 2019		0				0	
Qin Xiuhong	Assistant President	Incumbent	Male	48	29 January 2019		0				0	
Tian Bing	Assistant President	Incumbent	Male	48	29 January 2019		1,942,500				1,942,500	
Yang Duzhi	Board Secretary	Incumbent	Male	33	29 March 2019		0				0	
Total	–	–	–	–	–	–	36,400,942	0	0		36,400,942	–

Directors, Supervisors, Senior Management and Employees

II. Changes in Directors, Supervisors and Senior Management

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

III. Biography of directors, supervisors and senior management

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

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

Mr. Zhao John Huan (趙令歡), male, born in 1963, is a non-executive director of our Company. Mr. Zhao is the chairman of Hony Capital. He also serves as a non-executive director of Legend Holdings Corporation, a non-executive director of China Glass Holdings Limited, a non-executive director of Lenovo Group Ltd., an executive director and the chairman of the board of Best Food Holding Company Limited, an executive director and the chairman of the board of Goldstream Investment Limited. Mr. Zhao obtained a bachelor's degree in physics from Nanjing University, dual master's degrees in electronic engineering and physics from Northern Illinois University, USA and a master's degree in business administration from the Kellogg School of Management at Northwestern University.

Mr. Lai Kin Keung (黎建強), male, born in 1950, is an independent non-executive director of our Company. Mr. Lai Kin Keung is currently a chairman of ACCRCM and an honorary professor of the department of industrial engineering of the University of Hong Kong. He acted as a chair professor of management science in City University of Hong Kong from 2003 to 2016. Mr. Lai Kin Keung is also an independent non-executive director of Bank of Communications Schroder Fund Management Co., Ltd. (上海交通銀行施羅德基金公司) and Golden Century International, as well as an independent director of Hong Kong Freetech Road Recycling Technology (Holdings) Limited. Mr. Lai Kin Keung is the founding chairman of the Operational Research Society of Hong Kong, the certified senior enterprise risk manager of Asia Association of Risk and Crisis Management, a member of the Hong Kong Professionals and Senior Executives Association and a fellow of the Asia Pacific Industrial Engineering and Management Society. Mr. Lai Kin Keung was the dean of the College of Business Administration at Hunan University from February 2005 to February 2008 and a member of the 10th Hunan Provincial Committee of Chinese People's Political Consultative Conference in 2008, and appointed as the Chang Jiang Scholar Chair Professor by the Ministry of Education in 2009. Mr. Lai Kin Keung received the 2009 Joon S. Moon Distinguished International Alumni Award and 2014 Civil and Environmental Engineering (CEE) Distinguished Alumni Award from Michigan State University, USA in February 2009 and January 2014, respectively. Mr. Lai Kin Keung obtained a doctor of philosophy degree in civil engineering from Michigan State University, USA in September 1977.

Directors, Supervisors, Senior Management and Employees

Mr. Zhao Songzheng (趙嵩正), male, born in 1961, is an independent non-executive director of our Company. During his teaching career, Mr. Zhao Songzheng chaired various scientific research and development projects at state and provincial levels, received two Provincial Science and Technology Advancement Awards (Grade III), Educational Awards of Shaanxi Provinces (Grade I) and (Grade II) respectively, a Science and Technology Advancement Award of Xi'an City (Grade I), a Management Award of Shaanxi Province (Grade I) and Science and Technology Advancement Awards in Education of Shaanxi Province (Grade I) and (Grade III) respectively, obtained six copyrights for national software products and published over 100 academic papers.

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

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

Directors, Supervisors, Senior Management and Employees

Mr. Wang Minghua (王明華), male, born in 1964, is a supervisor of the Company. He obtained a bachelor's degree and is a senior accountant. From August 2006 to July 2022, Mr. Wang has served as a member of the party committee, deputy general manager and chief accountant of Hunan Xing Xiang Investment Holding Group Co., Ltd. and also a member of senior accountant appraisal committee of Hunan Province, an expert on assessment of the Special Capital Projects of Financial Corporates of Hunan and a member of the second session of Expert Review Committee for Writing-off of Non-Performing Assets of Hunan. From May 1993 to January 2002, he served as the deputy head and head of the financial department of Hunan Nonferrous Metals Geological Exploration Bureau of the State Administration of Nonferrous Metal Industry (during such period, he served as the chief accountant of Hunan Xin Xiang Metal Group from November 1999 to December 2001 and chief accountant of Central and Southern China Municipal Engineering Construction Group from January 2001 to December 2002). From January 2002 to August 2006, he worked for the Industrial Working Committee of Hunan Provincial Party Committee and State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government by serving as the director of the third office of the Supervisory Board of State-owned Enterprise of Hunan and was delegated to Valin Group, Xiang Gang Group, Lin Gang Group, Hengyang Steel Tube Group, Hailea Group, Zhuzhou Chemical Industry Group and Xiangtou Holdings Group as a supervisor, respectively. From April 2004 to August 2006, Mr. Wang served as a member of the first session of the party committee of the departments of the State-owned Assets Supervision and Administration Commission of Hunan.

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

Directors, Supervisors, Senior Management and Employees

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

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

Directors, Supervisors, Senior Management and Employees

Mr. Sun Changjun (孫昌軍), male, born in 1962, is a vice president of our Company. Mr. Sun has become a professor recognised by the Leaders Team of the Working Group on Titles Reform of Hunan Province since September 2005. Mr. Sun served as the deputy secretary of the youth league committee, the deputy director of the business teaching and research section and the deputy director of the training department of Hunan Provincial People's Police School (currently known as Hunan Police College) from November 1985 to July 1990 respectively, a senior member of the legal and labour affairs committee of Hunan People's Congress from July 1990 to July 1995, the director of criminal law research office of Hunan University of Finance and Economics from July 1998 to May 2000, the vice director of the industrial economics office of Hunan University from June 2000 to September 2001, the deputy head of the law faculty of Hunan University from October 2001 to December 2004, the general legal counsel of Research Institute from January 2005 to July 2006, a vice president of our Company from July 2006 to June 2015 and the Chief Legal Officer of our Company from July 2015 to January 2018. Mr. Sun serves various other positions, including the chairman of the Criminal Law Research Association of Hunan Province, the chairman of the Risk Management Research Association of Hunan Province, the vice chairman of the Legislative Research Association of Hunan Province, the vice chairman of the State-owned Assets Supervision and Management Research Association of Hunan Province, the vice chairman of the Provincial Condition Research Association of Hunan Province, a member of the expert advisory panel of the People's Procuratorate of Hunan Province, a member of executive council of China Securities Law Research Association (中國證券法學研究會) and the vice chairman of Changsha City Federation of Industry and Commerce. Mr. Sun has won various titles and awards, including the Research Results (Grade I) Prize of Organisation Division of Central Government in October 2001, the 5-Best Project Prize of Hunan Province in October 2001, the Social Science Results (Grade I) Prize of Hunan Province in June 2002, the Outstanding Achievements (Grade II) Prize of Philosophy and Social Sciences of Hunan Province in 2004, the Outstanding Legal Counsel of Provincial Supervisory Corporations in 2008, the Innovative Results (Grade I) Prize in Modern Enterprise Management of Hunan Province (湖南省企業管理現代化創新成果一等獎) in 2009 and the Annual Outstanding Corporate Counsel in China for 2011 (2011 中國律政年度精英公司律師) in December 2011. Mr. Sun graduated from Southwest College of Political Science and Law (currently known as Southwest University of Political Science and Law) in Chongqing, the PRC with a bachelor's degree in law in 1983, and obtained a doctorate degree in law (full-time) from Wuhan University in Wuhan City, the PRC in 1998.

Directors, Supervisors, Senior Management and Employees

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

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

Directors, Supervisors, Senior Management and Employees

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

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

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

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

Directors, Supervisors, Senior Management and Employees

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

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

Mr. Qin Xiuhong (秦修宏), male, born in 1974, is an assistant president of our Company. Mr. Qin is currently the deputy director of the Financial Management Centre, senior accountant and a senior member of Accounting Society of China. He is currently a postgraduate tutor at the China University of Mining and Technology and a consulting expert of financial affairs of National People's Congress Financial and Economic Affairs Committee of Hunan Province. Mr. Qin participated in Urgently-Needed Talent in Changsha (長沙市緊缺急需人才) and High-level Talent (Provincial and municipal Leading Talent) in Changsha (長沙市高層次人才（省市級領軍人才）). He was awarded the honorary title of "2015 China International Financial Excellence Talent" (2015中國國際財務卓越人才) and "2015 China TPOCFO" (2015中國十大資本運營TOPCFO). Mr. Qin graduated from Hefei University of Technology with a postgraduate degree in business administration (accounting and finance) and obtained a master's degree in 2010. He graduated from China University of Mining and Technology with a doctor degree of Management in financial management systems engineering.

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

Directors, Supervisors, Senior Management and Employees

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

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

During the reporting period, the remuneration and assessment committee of the Board carried out performance assessment on the directors, supervisors, senior management and employees pursuant to the assessment standards based on the fulfillment of major financial indicators and operating targets in 2022, scope of work and major responsibilities of directors, supervisors, senior management and employees, 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, supervisors, senior management and employees for the year pursuant to the remuneration management system and the annual performance assessment conducted by the remuneration and assessment committee of the Board. In 2022, remuneration of directors, supervisors, senior management and employees 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	Post	Gender	Age	Employment Status	Total remuneration before tax received from the Company	Whether the remuneration was received from a related party of the Company
Zhan Chunxin	Chairman and CEO	Male	67	Incumbent	270	No
He Liu	Director	Male	52	Incumbent	0	Yes
Zhao John Huan	Director	Male	59	Incumbent	0	No
Lai Kin Keung	Independent Director	Male	72	Incumbent	15	No
Zhao Songzheng	Independent Director	Male	61	Incumbent	15	No
Liu Guiliang	Independent Director	Female	60	Incumbent	15	No
Yang Changbo	Independent Director	Male	68	Incumbent	15	No
Wang Minghua	Chairman of Supervisory Board	Male	58	Incumbent	0	Yes
He Jianming	Supervisor	Male	60	Incumbent	180	No
Liu Xiaoping	Employee Supervisor	Male	59	Incumbent	140	No
Xiong Yanming	Vice President	Male	58	Incumbent	200	No
Sun Changjun	Vice President	Male	60	Incumbent	200	No
Guo Xuehong	Vice President	Male	60	Incumbent	190	No
Fu Ling	Vice President	Female	55	Incumbent	200	No
Du Yigang	Vice President	Female	47	Incumbent	190	No
Wang Yongxiang	Vice President	Male	45	Incumbent	190	No
Luo Kai	Vice President	Male	52	Incumbent	180	No
Tang Shaofang	Vice President	Male	48	Incumbent	180	No
Shen Ke	Vice President	Male	51	Incumbent	140	No
Huang Jianbing	Assistant President	Male	51	Incumbent	130	No
Qin Xiuhong	Assistant President	Male	48	Incumbent	130	No
Tian Bing	Assistant President	Male	48	Incumbent	140	No
Yang Duzhi	Board Secretary	Male	33	Incumbent	113	No
Total	–	–	–	–	2,833	–

Corporate Governance

The Company has established and improved the structure of its corporate governance to regulate its operation strictly in accordance with the Company Law, Securities Law, the relevant regulations of the CSRC and code provisions in part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules of Hong Kong. According to the relevant regulations, the Company improves its internal control, the regulations of shareholders' meeting, board meeting and supervisor meeting so as to implement a comprehensive governance system and disclosure procedures. The Company ensures its sustainable and healthy development to further enhance the corporate value and safeguard the interests of all shareholders and itself.

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

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

Mr. Zhan Chunxin acted as the Chairman and Chief Executive Officer of the Company in 2022. The Board considers that Mr. Zhan Chunxin acting as Chairman and Chief Executive Officer can be more efficient in the planning and implementation of the corporate strategies. Under the supervision of the Board and Independent Non-executive Directors and our effective internal checks-and-balances, such arrangement will not create conflict between the Board and the Company in business operation and will not jeopardise the balance of power.

Save as above, the Company has complied with the code provisions in part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules of Hong Kong throughout the year of 2022.

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.

Corporate Governance

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

III. Directors and Board

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

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

(I) Responsibilities of the Board

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

The Directors understand that they have the responsibility to prepare annual financial statements for each financial year to give a true and fair view of the position, results and cash flow of the Company in the relevant period. In preparing the financial statements for the year ended 31 December 2022, 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 managers 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.

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 2022, the Board had held 10 meetings. The Independent Directors duly perform their duties strictly in accordance with the "Code on Corporate Governance for Listed Companies", "Guidelines for Establishment of Independent Directors System of Listed Companies" and the Articles of Association so as to understand the production, operation and management of the Company. During the reporting period, the Independent Directors attended the board meetings and shareholders' general meetings and used their respective professional knowledge in performing their duties. They have made useful advice in respect of the operation procedures of the Board and made significant contribution to decisions of the Board. Their independent and objective advices have enabled the Board to make rational decisions for the best interest of the Company and its shareholders as a whole. During the reporting period, the Independent Directors have made no objection to the resolutions and proposals raised at boarding meetings and other meetings of the Company in the year.

   The attendance of all Directors at the Board meetings and general meetings in 2022 was as follows:

	Name of Directors	Number of Board meetings held	Attendance	Number of general meetings held	Attendance
Chairman	Mr. Zhan Chunxin	9	9	1	1
Non-executive Director	Mr. Hu Xinbao	9	9	1	1
	Mr. Zhao John Huan	9	9	1	1
Independent Non-executive Director	Mr. Lai Kin Keung	9	9	1	1
	Mr. Zhao Songzheng	9	9	1	1
	Ms. Liu Guiliang	9	9	1	1
	Mr. Yang Changbo	9	9	1	1

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

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

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

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

(V) Performance of Independent Directors

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

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

Corporate Governance

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

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

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

(VII) Responsibilities of the Board and the management

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

(VIII) Trainings for Directors

The training records of each incumbent Director in 2022 are summarized as follows:

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

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

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

The Board has established four committees, namely the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy and Investment Decision-making Committee. The committees have their terms of reference which set out their respective compositions, duties and authority, decision-making procedures and rules of meeting. The Board is charged with duties in corporate governance, procuring the management to establish a compliant organisational structure and regime and to abide by the code provisions in part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules of Hong Kong and other laws and regulations in day-to-day management, and to monitor the training and continuous professional development of the Company's directors and senior management. The Board has delegated some of its functions to the board committees, details of which are set out below.

(I) Remuneration and Appraisal Committee

1. Role and responsibilities of the Remuneration and Appraisal Committee

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

2. Composition and meetings of the Remuneration and Appraisal Committee

In 2022, the Remuneration and Appraisal Committee had three members, including two Independent Non-executive Directors and a Non-executive Director. The chairman of the Remuneration and Appraisal Committee was Mr. Lai Kin Keung, Independent Non-executive Director. Other members included Mr. He Liu and Mr. Yang Changbo. In 2022, the Remuneration and Appraisal Committee held 1 meeting. During the meeting, the committee reviewed the performance of the Directors, Supervisors and senior management of the Company and conducted annual performance appraisal based on the appraisal criteria and remuneration policies and proposals.

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

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

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

(II) Nomination Committee

1. **Role and responsibilities of the Nomination Committee**

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

2. **Composition and meetings of the Nomination Committee**

In 2022, the Nomination Committee had three members, including two Independent Non-executive Directors and an Executive Director. Mr. Zhao Songzheng, an Independent Non-executive Director, was the chairman of the committee. Other members includes Mr. Zhan Chunxin and Mr. Lai Kin Keung. In 2022, the Nomination Committee did not hold any meeting.

3. **Appointment of Directors and senior management**

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

4. **Nomination Policy**

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

5. **Board Diversity Policy**

The Board adopted the board diversity policy ("Board Diversity Policy") in accordance with the requirement set out in the Corporate Governance Code. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The 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. We will also ensure that there is gender diversity when recruiting staff at mid to senior level, and we are committed to providing female staff with career development opportunities so that we will have a pipeline of female senior management and potential successors to the Board in the future. The Company intends to offer all-rounded trainings to female employees whom we consider are sufficiently well-versed in our operations and business and possess relevant experience and skills. As at 31 December 2022, the Company had a total of 25,283 employees in its workforce, of which female employees comprise approximately 11.3%. The Company operates in a male-dominated industry. This 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.

(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.

Corporate Governance

2. **Composition and meetings of the Audit Committee**

In 2022, the Audit committee had three members, including two Independent Non-executive Directors and one Non-executive Director. The chairman of Audit committee was Ms. Liu Guiliang, an Independent Non-executive Director. Other members included Mr. Zhao Songzheng, an Independent Non-executive Director, and Mr. He Liu, a Non-executive Director. The composition of the Audit Committee complies with Rule 3.21 of the Listing Rules of Hong Kong.

In 2022, the Audit committee held 4 meetings mainly to review the results for 2021, the interim results for 2022 of the Company and engagement of audit firm, and all members attended the meetings in person. The Audit Committee also reviewed the audited annual results of the Company for the year ended 31 December 2022. It reviewed the accounting principles and practices adopted by the Company and discussed on issues regarding the internal control, risk management 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 failings 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. 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 2022, 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 Corporate Governance Code in respect of internal controls and risk management during the year ended 31 December 2022.

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

(IV) Strategy and Investment Decision-making Committee

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

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

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

In 2022, the Strategy and Investment Decision-making Committee had three members, including an Executive Director, a Non-executive Director and an Independent Non-executive Director. The chairman of the Strategy and Investment Decision-making Committee is Mr. Zhan Chunxin, an Executive Director, and other members included Mr. Zhao John Huan and Mr. Yang Changbo. In 2022, the Strategy and Investment Decision-making Committee held 2 meetings. All members of the Strategy and Investment Decision-making Committee attended the meetings.

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

(I) Remuneration

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

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

(II) Interests

Service contract of Directors and Supervisors and their contractual interests

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

Directors and Supervisors' interests in contracts

None of the Directors and Supervisors, or an entity connected with a Director or a supervisor, had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance 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 during the reporting period or which subsisted at the end of the year or at any time during the year of 2022.

Corporate Governance

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 2022 are set out in Section "Directors, Supervisors, Senior Management and Employees" in this annual report.

Directors, Chief executive Supervisors and senior management's interests or short positions in securities of the Company or its associated corporations under Hong Kong laws and regulations
As at 31 December 2022, the Directors, Chief executive Supervisors and senior management who have interest or a short position in the shares, underlying shares and debentures of the Company or any associated corporation (as defined in Part XV of the SFO which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or required to be disclosed to the Company and SEHK pursuant to the Appendix 10 to the Listing Rules of Hong Kong "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") were as follows:

Name of Directors/ Supervisors	Nature of interest	Class of shares	Number of shares[(1)]	Percentage of the total share capital of the same class (%)
Zhan Chunxin	Beneficiary owner	A Share	10,929,076(L)	0.1540%
	Interest of a controlled corporation[(2)]	H share	5,250,000 (L)	0.3319%
He Jianming	Beneficiary owner	A Share	946,347(L)	0.0133%
Liu Xiaoping	Beneficiary owner	A Share	326,840(L)	0.0046%

Notes:

(1) L represents long position.

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

As at 31 December 2022, 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 2022, 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 exercised 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 2022. 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 2022.

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 2022, the review of interim financial report and internal control audit. The aggregate audit fees paid to KPMG Huazhen LLP and KPMG during the year were about RMB11 million.

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2022.

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 ("Baker Tilly China"), 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 the Hong Kong Stock Exchange. 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.

Baker Tilly China confirmed in writing to the Company that there were no matters relating to its retirement that need to be brought to the shareholders' attention. The Board confirmed that there was no disagreement between Baker Tilly China and the Company, and there were no matters relating to the change of auditors that needed to be brought to the shareholders' attention.

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 2022.

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 2022, 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 2022, the Company held one annual general meeting.

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 the Hong Kong Stock Exchange.

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. Connected Transactions

Acquisition of interest in subsidiary

On 30 March 2022, the Company (as buyer) entered into an equity transfer agreement with Beijing Hony 2010 Equity Investment Center (Limited Partnership) (as seller) pursuant to which the Company acquired 7.20% interest in Zoomlion Agricultural Machinery Co., Ltd. (a subsidiary of the Company) at a cash consideration of RMB265,930,640. Upon completion of the transaction, the Company increased its interest in the subsidiary from approximately 71.96% to 79.16%.

The seller is a limited partnership incorporated in the PRC and controlled by its general partner, Hony Investment Management (Tianjin) (Limited Partnership) which, in turn, is controlled by Mr. Zhao John Huan (a non-executive director of the Company). The seller is therefore a connected person of the Company and the transaction constituted a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Please refer to the Company's announcement dated 30 March 2022 for further details.

Fund formation

On 30 August 2022, the Company (through its subsidiary) entered into a partnership agreement with, among others, Shenzhen Co-Stone Asset Management Co., Ltd. and Hunan Xingxiang Emerging Industry Investment Fund Partnership (Limited Liability Partnership) ("Xingxiang Investment") to form a fund. The Company's subsidiary contributed RMB300 million in cash towards the fund as limited partner.

Xingxiang Investment is controlled by Hunan Xingxiang Investment Holding Group Co., Ltd. ("Xingxiang Group") which is a substantial shareholder of the Company and therefore, a connected person of the Company. The transaction thus constituted a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Please refer to the Company's announcement dated 30 August 2022 for further details.

Factoring contract

On 29 December 2022, the Company entered into a factoring contract with Xingxiang Commercial Factoring (Shenzhen) Co., Ltd. ("Xingxiang Factoring") pursuant to which the Company disposed of certain of its account receivables with net amount of RMB519 million on a no-recourse basis at a cash consideration of approximately RMB483 million.

Xingxiang Factoring is a subsidiary of Xingxiang Group and therefore, a connected person of the Company. The transaction thus constituted a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Please refer to the Company's announcement dated 29 December 2022 for further details.

Details of the Group's related party transactions for the year ended 31 December 2022 are set out in note 35 to the consolidated financial statements contained in this annual report. Save as disclosed above, none of such related party transactions falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Hong Kong Listing Rules.

The Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules in relation to connected transactions conducted during the reporting period.

XIII. Information Disclosure and Transparency

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

XIV. Remuneration and Retirement Benefits of Employees

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

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

Independent Auditor's Report

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 118 to 248 which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Independent Auditor's Report

Key audit matters

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

Revenue recognition on sale of construction machinery	
Refer to Note 3 to the consolidated financial statements and the accounting policies on pages 155 to 156, 159.	
The Key Audit Matter	**How the matter was addressed in our audit**
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 2022. 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.	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; • comparing, on a sample basis, revenue transactions recorded during the year with the underlying customer contracts, 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, goods delivery and acceptance notes to assess whether the related revenue had been recognised in the appropriate financial period; and • inspecting relevant underlying documentation for journal entries relating to revenue raised during the year which meet specific risk-based criteria.

<table>
<tr><th colspan="2">Expected credit loss allowance for trade debtors</th></tr>
<tr><td colspan="2">Refer to Notes 18, 19 and 32(b)(ii) to the consolidated financial statements and the accounting policies on pages 143 to 147.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Trade debtors include trade receivables and receivables under finance lease arrangements. As at 31 December 2022, the Group's gross trade receivables and gross receivables under finance lease arrangements totalled RMB44,764 million and RMB11,972 million, respectively, against which allowances of RMB5,260 million and RMB799 million for expected credit losses (ECLs), respectively, were recorded.

Management measures loss allowance at an amount equal to lifetime ECLs of the trade receivables and gross receivables under finance lease arrangements, which takes into account loss given default, probability of default, and forward-looking information.

According to the past experience of the Group, the credit loss patterns of different customer groups are significantly different. The Group clusters customers into customer groups based on a number of factors including their ownership background and financial strength, and the industries in which they operate, etc. The Group estimates ECL allowance for trade debtors for each of the customer groups with similar loss patterns.

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

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

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

• obtaining an understanding of the basis adopted by the management in assessment of the credit loss allowance on the trader debtors assessed individually, and 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.

• 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.</td></tr>
</table>

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 pages 136 to 137, pages 139 to 140, page 148 and page 149.</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 2022, the aggregate carrying value of the Group's goodwill and trademarks with an indefinite useful life totalled RMB3,749 million, which represented 3.0% 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:

• 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; and

• 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 pages 136 to 137, pages 139 to 140, page 148 and page 149.</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>

Independent Auditor's Report

<table>
<tr><th colspan="2">Assessing potential impairment of goodwill and the trademarks (continued)</th></tr>
<tr><td colspan="2">Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies on pages 136 to 137, pages 139 to 140, page 148 and page 149.</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 IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Alex M.K. Shum.

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

30 March 2023

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Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

(Expressed in RMB)

	Note	2022 RMB millions	2021 RMB millions
Revenue	3	**41,631**	67,131
Cost of sales and services		**(32,543)**	(51,280)
Gross profit		**9,088**	15,851
Other income	4	**982**	1,413
Sales and marketing expenses		**(2,635)**	(3,473)
General and administrative expenses		**(2,400)**	(1,983)
Impairment loss on trade and other receivables and receivables under finance lease	5(c)	**(446)**	(746)
Research and development expenses		**(2,507)**	(3,865)
Profit from operations		**2,082**	7,197
Net finance income	5(a)	**300**	6
Share of profits less losses of associates	14	**130**	154
Profit before taxation	5	**2,512**	7,357
Income tax	6	**(86)**	(938)
Profit for the year		**2,426**	6,419

The notes on pages 128 to 248 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

(Expressed in RMB)

	Note	2022 RMB millions	2021 RMB millions
Profit attributable to:			
Equity shareholders of the Company		**2,347**	6,303
Non-controlling interests		**79**	116
		2,426	6,419
Profit for the year		**2,426**	6,419
Earnings per share (cents)			
Basic	9	**27.80**	75.78
Diluted	9	**27.68**	75.29

The notes on pages 128 to 248 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

(Expressed in RMB)

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

The notes on pages 128 to 248 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2022

(Expressed in RMB)

	Note	2022 RMB millions	2021 RMB millions
Non-current assets			
Property, plant and equipment	10	**13,903**	9,740
Right-of-use assets	11	**3,995**	4,113
Investment properties		**161**	–
Intangible assets	12	**1,926**	1,850
Goodwill	13	**2,562**	1,908
Interests in associates	14	**4,476**	4,190
Other financial assets	15	**2,263**	2,418
Trade and other receivables	18	**11,829**	16,353
Receivables under finance lease	19	**6,456**	7,206
Loans and advances	18(f)	**277**	140
Pledged bank deposits	20	**160**	202
Deferred tax assets	27(b)	**1,907**	1,148
Total non-current assets		**49,915**	49,268
Current assets			
Inventories	16	**14,203**	13,501
Other current assets		**1,040**	1,156
Financial assets at fair value through profit or loss	17	**4,011**	6,408
Trade and other receivables	18	**33,962**	32,108
Receivables under finance lease	19	**4,717**	4,496
Loans and advances	18(f)	**170**	80
Pledged bank deposits	20	**1,708**	1,775
Cash and cash equivalents	21	**13,791**	13,190
Total current assets		**73,602**	72,714
Total assets		**123,517**	121,982
Current liabilities			
Loans and borrowings	22(a)	**11,018**	11,011
Trade and other payables	23	**35,259**	36,600
Contract liabilities	24	**1,892**	1,874
Lease liabilities	25	**117**	93
Income tax payable	27(a)	**107**	97
Total current liabilities		**48,393**	49,675
Net current assets		**25,209**	23,039
Total assets less current liabilities		**75,124**	72,307

The notes on pages 128 to 248 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2022

(Expressed in RMB)

	Note	2022 RMB millions	2021 RMB millions
Non-current liabilities			
Loans and borrowings	22(b)	**10,962**	7,894
Lease liabilities	25	**355**	320
Deferred tax liabilities	27(b)	**842**	405
Other non-current liabilities	29	**6,026**	5,428
Total non-current liabilities		**18,185**	14,047
NET ASSETS		**56,939**	58,260
CAPITAL AND RESERVES			
Share capital	30(a)	**8,678**	8,678
Reserves		**46,027**	48,153
Total equity attributable to equity shareholders of the Company		**54,705**	56,831
Non-controlling interests		**2,234**	1,429
TOTAL EQUITY		**56,939**	58,260

Approved and authorised for issue by the board of directors on 30 March 2023.

Zhan Chunxin
Chairman and Chief Executive Officer

Du Yigang
Vice-president

The notes on pages 128 to 248 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(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 2020 and 1 January 2021		7,938	13,517	3,924	(1,300)	12	59	22,556	46,706	1,144	47,850
Changes in equity for 2021											
Profit for the year		–	–	–	–	–	–	6,303	6,303	116	6,419
Other comprehensive income		–	–	–	(172)	(1)	–	(51)	(224)	–	(224)
Total comprehensive income		–	–	–	(172)	(1)	–	6,252	6,079	116	6,195
Appropriation for surplus reserve		–	–	460	–	–	–	(460)	–	–	–
Issue of ordinary shares	30(d)	705	5,383	–	–	–	–	–	6,088	–	6,088
Cash dividends	30(c)	–	–	–	–	–	–	(2,778)	(2,778)	–	(2,778)
Share incentive scheme	26										
– Share option scheme	26	35	137	–	–	–	–	–	172	–	172
– Restricted share scheme		–	563	–	–	–	–	–	563	–	563
Dividends declared by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	(19)	(19)
Disposal of a subsidiary	14	–	–	–	–	–	–	–	–	(7)	(7)
Contribution from non-controlling shareholders in a subsidiary		–	1	–	–	–	–	–	1	195	196
Appropriation for general risk reserve	30(b)(vi)	–	–	–	–	–	169	(169)	–	–	–
Safety production fund	30(b)(vi)	–	–	–	–	–	32	(32)	–	–	–
Balance at 31 December 2021		8,678	19,601	4,384	(1,472)	11	260	25,369	56,831	1,429	58,260

The notes on pages 128 to 248 form part of these financial statements.

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Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(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 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	30(e)	–	(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 shareholders 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 128 to 248 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022

(Expressed in RMB)

	Note	2022 RMB millions	2021 RMB millions
Operating activities			
Profit before taxation		**2,512**	7,357
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	**791**	665
Depreciation of right-of-use assets	5(c)	**201**	176
Amortisation of intangible assets	5(c)	**161**	160
Share of profits less losses of associates		**(130)**	(154)
Net loss/(gain) on disposal of interests in associates and subsidiaries	4	**–**	(5)
Interest income	5(a)	**(989)**	(970)
Interest expense	5(a)	**937**	923
Loss/(gain) on disposal of property, plant and equipment, intangible assets and right-of-use assets	4	**8**	(186)
Net realised and unrealised gains on financial assets at FVPL	4	**(269)**	(385)
Loss on troubled debt restructurings	4	**23**	50
Loss on disposal of trade receivables and receivables under finance lease	4	**59**	160
Dividend income from financial assets at FVOCI	4	**(32)**	(66)
Share incentive scheme expenses	5(b)	**170**	427
		3,442	8,152
Decrease in inventories		**25**	1,548
Decrease/(increase) in trade and other receivables		**469**	(3,336)
(Increase)/decrease in receivables under finance lease		**(302)**	1,309
Decrease in contract liabilities		**(10)**	(903)
Decrease in trade and other payables		**(1,237)**	(3,220)
Cash generated from operations		**2,387**	3,550
Income tax paid		**(436)**	(1,361)
Net cash generated from operating activities carried forward		**1,951**	2,189

The notes on pages 128 to 248 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022

(Expressed in RMB)

	Note	2022 RMB millions	2021 RMB millions
Net cash generated from operating activities brought forward		**1,951**	2,189
Investing activities			
Payment for purchase of property, plant and equipment		**(1,116)**	(1,562)
Payment for purchase of right-of-use assets		**(385)**	(1,194)
Payment for purchase of intangible assets		**(28)**	(159)
Proceeds from proposed disposal of property, plant, equipment and right-of-use assets		**–**	1,188
Payment for investments in associates		**(215)**	(327)
Payment for acquisition of financial assets at FVOCI		**(83)**	(1,189)
Proceeds from disposal of financial assets at FVOCI		**58**	889
Payment for acquisition of financial assets at FVPL		**(13,633)**	(23,110)
Payment for acquisition of a subsidiary	13	**(724)**	–
Payment for acquisition of financial assets at amortised cost		**–**	(200)
Proceeds from disposal of financial assets at FVPL		**16,388**	21,684
Dividends from associates		**75**	55
Dividends income from financial assets at FVOCI	4	**32**	66
Proceeds from disposal of property, plant and equipment and intangible assets		**89**	161
Proceeds from disposal of a subsidiary	14	**–**	1,444
Interest received		**474**	436
Increase in pledged bank deposits		**109**	421
Net cash generated from/(used in) investing activities		**1,041**	(1,397)

The notes on pages 128 to 248 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022

(Expressed in RMB)

	Note	2022 RMB millions	2021 RMB millions
Financing activities			
Proceeds from loans and borrowings	21(a)	**19,993**	63,027
Proceeds from exercise of share options	26	**–**	136
Proceeds of capital contributions from non-controlling shareholders		**1,097**	196
Repayments of loans and borrowings	21(a)	**(17,242)**	(62,951)
Payment for repurchase of own shares		**(1,556)**	–
Payment for acquisition of non-controlling interests of subsidiaries		**(886)**	–
Interest paid	21(a)	**(928)**	(907)
Dividends paid to equity shareholders	30(c)	**(2,777)**	(3,041)
Dividends paid by subsidiaries to non-controlling interests		**(26)**	(19)
Proceeds from the issue of ordinary shares	30(d)	**–**	6,088
Capital element of lease rentals paid	21(a)	**(146)**	(102)
Interest element of lease rentals paid	21(a)	**(23)**	(7)
Net cash (used in)/generated from financing activities		**(2,494)**	2,420
Net increase in cash and cash equivalents		**498**	3,212
Cash and cash equivalents at 1 January		**13,190**	10,086
Effect of foreign exchange rate changes		**103**	(108)
Cash and cash equivalents at 31 December	21	**13,791**	13,190

The notes on pages 128 to 248 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

(a) Principal activities of reporting entity

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

(b) Organisation

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

(b) Organisation (continued)

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

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

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

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

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

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%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022, the Company's equity interest held by Hunan Xing Xiang was 14.44%.

(c) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). IFRSs include all individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations.

These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

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

(ii) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in associates.

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

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

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

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

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

(d) Changes in accounting policies

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

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

2 Significant accounting policies

(a) Business combinations

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Significant accounting policies (continued)

(b) Subsidiaries and non-controlling interests

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

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

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

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

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

2 Significant accounting policies (continued)

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

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

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

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

(c) Associates

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Significant accounting policies (continued)

(c) Associates (continued)

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

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

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

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

(d) Goodwill

Goodwill represents the excess of

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

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

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

2 Significant accounting policies (continued)

(d) Goodwill (continued)

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

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

(e) Other investments in debt and equity securities

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

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

(i) Investments other than equity investments

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

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

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

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

2 Significant accounting policies (continued)

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

(ii) Equity investments

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

(f) Derivative financial instruments

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

(g) Property, plant and equipment

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

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

2 Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

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

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

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

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

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

(h) Intangible assets (other than goodwill)

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

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

2 Significant accounting policies (continued)

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

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

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

Both the period and method of amortisation are reviewed annually.

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

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

(i) Leased assets

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

2 Significant accounting policies (continued)

(i) Leased assets (continued)

(i) As a lessee

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

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

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

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

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

2 Significant accounting policies (continued)

(i) Leased assets (continued)

(i) As a lessee (continued)

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

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

(ii) As a lessor

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

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

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

2 Significant accounting policies (continued)

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

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

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

– lease receivables;

– loans and advances; and

– financial guarantee contracts issued.

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

Measurement of ECLs

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Significant accounting policies (continued)

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

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

Measurement of ECLs (continued)

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

2 Significant accounting policies (continued)

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

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

Measurement of ECLs (continued)

Significant increases in credit risk (continued)

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

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

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

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

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

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

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

Basis of calculation of interest income

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

2 Significant accounting policies (continued)

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

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

Measurement of ECLs (continued)

Basis of calculation of interest income (continued)

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

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

2 Significant accounting policies (continued)

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

(ii) Credit losses from financial guarantees issued

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Significant accounting policies (continued)

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

(iii) Impairment of other non-current assets

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

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

– intangible assets;

– goodwill; and

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

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

– *Calculation of recoverable amount*

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

2 Significant accounting policies (continued)

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

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(k) Inventories

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

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

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

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

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

2 Significant accounting policies (continued)

(l) Contract liabilities

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

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

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

(m) Trade and other receivables

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

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

(n) Cash and cash equivalents

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

(o) Trade and other payables

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

2 Significant accounting policies (continued)

(p) Interest-bearing borrowings

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

(q) Employee benefits

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

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

(ii) Share-based payment

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

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

2 Significant accounting policies (continued)

(q) Employee benefits (continued)

(ii) Share-based payment (continued)

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

(iii) Termination benefits

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

(r) Income tax

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

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

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

2 Significant accounting policies (continued)

(r) Income tax (continued)

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

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

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

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

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

2 Significant accounting policies (continued)

(r) Income tax (continued)

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

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

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

  - the same taxable entity; or

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

(s) Provisions and contingent liabilities

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

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

2 Significant accounting policies (continued)

(t) Revenue and other income

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

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

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

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

(i) Sale of goods

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

(ii) Finance income under finance lease

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

2 Significant accounting policies (continued)

(t) Revenue and other income (continued)

(iii) Rental income from operating lease

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

(iv) Rendering of services

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

(v) Dividends

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

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

(vi) Interest income

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

(vii) Government grants

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

(viii) Income from financial guarantees issued

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

2 Significant accounting policies (continued)

(u) Translation of foreign currencies

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

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

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

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

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

(v) Borrowing costs

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

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

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

2 Significant accounting policies (continued)

(w) Profit distributions

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

(x) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

(y) Segment reporting

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

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

3 Revenue and segment reporting

(a) Revenue

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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:

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

3 Revenue and segment reporting (continued)

(a) Revenue (continued)

(i) Disaggregation of revenue (continued)

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

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

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

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

	2022 RMB millions	2021 RMB millions
Within 1 year	**55**	88
After 1 year but within 5 years	**156**	147
After 5 years	**10**	18
	221	253

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.

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

   None of these segments met any of the quantitative thresholds for determining reportable segments for the years ended 31 December 2022 and 2021.

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

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

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 2022 and 2021 is set out below:

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

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

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Information about profit or loss

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

(iii) Reconciliations of segment profit

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

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(iv) Geographic information

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

	2022 RMB millions	2021 RMB millions
Revenue from external customers		
– Mainland PRC	**31,639**	61,342
– Outside PRC	**9,992**	5,789
Total	**41,631**	67,131

	2022 RMB millions	2021 RMB millions
Specified non-current assets		
– Mainland PRC	**16,961**	12,951
– Outside PRC	**937**	902
Total	**17,898**	13,853

4 Other income

	2022 RMB millions	2021 RMB millions
Government grants (Note)	**788**	1,000
Net realised and unrealised gains on financial assets at FVPL	**269**	385
Dividend income from financial assets at FVOCI	**32**	66
(Loss)/gain on disposal of property, plant and equipment, intangible assets and right-of-use assets	**(8)**	186
Loss on disposal of associates	**–**	(2)
Gain on disposal of subsidiaries	**–**	7
Loss on disposal of trade receivables and receivables under finance lease	**(59)**	(160)
Loss on troubled debt restructurings	**(23)**	(50)
Others	**(17)**	(19)
	982	1,413

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:

	2022 RMB millions	2021 RMB millions
Interest income	**(989)**	(970)
Interest on loans and borrowings	**914**	916
Interest on lease liabilities (Note 21(a))	**23**	7
Net exchange (gain)/loss	**(248)**	41
	(300)	(6)

5 Profit before taxation (continued)

(b) Staff costs:

	2022 RMB millions	2021 RMB millions
Salaries, wages and other benefits	**3,794**	3,913
Share incentive scheme expenses (Note 26(b))	**170**	427
Contributions to retirement schemes (Note 28)	**574**	628
	4,538	4,968

(c) Other items:

	2022 RMB millions	2021 RMB millions
Cost of inventories sold (Note 16)	**32,543**	51,280
Depreciation charge		
– owned property, plant and equipment (Note 10)	**794**	665
– right-of-use assets, land use rights (Note 11)	**79**	74
– right-of-use assets, plant, machinery and equipment (Note 11)	**122**	102
Amortisation of intangible assets (Note 12)	**161**	160
(Loss)/gain on disposal of property, plant and equipment, intangible assets and right-of-use assets (Note 4)	**(8)**	186
Auditors' remuneration:		
– audit services	**11**	10
Product warranty costs (Note 23(b))	**198**	245
Impairment losses:		
– trade receivables (Note 18(c))	**259**	496
– bills receivables	**4**	–
– receivables under finance lease (Note 19(c))	**157**	178
– other receivables	**21**	66
– loan and advance	**5**	6
– inventories	**590**	9

6 Income tax

Income tax in the consolidated statement of comprehensive income represents:

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

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

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

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

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% (2021: 25%).

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

The Company's overseas subsidiaries are subject to income tax at rates ranging from 15.0% to 28.4% (2021: 15.0% to 28.4%).

(ii) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The Company and certain of its subsidiaries obtained or renewed its status as high-technology enterprises in 2022 and accordingly are subject to income tax at 15% for the years from 2022 to 2024.

(iii) Under the income tax law and its relevant regulations, a 100% additional tax deduction is allowed for qualified research and development expenditure for the year ended 31 December 2022 (2021: 100%). Besides, a 100% additional tax deduction is allowed for qualified research and development expenditure incurred in the fourth quarter of 2022 (2021: Nil).

(iv) Under the income tax law and its relevant regulations, a 100% tax deduction and a 100% additional tax deduction is allowed for qualified machineries and equipment acquired in the fourth quarter of 2022 for high-technology enterprises.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 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

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 2021						
Executive director						
ZHAN Chunxin	–	1,342	1,342	16	42,683	45,383
Non-executive directors						
HE Liu	–	–	–	–	–	–
ZHAO John Huan	–	–	–	–	–	–
Independent non-executive directors						
LIU Guiliang	150	–	–	–	–	150
YANG Changbo	150	–	–	–	–	150
LAI Kin Keung	150	–	–	–	–	150
ZHAO Songzheng	150	–	–	–	–	150
Supervisors						
WANG Minghua	–	–	–	–	–	–
HE Jianming	–	892	892	16	6,121	7,921
LIU Xiaoping	–	692	692	16	4,919	6,319
	600	2,926	2,926	48	53,723	60,223

None of these directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the year (2021: Nil).

8 Individuals with highest emoluments

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

	2022 RMB thousands	2021 RMB thousands
Salaries, allowances and other benefits in kind	**7,536**	7,536
Share incentive scheme expenses	**12,031**	30,170
Contributions to retirement scheme	**64**	64
	19,631	37,770

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

	2022 Number	2021 Number
RMB3,000,001 – RMB6,000,000	**4**	–
RMB6,000,001 – RMB9,000,000	**–**	–
RMB9,000,001 – RMB12,000,000	**–**	4
RMB12,000,001 – RMB15,000,000	**–**	–

None of these employees received any inducements or compensation for loss of office, or waived any emoluments during the year (2021: Nil).

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB2,347 million (2021: RMB6,303 million) and the weighted average of 8,443 million ordinary shares (2021: 8,317 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022 millions	2021 millions
Issued ordinary shares at 1 January	**8,444**	7,547
Effect of issue of ordinary H shares (Note 30(d))	**–**	178
Effect of issue of ordinary A shares (Note 30(d))	**–**	460
Effect of repurchase of ordinary A shares (Note 30(d))	**(81)**	–
Effect of restricted A shares unlocked (Note 26(a))	**80**	107
Effect of share options exercised	**–**	25
Weighted average number of ordinary shares at 31 December	**8,443**	8,317

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB2,347 million (2021: RMB6,303 million) and the weighted average number of ordinary shares of 8,480 million shares (2021: 8,372 million shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2022 millions	2021 millions
Weighted average number of ordinary shares at 31 December	**8,443**	8,317
Effect of deemed issue of restricted A shares (Note 26(a))	**37**	49
Effect of exercisable options	**–**	6
Weighted average number of ordinary shares (diluted) at 31 December	**8,480**	8,372

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2021	5,548	4,592	892	1,233	12,265
Additions	275	367	67	2,505	3,214
Transferred from construction in progress	341	312	117	(770)	–
Disposals	(85)	(200)	(147)	–	(432)
Effect of exchange rate difference	(18)	(81)	(12)	–	(111)
Balance at 31 December 2021	6,061	4,990	917	2,968	14,936
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**
Accumulated depreciation and impairment:					
Balance at 1 January 2021	(1,648)	(2,579)	(696)	–	(4,923)
Depreciation charge for the year	(205)	(396)	(64)	–	(665)
Written back on disposals	29	147	131	–	307
Effect of exchange rate difference	4	58	23	–	85
Balance at 31 December 2021	(1,820)	(2,770)	(606)	–	(5,196)
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)**
Net book value:					
Balance at 31 December 2022	**5,410**	**4,590**	**419**	**3,484**	**13,903**
Balance at 31 December 2021	4,241	2,220	311	2,968	9,740

10 Property, plant and equipment (continued)

As at 31 December 2022, the carrying amount of machinery, plant and equipment leased out under operating leases is RMB191 million (31 December 2021: RMB316 million), which mainly represents machinery of Wuhan Yida Construction Services Co., Ltd.. The lease term generally ranges from 1 to 4 years (2021: 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:

	2022 RMB millions	2021 RMB millions
Within 1 year	55	88
After 1 year but within 2 years	50	48
After 2 years but within 3 years	46	42
Thereafter	70	75
	221	253

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	2022 RMB millions	2021 RMB millions
Land use rights, carried at depreciated cost	(i)	3,453	3,668
Plant, machinery and equipment, carried at depreciated cost	(ii)	542	445
		3,995	4,113

11 Right-of-use assets (continued)

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

	2022 RMB millions	2021 RMB millions
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights, carried at depreciated cost	79	74
Plant, machinery and equipment, carried at depreciated cost	122	102
	201	176
Interest on lease liabilities (Note 5(a))	23	7
Expense relating to short-term leases	21	30
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	30	25

During the year ended 31 December 2022, additions to right-of-use assets were RMB624 million (2021: RMB1,335 million). This amount primarily related to land use rights and capitalised lease payments payable under new tenancy agreements.

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

(i) Land use rights

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

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 2021	1,275	240	524	591	943	3,573
Additions	–	15	67	–	77	159
Disposals	–	–	(29)	–	–	(29)
Effect of exchange rate difference	(75)	(31)	(19)	(36)	(29)	(190)
Balance at 31 December 2021	1,200	224	543	555	991	3,513
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**
Accumulated amortisation and impairment:						
Balance at 1 January 2021	(39)	(191)	(344)	(491)	(543)	(1,608)
Amortisation for the year	–	(27)	(31)	(23)	(79)	(160)
Written back on disposals	–	–	20	–	–	20
Effect of exchange rate difference	2	27	1	35	20	85
Balance at 31 December 2021	(37)	(191)	(354)	(479)	(602)	(1,663)
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)**
Net book value:						
Balance at 31 December 2022	**1,187**	**1**	**353**	**50**	**335**	**1,926**
Balance at 31 December 2021	1,163	33	189	76	389	1,850

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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:

	2022 RMB millions	2021 RMB millions
CIFA	**660**	642
Zoomlion Agriculture Machinery Co., Ltd. (formerly "Zoomlion Heavy Machinery Co., Ltd.")	**457**	457
Other CGUs	**70**	64
	1,187	1,163

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 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.

	2022	2021
Pre-tax discount rate		
– CIFA	**15.2%**	11.1%
– Zoomlion Agriculture Machinery Co., Ltd.	**9.3%**	9.4%
Terminal value growth rate		
– CIFA	**3.0%**	2.0%
– Zoomlion Agriculture Machinery Co., Ltd.	**3.0%**	3.0%

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.

12 Intangible assets (continued)

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

	Change required for carrying amount to equal recoverable amount	
	2022	2021
Pre-tax discount rate		
– CIFA	**15.6%**	11.7%
– Zoomlion Agriculture Machinery Co., Ltd.	**10.1%**	12.6%
Terminal value growth rate		
– CIFA	**2.7%**	1.4%
– Zoomlion Agriculture Machinery Co., Ltd.	**1.4%**	1.4%

13 Goodwill and business combination

	2022 RMB millions	2021 RMB millions
Balance at 1 January	**1,908**	2,054
Addition	**616**	–
Effect of exchange rate difference	**38**	(146)
Balance at 31 December	**2,562**	1,908

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 RoadRover Technology Co., Ltd. ("RoadRover Technology"), a joint stock company listed in the Shenzhen Stock Exchange, and its subsidiaries (collectively "RoadRover Group") with a total consideration of RMB780 million, which could be adjusted downward if the post-acquisition net profits of a subsidiary of RoadRover Technology for the years ending 31 December 2022, 2023 and 2024 do not meet certain target guaranteed by the previous controlling shareholder of RoadRover Technology.

RoadRover Group is mainly engaged in the development, manufacturing, sales and provision of service relating to automotive information, automotive intelligence and smart transportation system products.

On 23 February 2022, the Group completed the acquisition of 29.99% of the issued share capital of RoadRover Technology and obtained the right to appoint 4 out of 5 directors on the Board of Directors of RoadRover Technology. As the Seller (being the largest shareholder of the remaining equity interests) has agreed to relinquish her voting rights in RoadRover Technology's future shareholders' meetings, the Group effectively holds 46.74% of the voting rights of RoadRover Technology's ultimate governing body. The Group's voting rights are significantly more than the remaining shareholders who are widely dispersed and have less than 5% participation rate in the historical vote casting. Consequently, the Group has determined that it has obtained the ability to direct the relevant activities of RoadRover Technology and commenced consolidation of RoadRover Technology from the date of acquisition.

13 Goodwill and business combination (continued)

The revenue and the results contributed by RoadRover Technology for the period since acquisition date were insignificant to the Group. The Group's revenue and results for the year would not be materially different had the acquisition occurred on 1 January 2022.

The following table summarises the purchase price allocation of the fair value of the identifiable assets acquired and liabilities assumed in respect of the above acquisition of RoadRover Technology at the acquisition date.

	RMB millions
Property, plant and equipment	191
Investment properties	164
Intangible assets	88
Inventories	42
Other current assets	5
Trade and other receivables	157
Cash and cash equivalents	56
Other financial assets	50
Right of use assets	15
Total assets acquired	**768**
Deferred tax liabilities	(28)
Trade and other payables	(171)
Lease liabilities	(12)
Loans and borrowings	(10)
Total liabilities assumed	**(221)**
Non-controlling interests	(383)
Goodwill	616
Total cost of acquisition	**780**
Cash acquired	(56)
Net cash inflow	**724**

13 Goodwill and business combination (continued)

On 9 May 2022, the Group completed the acquisition of additional 23.83% equity interests of RoadRover Technology through a tender offer to other shareholders of RoadRover 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 RoadRover 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**	**2022 RMB millions**	2021 RMB millions
CIFA	September 2008	**1,449**	1,412
Zoomlion Earth Working Machinery (formerly "Shaanxi Xinhuanggong Machinery Co., Ltd.")	June 2008	**85**	85
Hunan Zoomlion Axle Co., Ltd.	June 2008	**11**	12
m-tec	April 2014	**32**	30
Zoomlion Agriculture Machinery Co., Ltd. (formerly "Zoomlion Heavy Machinery Co., Ltd.")	January 2015	**363**	363
Guoyu Europe Holding GmbH	June 2019	**6**	6
Shenzhen RoadRover Technology Co.,Ltd.. ("RoadRover Technology")	February 2022	**616**	–
		2,562	1,908

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

	2022 RMB millions	2021 RMB millions
CIFA and concrete business ("CMS business")	**1,449**	1,412
RoadRover Technology	**616**	–
Other CGUs	**497**	496
	2,562	1,908

13 Goodwill and business combination (continued)

The recoverable amounts of these CGUs have been determined by the higher of value-in-use and fair value less costs of disposal.

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 11.36% to 15.57% (2021: 12.38% to 19.89%). 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 from 2.5% to 3.0% (2021: 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.

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 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.

CMS business

	2022	2021
Pre-tax discount rate	12.9%	12.8%
Terminal value growth rate	2.5%	2.5%

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

Management has not identified that a reasonably possible change in key assumptions could cause the carrying amount to exceed the recoverable amount for CGUs with significant goodwill.

14 Interests in associates

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

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:

				Proportion of ownership interest		
Name of associate	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid-up capital (millions)**	**Group's effective 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 2022, the quoted market price of Infore Environment was RMB4.51 (2021: RMB7.33) per share and the fair value of the investment in Infore Environment was RMB1,800 million (2021: RMB2,926 million).

14 Interests in associates (continued)

	2022 RMB millions	2021 RMB millions
Amounts of the Group's share of Infore Environment		
Profit from operations	**61**	118
Other comprehensive income	**–**	–
Total comprehensive income	**61**	118

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

	2022 RMB millions	2021 RMB millions
Aggregate amounts of the Group's share of individually immaterial associates		
Profit from operations	**69**	36
Other comprehensive income	**–**	–
Total comprehensive income	**69**	36

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

15 Other financial assets

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

Notes:

(i) The equity securities comprise equity funds and other unlisted equity securities. The aggregate fair value of equity funds, listed equity securities and unlisted equity securities was RMB1,567 million, RMB12 million and RM607 million respectively at 31 December 2022 (2021: RMB1,690 million, RMB14 million and RMB603 million). The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of RMB32 million (2021: RMB66 million) were received on investments in equity securities during the year ended 31 December 2022 (see Note 4). An accumulated loss in the fair value reserve (non-recycling) of RMB32 million in relation to partial disposal of equity securities was transferred to retained earnings during the year ended 31 December 2022 (2021: accumulated loss of RMB51 million).

(ii) The listed equity securities represent the Group's investments in shares of listed companies in the PRC. The aggregate fair value of these investments was RMB77 million, based on their quoted market prices as at 31 December 2022 (2021: RMB111 million).

16 Inventories

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

	Note	2022 RMB millions	2021 RMB millions
Raw materials		**4,350**	4,204
Work in progress		**2,555**	2,815
Finished goods	(i)	**7,241**	6,482
Products to be developed	(ii)	**57**	–
		14,203	13,501

16 Inventories (continued)

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

Notes:

(i) The Group takes various measures to recover overdue debtors including repossession of sold machinery. These repossessed machinery are normally subject to rebuild and are expected to be either re-sold or leased out under operating leases. The Group estimates the net realisable value of these repossessed machinery by taking into account the expected selling price in second-hand machinery market and cost of disposal.

(ii) Products to be developed are related to land use right for subsidiaries of the Company engaged in real estate development.

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

17 Financial assets at fair value through profit or loss

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

Notes:

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

	2022 RMB millions	2021 RMB millions
Trade receivables (Notes (a) and (b))	**44,764**	47,823
Less: loss allowance (Note (c))	**(5,260)**	(4,937)
	39,504	42,886
Less: trade receivables due after one year	**(11,829)**	(16,353)
	27,675	26,533
Bills receivable (Note (d))	**1,239**	1,882
	28,914	28,415
Amounts due from related parties (Note 35(b))	**240**	265
Prepayments for purchase of raw materials	**735**	639
Prepaid expenses	**215**	408
Prepayments for land use right (Note (e))	**1,703**	–
VAT recoverable	**1,458**	1,070
Deposits	**99**	91
Financial assets at amortised cost	**–**	200
Others	**598**	1,020
	33,962	32,108

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

18 Trade and other receivables (continued)

(a) Trading terms and factoring of trade receivables

The Group generally allows certain customers with appropriate credit standing to make payments in instalments generally over a period of 6 to 60 months ("instalment payment method"). Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2022, the weighted average discount rate was approximately 4.45% (2021: 4.75%) per annum. As at 31 December 2022, trade receivables due after one year of RMB11,952 million (31 December 2021: RMB16,353 million) were presented net of unearned interest of RMB814 million (31 December 2021: RMB1,089 million).

(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:

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

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

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

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:

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

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

(d) As at 31 December 2022, bills receivable of RMB952 million (2021: RMB1,523 million), including bank acceptance bills and digital bills receivable, whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the year.

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

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

18 Trade and other receivables (continued)

(d) (continued)

As at 31 December 2022, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2022, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB658 million (31 December 2021: RMB740 million).

As at 31 December 2022, bills receivable of RMB1,362 million (31 December 2021: RMB730 million) was discounted to banks or other financial institutions without recourse, where substantially all the risks and rewards of ownership had been transferred. Since the Group does not have continuing involvement in the transferred assets, these discounted bills receivable were therefore derecognised.

18 Trade and other receivables (continued)

(e) Prepayments for land use right

Prepayments for land are related to prepaid land acquisition costs while relevant land use right certificates have not been obtained as at 31 December 2022 for subsidiaries engaged in real estate development.

(f) Loans and advances

	2022 RMB millions	2021 RMB millions
Loans and advances	**458**	226
Less: loss allowance	**(11)**	(6)
	447	220
Less: Loans and advances due after one year	**(277)**	(140)
Loans and advances due within one year	**170**	80

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% of the product price. Loans and advances under these arrangements are generally due within 1 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

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

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of un-reimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for periods ranging from 1 to 6 years (2021: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 50% of the product price (2021: 5% to 50%) and pay a security deposit ranging from 1% to 20% of the product price (2021: 1% to 15%). At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

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:

	2022 RMB millions	2021 RMB millions
Present value of the minimum lease payments		
Within 1 year	5,043	4,782
Over 1 year but less than 2 years	3,001	3,191
Over 2 years but less than 3 years	1,968	2,217
Over 3 years	1,960	2,466
	11,972	12,656
Unearned finance income		
Within 1 year	270	280
Over 1 year but less than 2 years	140	160
Over 2 years but less than 3 years	98	109
Over 3 years	107	139
	615	688
Gross investment		
Within 1 year	5,313	5,062
Over 1 year but less than 2 years	3,141	3,351
Over 2 years but less than 3 years	2,066	2,326
Over 3 years	2,067	2,605
	12,587	13,344

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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:

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

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	2022 RMB millions	2021 RMB millions
Balance at 1 January		**954**	1,604
Impairment losses recognised		**157**	178
Written off upon sale of receivables under finance lease		**(19)**	(54)
Reclassification to loss allowance of trade receivables	18(c)	**(284)**	(554)
Written off upon repossession of sold machinery		**(9)**	(28)
Disposal of a subsidiary		**–**	(192)
Balance at 31 December		**799**	954

(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

	2022 RMB millions	2021 RMB millions
Cash at bank and on hand		
– RMB denominated	**12,182**	11,337
– USD denominated	**439**	699
– EUR denominated	**549**	673
– HKD denominated	**39**	65
– Other currencies	**582**	416
	13,791	13,190

21 Cash and cash equivalents (continued)

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Note	Bank loans and other borrowings RMB million (Note 22)	Deposits due to an associate RMB million (Note 22)	Lease liabilities RMB million (Note 25)	Total RMB million
At 1 January 2021		19,297	4	410	19,711
Changes from financing cash flows:					
Capital element of lease rentals paid		–	–	(102)	(102)
Interest element of lease rentals paid		–	–	(7)	(7)
Proceeds from loans and borrowings		62,949	78	–	63,027
Repayments of loans and borrowings		(62,869)	(82)	–	(62,951)
Interest paid		(907)	–	–	(907)
Total changes from financing cash flows		(827)	(4)	(109)	(940)
Exchange adjustments		(407)	–	–	(407)
Other changes:					
Loans and borrowings decreased due to disposal of a subsidiary	14	(180)	–	–	(180)
Increase in lease liabilities from entering into new lease during the year		–	–	105	105
Change in interest payable		106	–	–	106
Interest on loans and borrowings	5(a)	916	–	–	916
Interest on lease liabilities	5(a)	–	–	7	7
Total other changes		842	–	112	954
At 31 December 2021		**18,905**	**–**	**413**	**19,318**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

21 Cash and cash equivalents (continued)

(a) Reconciliation of liabilities arising from financing activities (continued)

	Note	Bank loans and other borrowings RMB million (Note 22)	Deposits due to an associate RMB million (Note 22)	Lease liabilities RMB million (Note 25)	Total RMB million
At 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 acquired from business combination	13	10	–	12	22
Increase in lease liabilities from entering into new lease during the year		–	–	193	193
Change in interest payable		–	–	–	–
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)

(b) Total cash outflow for leases

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

	2022 RMB millions	2021 RMB millions
Within operating cash flows	**51**	55
Within financing cash flows	**169**	109
	220	164

These amounts relate to the following:

	2022 RMB millions	2021 RMB millions
Lease rentals paid	**220**	164

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

22 Loans and borrowings

(a) Short-term loans and borrowings

	Note	**2022 RMB millions**	2021 RMB millions
Pledged short-term bank loans	(i)	**308**	408
Unsecured short-term bank loans			
– RMB denominated	(ii)	**3,750**	1,225
– USD denominated	(iii)	**133**	209
– EUR denominated	(iv)	**1,990**	1,471
– THB denominated	(v)	**20**	–
		6,201	3,313
Add: current portion of long-term loans and borrowings	22(b)	**4,817**	7,698
		11,018	11,011

Notes:

(i) As at 31 December 2022, RMB denominated pledged short-term bank loan of RMB308 million (31 December 2021: RMB408 million) bore interest at rate of 2.00% and rate of 4.96% per annum were pledged by invention patents and bank acceptance bills and will be repayable in full in 2023.

(ii) As at 31 December 2022, RMB denominated unsecured short-term bank loans of RMB3,750 million (31 December 2021: RMB1,225 million) bore interest at rates ranging from 1.5% to 3.70% per annum and will be repayable in full in 2023.

(iii) As at 31 December 2022, USD denominated unsecured short-term bank loans of RMB133 million (31 December 2021: RMB209 million) bore interest at interest at rate of 1.57%+40BP per annum and will be repayable in full in 2023.

(iv) As at 31 December 2022, EUR denominated unsecured short-term bank loans of RMB1,990 million (31 December 2021: RMB1,471 million) bore interest at rates ranging from 1.00% to 2.00% per annum and will be repayable in full in 2023.

(v) As at 31 December 2022, THB denominated unsecured short-term bank loans of RMB20 million (31 December 2021: nil) bore interest at rate of 2.49% per annum and will be repayable in full in 2023.

22 Loans and borrowings (continued)

(b) Long-term loans and borrowings

	Note	2022 RMB millions	2021 RMB millions
Unsecured long-term bank loans			
– RMB denominated	(i)	**12,350**	4,654
– EUR denominated	(ii)	**195**	759
– USD denominated	(iii)	**197**	295
Secured long-term bank loans			
– EUR denominated	(iv)	**18**	19
RMB medium-term notes	(v)	**50**	2,571
Guaranteed USD senior notes	(vi)	**–**	3,333
Debentures	(vii)	**2,969**	3,961
		15,779	15,592
Less: current portion of long-term loans and borrowings	22(a)	**(4,817)**	(7,698)
		10,962	7,894

Notes:

(i) As at 31 December 2022, RMB denominated unsecured long-term bank loans of RMB10,571 million (31 December 2021: RMB4,485 million) bore interest at rates ranging from 2.65% to 3.50% per annum and will be repayable from 2024 to 2030.

As at 31 December 2022, RMB denominated unsecured long-term bank loans of RMB1,779 million (31 December 2021: RMB169 million) bore interest at rates ranging from 2.65% to 3.50% per annum and will be repayable in 2023.

Such loans were subject to the fulfilment of certain financial covenants of the Group. As at 31 December 2022, the Group was in compliance with these financial covenants.

(ii) As at 31 December 2022, EUR denominated unsecured long-term bank loans of RMB186 million (31 December 2021: RMB222 million) bore interest at rates ranging from 1.00% to 5.00% per annum and will be repayable from 2025 to 2031.

As at 31 December 2022, EUR denominated unsecured long-term bank loans of RMB9 million (31 December 2021: RMB537 million) bore interest at rate of 2% per annum and will be repayable in 2023.

(iii) As at 31 December 2022, USD denominated unsecured long-term bank loans of RMB162 million (31 December 2021: RMB184 million) bore interest at rates ranging from 1.00% to 1.80% per annum and will be repayable from 2023 to 2029.

As at 31 December 2022, USD denominated unsecured long-term bank loans of RMB35 million (31 December 2021: RMB111 million) bore interest at rate of 1.00% per annum and will be repayable in 2023.

22 Loans and borrowings (continued)

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

Notes: (continued)

(iv) As at 31 December 2022, EUR denominated secured long-term bank loans of RMB18 million (31 December 2021: RMB19 million) bore interest at of 1.80% per annum and will be repayable in 2031.

(v) In December 2018, the Company issued 5-year RMB medium-term notes with principal amount of RMB2,500 million. The notes bore interest at a fixed rate of 4.49% per annum and will mature in December 2023. Interest on the notes will be payable yearly in arrears in December, beginning from December 2018. Interest on the notes will be payable yearly in arrears in December, beginning from December 2018. In December 2021, the Company redeemed these notes in the principal amount of RMB2,450 million. As at 31 December 2022, the balance of the medium-term notes was RMB50 million.

In October 2019, the Company issued 5-year RMB medium-term notes with principal amount of RMB2,500 million. The notes bore interest at a fixed rate of 3.75% per annum and will mature in October 2024. Interest on the notes will be payable yearly in arrears in October, beginning from October 2019. In October 2022, the Company redeemed these notes in the principal amount of RMB2,500 million.

(vi) In December 2012, Zoomlion H.K. SPV Co., Limited issued 10-year senior notes with principal amount of USD600 million. The senior notes were guaranteed by the Company, bear interest at a fixed rate of 6.13% per annum and will mature in December 2022. Interest on the notes will be payable half-yearly in arrears in June and December of each year, beginning from June 2013.

In December 2016, senior notes with the carrying amount of USD19.20 million (RMB equivalent 132 million) was repurchased at the quoted market price of USD19.10 million (RMB equivalent 131 million) and the difference of RMB1 million between the purchase price and the carrying amount was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

In December 2018, senior notes with the carrying amount of USD49.10 million (RMB equivalent 329 million) was repurchased at the quoted market price of USD48.60 million (RMB equivalent 325 million) and the difference of RMB4 million between the purchase price and the carrying amount was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

In April 2020, senior notes with the carrying amount of USD5.0 million (RMB equivalent 35 million) was repurchased at the quoted market price of USD4.9 million (RMB equivalent 34 million) and the difference of RMB1 million between the purchase price and the carrying amount was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

In December 2022, the Company redeemed all the outstanding notes in the principal amount of USD527 million.

(vii) In December 2018, the Company issued 5-year RMB debentures with principal amount of RMB2,000 million. The debentures bore interest at a fixed rate of 4.65% per annum and will mature in December 2023. Interest on the debentures will be payable yearly in arrears in December, beginning from December 2018. In December 2022, the Company redeemed the debentures in the principal amount of RMB1,113 million. As at 31 December 2022, the outstanding balance of the debentures including accrued interest was RMB889 million, which will become mature in December 2023.

In July 2019, the Company issued 5-year RMB debentures with principal amount of RMB1,000 million. The debentures bore interest at a fixed rate of 4.00% per annum and will mature in July 2024. Interest on the debentures will be payable yearly in arrears in July, beginning from July 2019. In July 2022, the Company redeemed the debentures in the principal amount of RMB975 million. As at 31 December 2022, the outstanding balance of the debentures including accrued interest was RMB25 million, which will become mature in July 2024.

22 Loans and borrowings (continued)

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

Notes: (continued)

(vii) (continued)

In March 2020, the Company issued 5-year RMB debentures with principal amount of RMB2,000 million. The debentures bore interest at a fixed rate of 3.30% per annum and will mature in December 2025. Interest on the debentures will be payable yearly in arrears in March, beginning from March 2021. By March 2023, the bond holders have the right to demand partial or full repayment of the medium-term bonds. As at 31 December 2022, the outstanding balance of the medium-term notes including accrued interest was RMB2,055 million.

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

23 Trade and other payables

	2022 RMB millions	2021 RMB millions
Trade creditors	**13,075**	14,709
Digital bills payable	**5,260**	5,695
Bills payable	**8,159**	9,528
Trade creditors and bills payable (Note (a))	**26,494**	29,932
Accrued staff costs	**834**	954
VAT payable	**1,120**	925
Sundry taxes payable	**66**	108
Security deposits (Note 29)	**774**	787
Payable for acquisition of property, plant and equipment	**2,314**	618
Product warranty provision (Note (b))	**126**	137
Financial guarantees issued (Note 34)	**68**	94
Amounts due to related parties (Note 35(b))	**1**	1
Other accrued expenses and payables	**3,462**	3,044
	35,259	36,600

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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:

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

(b) Product warranty provision

	RMB millions
Balance at 1 January 2021	158
Provision for the year	245
Utilisation during the year	(266)
Balance at 31 December 2021 and 1 January 2022	**137**
Provision for the year	**198**
Utilisation during the year	**(209)**
Balance at 31 December 2022	**126**

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

	2022 RMB millions	2021 RMB millions
Contract liabilities		
Receipts in advance from customers	**1,892**	1,874
	1,892	1,874

	2022 RMB millions	2021 RMB millions
Balance at 1 January	**1,874**	2,777
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	**(1,874)**	(2,777)
Increase in contract liabilities as a result of billing in advance	**1,892**	1,874
Balance at 31 December	**1,892**	1,874

25 Lease liabilities

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

	2022		2021	
	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	**117**	**117**	93	93
After 1 year but within 2 years	**95**	**100**	86	95
After 2 years but within 5 years	**100**	**115**	91	102
After 5 years	**160**	**201**	143	162
	355	**416**	320	359
	472	**533**	413	452
Less: total future interest expenses		**(61)**		(39)
Present value of lease liabilities		**472**		413

26 Share incentive scheme

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

26 Share incentive scheme (continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26 Share incentive scheme (continued)

(a) Restricted shares

The number of restricted shares are as follows:

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

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

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

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

Management estimates the expected yearly percentage of the Participants that will leave the Group at the end of the vesting period/locking period in order to determine the amount of share incentive scheme expenses to be recognised in the consolidated statement of comprehensive income. As at 31 December 2022, the First Grants and the Second Grants are all excised. For ESOP, no matter Participants leave the Group or not at the end of the locking period, all share incentive scheme expenses are to be recognised in the consolidated statement of comprehensive income. In the year ended 31 December 2022, share incentive scheme expenses of RMB170 million (2021: RMB427 million) were recognised in the consolidated statement of comprehensive income.

27 Income tax in the consolidated statement of financial position

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

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

(b) Deferred tax assets and liabilities recognised:

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

Year ended 31 December 2022

	Balance at 31 December 2021 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)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

Year ended 31 December 2021

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

As at 31 December 2022, deferred tax assets in respect of tax losses totalling RMB422 million (31 December 2021: RMB270 million) were not recognised by certain subsidiaries of the Company, as it is not probable that sufficient future taxable profits will be available to utilise such tax benefits.

28 Employee benefits plans

As stipulated by the regulations of the PRC, the Company and its subsidiaries in the PRC participate in various defined contribution retirement plans organised by municipal and provincial governments for the Group's PRC employees. These entities are required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employee, subject to certain salary limits. A member of the above plans is entitled to a pension equal to a fixed percentage of the salary prevailing at his or her retirement date. In addition, pursuant to Italian Law, CIFA and its Italian subsidiaries are required to contribute to a government-mandated pension fund at 13.5% of the employee's salary each month. Pursuant to Germany Law, m-tec and Wilbert are required to contribute to a government-mandated pension fund at the range from 9.2% to 9.5% of the employee's salary each month. Contributions to these retirement plans are charged to profit or loss as the related employee service is provided (Note 5(b)). The Group has no other material obligation for the payment of benefits associated with these plans beyond the contributions described above.

29 Other non-current liabilities

	2022 RMB millions	2021 RMB millions
Deferred income of government grants	**2,298**	1,200
Security deposits received from finance lease arrangement	**532**	640
Compensation for tentative relocation of production premises	**3,098**	3,501
Others	**98**	87
	6,026	5,428

30 Capital and reserves

(a) Share capital

	2022 RMB millions	2021 RMB millions
Ordinary shares issued and fully paid:		
At 1 January	**8,678**	7,938
Issue of ordinary shares (Note 1)	**–**	705
Share incentive scheme (Notes 1 and 26)	**–**	35
At 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 (2021: 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	
	2022 RMB millions	2021 RMB millions
Capital reserve		
Balance at 1 January	**21,183**	15,131
Issue of ordinary shares (Note 30(d))	**–**	5,383
Repurchase of ordinary shares (Note 30(e))	**(1,556)**	–
Share incentive scheme (Note 26)		
– Share option scheme	**–**	129
– Restricted share scheme	**167**	540
Balance at 31 December	**19,794**	21,183
Statutory surplus reserve		
Balance at 1 January	**4,383**	3,923
Appropriation (Note 30(b)(ii))	**–**	460
Balance at 31 December	**4,383**	4,383
Other reserves		
Balance at 1 January	**(41)**	(141)
Safety production fund	**10**	6
Other comprehensive income	**12**	94
Balance at 31 December	**(19)**	(41)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30 Capital and reserves (continued)

(b) Reserves (continued)

	The Company	
	2022 RMB millions	2021 RMB millions
Retained earnings		
Balance at 1 January	**15,734**	14,711
Appropriation (Note 30(b)(ii))	**–**	(460)
Safety production fund (Note 30(b)(vi))	**(10)**	(6)
Cash dividends (Note 30(c))	**(2,777)**	(2,778)
Profit for the year	**931**	4,267
Balance at 31 December	**13,878**	15,734
Total		
Balance at 1 January	**41,259**	33,624
Balance at 31 December	**38,036**	41,259

(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 2022, 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% 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 2 June 2022, a final cash dividend of RMB0.32 per share based on 8,678 million ordinary shares in issue, totaling RMB2,777 million in respect of the year ended 31 December 2021 was declared, which was fully paid by 31 December 2022.

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

(d) Issue of ordinary shares

On 3 February 2021, the Company allotted and issued a total of 193,757,462 H Shares to one subscriber at a subscription price of HKD5.863 per H Share. The total amount of gross proceeds from the additional issuance of H Shares is approximately HKD1,136 million (equivalent to RMB946 million).

On 5 February 2021, the Company allotted and issued a total of 511,209,439 A Shares to eight subscribers at a subscription price of RMB10.17 per A Share. The total amount of net proceeds from the non-public issuance of A Shares is approximately RMB5,142 million.

30 Capital and reserves (continued)

(e) Repurchase of own shares

During the year ended 31 December 2022, 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
July to October/2022	**259,863,183**	**6.32**	**5.51**	**1,556**

The total amount paid for the repurchased shares of RMB1,556 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 2022, the Group's strategy, which was unchanged from 2021, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31 Capital management (continued)

As at 31 December 2022, the Group's debt-to-equity ratio was as follows:

	2022 RMB millions	2021 RMB millions
Current liabilities:		
Short-term loans and borrowings	**11,018**	11,011
Lease liabilities	**117**	93
Total current liabilities	**11,135**	11,104
Non-current liabilities:		
Long-term loans and borrowings	**10,962**	7,894
Lease liabilities	**355**	320
Total non-current liabilities	**11,317**	8,214
Total debt	**22,452**	19,318
Total equity attributable to equity shareholders of the Company	**54,705**	56,831
Debt-to-equity ratio	**41.04%**	33.99%

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 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
– 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	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2021 RMB millions	Fair value measurements as at 31 December 2021 Level 1 RMB millions	Level 2 RMB millions	Level 3 RMB millions
Recurring fair value measurements				
Financial assets:				
Fair value through other comprehensive income				
– Bills receivable	1,523	–	–	1,523
– Equity securities	2,293	–	–	2,293
– Listed equity securities	14	14	–	–
Fair value through profit or loss				
– Wealth management products and structured deposits	5,430	–	5,430	–
– Listed equity securities	111	111	–	–
– Securities investment funds	978	978	–	–

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

Financial assets measured at fair value categorised into Level 3 include unlisted equity securities, bills receivable and some wealth management products. For unlisted equity securities without an active market, the Group establishes the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, price/earnings ratios and price/book value ratios of comparable listed companies adjusted for lack of marketability discount, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The significant unobservable input is the discount for lack of marketability, and the fair value measurement is negatively correlated to the discount for lack of marketability. The fair value of bills receivable is determined using the market approach and the significant unobservable input used in the fair value measurement is the discount for lack of marketability. The fair value measurement is positively correlated to the discount for lack of marketability. The fair value of wealth management products categorised into Level 3 is determined using the cost method and the significant unobservable input used in the fair value measurement is the expected yield. The fair value measurement is positively correlated to the expected yield.

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

(a) Accounting classifications and fair values (continued)

(i) **Financial assets and liabilities measured at fair value** (continued)

Information about Level 3 fair value measurements (continued)

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

	2022 RMB millions	2021 RMB millions
Unlisted equity securities:		
At 1 January	**2,293**	2,259
(Disposal)/acquisition	**(119)**	34
At 31 December	**2,174**	2,293

	2022 RMB millions	2021 RMB millions
Bills receivable:		
At 1 January	**1,523**	2,532
Disposal	**(571)**	(1,009)
At 31 December	**952**	1,523

	2022 RMB millions	2021 RMB millions
Wealth management products and structured deposits:		
At 1 January	**–**	–
Acquisition	**512**	–
At 31 December	**512**	–
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**44**	66

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 2022 and 2021 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 2022	Fair value at 31 December 2021 categorised into Level 1	Carrying amount at 31 December 2021	Fair value at 31 December 2021 categorised into Level 1
Guaranteed USD senior notes	–	–	3,333	3,418
RMB medium-term notes	50	50	2,571	2,610
Debentures	2,969	2,979	3,961	3,962

(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 3 months from the date of billing, and an upfront payment ranging from 30% to 50% of the product price is normally required from the customer. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 60 months, customers are normally required to make an upfront payment ranging from 20% to 50% of the product price. Collaterals such as properties, machinery or third party guarantees are generally required for customers with lower credit ratings. In addition, credit insurance coverage is required for overseas sales. Certain customers are required to pay by letters of credit.

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

(b) Financial risk management (continued)

(ii) Credit risk (continued)

In respect of receivables under finance lease, individual credit evaluations are performed which are similar to those of credit and instalment sales. The risk management committee is responsible for the establishment of credit risk management policies, the supervision on the implementation of such policies and determination of the key terms of the lease contracts, including interest rate, lease period and percentage of deposit, etc. The risk management committee members are also responsible for approval of each leasing transaction within their respective authority. Credit review department, legal department, finance department and information technology department are collectively responsible for credit risk management and monitoring of settlement of receivables under finance lease. The Group's credit risk management procedures include pre-lease investigation, lease approval, lease payment collection and management, as well as recovery measures in case of customer default.

Debtors overdue by 3 months or more are handled by risk management department which is responsible for recovering debts through legal and other actions, including repossession and subsequent sale of machineries in case of customer default. Action taken to various overdue debts are assessed by taking into consideration of the customers' current financial position, future business plan, the fair value of pledged assets and possibility of additional collateral.

The Group measures loss allowances for trade receivables and lease receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. According to the past experience of the Group, the loss patterns of different customer groups are significantly different. The Group classifies customers into customer groups based on a number of factors including their ownership background and financial strength, and the industries in which they operate, etc. The Group estimates loss allowance for trade receivables for each of the customer groups with similar loss patterns.

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:

	31 December 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
		RMB	**RMB**
	%	**millions**	**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)**

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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:

	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)**

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

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 2022, 0.1% (31 December 2021: 1.3%) of the total trade and bills receivables was due from the Group's largest customer and 0.9% (31 December 2021: 1.9%) of the total trade and bills receivables was due from the Group's five largest customers respectively. As at 31 December 2022, 91.9% and 99.4% (31 December 2021: 96.5% and 93.3%) 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 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**	**–**

	As at 31 December 2021					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	18,905	19,845	11,687	3,781	4,153	224
Trade and other payables	36,600	36,600	36,600	–	–	–
Lease liabilities	413	452	93	95	102	162
Other non-current liabilities	5,428	5,428	–	3,257	1,681	490
	61,346	62,325	48,380	7,133	5,936	876
Financial guarantees issued and payment commitments Maximum exposure (Note 34)	94	14,412	5,514	3,060	5,838	–

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 2022.

	31 December 2022		31 December 2021	
	Effective interest rate %	Amount RMB millions	Effective interest rate %	Amount RMB millions
Fixed rate borrowings:				
Lease liabilities	2.9%	472	2.6%	413
Short-term loans and borrowings	2.4%	10,227	4.1%	10,587
Long-term loans and borrowings	2.9%	10,510	3.2%	7,711
		21,209		18,711
Variable rate borrowings:				
Short-term loans and borrowings	0.7%	791	1.0%	424
Long-term loans and borrowings	2.8%	452	1.9%	183
		1,243		607
Total borrowings:		22,452		19,318
Fixed rate borrowings as a percentage of total borrowings		94.5%		96.9%

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

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

The following table indicates the change in the Group's profit or loss after taxation and retained earnings and other components of consolidated equity that would arise if it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant:

	Profit or loss		Retained profits	
Effect in millions of RMB	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2022				
Variable rate borrowings	**(9)**	**9**	**(9)**	**9**
31 December 2021				
Variable rate borrowings	(5)	5	(5)	5

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 2021.

(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 2022			31 December 2021		
	USD	**EUR**	**HKD**	USD	EUR	HKD
Trade debtors	**4,805**	**5,164**	**463**	766	577	12
Cash and cash equivalents	**328**	**55**	**39**	699	673	65
Pledged bank deposits	**–**	**–**	**–**	78	–	–
Trade creditors	**(4,378)**	**(2,474)**	**(463)**	(202)	(584)	(2)
Loans and borrowings	**(219)**	**(1,873)**	**–**	(3,837)	(2,230)	–
Net exposure arising from recognised assets and liabilities	**536**	**872**	**39**	(2,496)	(1,564)	75

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 2022				
USD (5% movement)	**20**	**(20)**	**20**	**(20)**
EUR (5% movement)	**33**	**(33)**	**33**	**(33)**
31 December 2021				
USD (5% movement)	(94)	94	(94)	94
EUR (5% movement)	(59)	59	(59)	59

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 2021.

33 Commitments

Capital commitments

As at 31 December 2022, the Group had capital commitments as follows:

	2022 RMB millions	2021 RMB millions
Authorised and contracted for – property, plant and equipment	**5,716**	1,798
	5,716	1,798

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022, the Group's maximum exposure to such guarantees was RMB5,649 million (31 December 2021: RMB8,505 million). For the year ended 31 December 2022, the Group made payments of RMB124 million (2021: RMB112 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 2022, the Group's maximum exposure to such guarantees was RMB529 million (31 December 2021: RMB43 million). For the year ended 31 December 2022, the Group made payments of RMB43 million for repossession of machinery incurred (2021: Nil) 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 2022, the Group's maximum exposure to such guarantees was RMB15 million (31 December 2021: RMB175 million). For the year ended 31 December 2022, the Group made payments of RMB2 million (2021: nil) to the banks for repossession of machinery under the guarantee arrangement as a result of customer default.

(b) Payment commitments

During years 2021 and 2022, 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 RMB7,457 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 RMB7,457 million. The payment for the shortage will be compensated by future cash inflows from the Underlying Assets. As at 31 December 2022, the Group's maximum exposure due to the ABS&ABN plans was approximately RMB3,118 million (31 December 2021: RMB5,578 million), none of which has any shortage as at 31 December 2022 (31 December 2021: nil).

During year 2020, Beijing Leasing issued 3-year Asset-backed Securities ("ABS") for some of receivables under finance lease ("Underlying Assets") with a face value of RMB2,299 million which bear interest at rates ranging from 2.5% to 4.3% per annum for priority traches and 8% to 10% per annum for inferior tranches. Beijing Leasing undertakes to provide payment to the ABS plans should any shortage, between actual cash inflows from the Underlying Assets and the planned cash inflows of RMB2,299 million, and the Group provides guarantee to Beijing Leasing for this shortage commitment. The payment for the shortage will be compensated by future cash inflows from the Underlying Assets. As at 31 December 2022, the outstanding planned payment due to the ABS plans was approximately RMB156 million (31 December 2021: RMB1,065 million), none of which has any cashflow shortage as at 31 December 2022 (31 December 2021: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

35 Related party transactions

(a) Transactions with related parties

	2022 RMB millions	2021 RMB millions
Transactions with associates:		
Sales of products	**344**	412
Purchase of raw materials and finished goods	**21**	44
Payment for acquisition of receivables under commercial factoring	**–**	84
Debit and credit premium of non-commercial factoring receivables	**2**	–
Payment for acquisition of finance lease assets	**–**	20
Proceeds from borrowings	**–**	78
Repayments of borrowings	**–**	82
Transactions with Beijing Leasing:		
Finance lease service provided through Beijing Leasing	**3,691**	4,550
Repossession of machinery	**160**	–
Transactions with other related parties:		
Factoring of accounts receivable	**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:

	2022 RMB thousands	2021 RMB thousands
Short-term employee benefits	**28,074**	28,074
Retirement scheme contributions	**256**	256
Share incentive scheme	**56,163**	140,845
	84,493	169,175

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

(d) Contributions to retirement plans

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

36 Accounting estimates and judgements

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

The selection of significant accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set forth in Note 2 to the financial statements. Note 13 contains information about significant assumptions and their risk factors relating to goodwill impairment.

Management reviews estimations and underlying assumptions ongoing basis. Revisions to accounting estimations are recognised in the period in which the estimations are revised and in any future periods affected.

Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

The Group's management determines the loss allowance for expected credit losses on trade, finance lease, loans and advances, bills and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. The Group's management reassesses the loss allowance at each reporting period end.

(b) Warranty provision

As explained in Note 23(b), the Group makes product warranty provision based on its best estimate of the expected settlement under the sales agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

36 Accounting estimates and judgements (continued)

(c) Write-down of inventories

As described in Note 2(k), the Group writes down the cost of inventories to net realisable value when the net realisable value of inventories is lower than the cost. The Group estimates the net realisable value of inventories by taking into account the recent selling prices and forecasted market demand. However, the actual realised value of the inventories may be significantly different from the estimated amount at the end of the reporting period.

(d) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(j)(iii). The carrying amounts of the Group's long-lived assets, including property, plant and equipment, intangible assets and investments in subsidiaries and associates are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill and trademarks with indefinite useful lives, the impairment testing is performed at least annually at the end of each year. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group's long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

36 Accounting estimates and judgements (continued)

(e) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual value, if any. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Amortisation of intangible assets is recognised on a straight-line basis over the respective intangible assets' estimated useful lives. Management reviews the estimated useful lives annually in order to estimate the amount of amortisation expense to be recorded during any reporting period. The estimated useful lives are based on the estimated periods over which future economic benefits will be received by the Group and take into account the level of future competition, the risk of technological or functional obsolescence and the expected changes in the regulatory and social environment. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(f) Determining the lease term

As explained in policy Note 2(i), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

37 Investments in subsidiaries

The following list contains particulars of subsidiaries as at 31 December 2022 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
		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
CIFA S.p.A	EUR15	100%	–	100%	Manufacture of concrete machinery
Shaanxi Zoomlion Earth Working Machinery Co., Ltd.	RMB254	100%	100%	–	Manufacture of earth working machinery
Hunan Zoomlion Axle Co., Ltd.	RMB466	100%	100%	–	Manufacture of motor vehicle components
Zoomlion Material Handling Equipment Co., Ltd.	RMB100	100%	100%	–	Manufacture of material handling machinery
Hunan Zoomlion International Trade Co., Ltd.	RMB50	100%	100%	–	Trading of equipment and machinery
Hunan Teli Hydraulic Co., Ltd.	RMB180	84.43%	84.43%	–	Manufacture of hydraulic products
Hunan Zoomlion Special Vehicles Co., Ltd.	RMB69	100%	100%	–	Manufacture of specialised vehicles
Zoomlion Finance and Leasing (China) Co., Ltd.	RMB280	100%	–	100%	Leasing of equipment and machinery
Hunan Zoomlion Crawling Crane Ltd.	RMB360	100%	100%	–	Manufacture of crawling cranes

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

37 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid-up capital (millions)	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
Hunan Zoomlion Hardware Co., Ltd.	RMB100	100%	100%	–	Manufacture of components
Shanghai Zoomlion Pile Foundation Machinery Co., Ltd.	RMB50	100%	100%	–	Manufacture of pile foundation Machinery
Hunan Zoomlion Intelligent Technology Co., Ltd.	RMB50	100%	100%	–	Research and manufacture of machine software
Hunan Zoomlion Concrete Machinery Site Equipment Co., Ltd.	RMB451	100%	100%	–	Manufacture of concrete machinery
Zoomlion H.K. SPV Co., Limited	USD25	100%	–	100%	Bond issuance
Anhui Zoomlion Earth Working Machinery Co., Ltd.	RMB500	100%	100%	–	Manufacture of earth working machinery
Zoomlion Finance Co., Ltd.	RMB1,500	100%	100%	–	Financial services
Shaanxi Zoomlion Culture Tourism Development Co., Ltd.	RMB220	100%	100%	–	Exploitation and management of tourism resource
Hunan Zoomlion Hoisting Machinery Co., Ltd.	RMB500	100%	100%	–	Manufacture of hoisting machinery
Zoomlion Sales Co., Ltd.	RMB100	100%	100%	–	Sales of equipment and machinery
Guoyu Europe Holding GmbH	EUR4	100%	100%	–	Manufacture of tower cranes
Hunan Zoomlion engineering hoisting equipment Co., Ltd.	RMB200	100%	100%	–	Manufacture of hoisting machinery

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
Hunan Zoomlion Construction Hoisting Machinery Co., Ltd.	RMB800	100%	100%	–	Manufacture of hoisting machinery
ZValley Co., Ltd.	RMB50	100%	100%	–	Research and manufacture of machine software
Changsha Zoomlion Auto Parts Co., Ltd.	RMB50	100%	100%	–	Automotive manufacturing
Changsha Zoomlion Zhicheng Real Estate Development Co., Ltd.	RMB10	100%	100%	–	Real estate
Changsha Zoomlion Yizhen Real Estate Development Co. Ltd.	RMB10	100%	100%	–	Real estate
Shenzhen RoadRover Technology Co.,Ltd.	RMB120	53.82%	53.82%	–	Research and manufacture of electronic component of automobile
Zoomlion Aerial Machinery Co., Ltd.	RMB500	69.12%	65.64%	3.49%	Manufacture of aerial machinery
Zoomlion Neo Material Technology Co., Ltd.	RMB50	75.55%	75.55%	–	Manufacture of material machinery and new material
Changsha Zoomlion emergency equipment Machinery Co.,Ltd.	RMB50	65.00%	65.00%	–	Manufacture of emergency equipment

All of the above subsidiaries are incorporated and operate in the PRC, except for CIFA which are incorporated and operate in Italy, and m-tec and Guoyu Europe Holding which are incorporated and operate in Germany. All of the above subsidiaries are limited liability companies.

38 Company-level statement of financial position

	2022 RMB millions	2021 RMB millions
Non-current assets		
Property, plant and equipment	**5,052**	2,806
Right-of-use assets	**1,381**	1,440
Intangible assets	**190**	135
Investments in subsidiaries	**24,528**	19,229
Interests in associates	**3,290**	3,030
Other financial assets	**345**	363
Trade and other receivables	**10,692**	15,381
Pledged bank deposits	**160**	202
Deferred tax assets	**733**	480
Total non-current assets	**46,371**	43,066
Current assets		
Inventories	**4,001**	4,550
Other current assets	**1,040**	1,156
Financial assets at fair value through profit or loss	**2,670**	5,426
Trade and other receivables	**68,972**	64,372
Pledged bank deposits	**1,318**	1,188
Cash and cash equivalents	**7,590**	7,367
Total current assets	**85,591**	84,059
Total assets	**131,962**	127,125

38 Company-level statement of financial position (continued)

	Note	2022 RMB millions	2021 RMB millions
Current liabilities			
Loans and borrowings		**14,678**	10,536
Trade and other payables		**54,490**	53,632
Contract liabilities		**1,228**	1,377
Lease liabilities		**29**	36
Total current liabilities		**70,425**	65,581
Net current assets		**15,166**	18,478
Total assets less current liabilities		**61,537**	61,544
Non-current liabilities			
Loans and borrowings		**10,597**	7,509
Lease liabilities		**35**	43
Deferred tax liabilities		**136**	8
Other non-current liabilities		**4,055**	4,047
Total non-current liabilities		**14,823**	11,607
Net assets		**46,714**	49,937
Capital and reserves			
Share capital	30(a)	**8,678**	8,678
Reserves	30(b)	**38,036**	41,259
Total equity		**46,714**	49,937

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2022 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 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
IFRS 17, *Insurance contracts*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

40 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	As at 31 December 2022 RMB millions	As at 31 December 2021 RMB millions
Total equity reported under PRC GAAP	**56,976**	58,297
– Acquisition-related costs incurred on prior year business combination	**(37)**	(37)
Total equity reported under IFRSs	**56,939**	58,260

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

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

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

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

41 Non-adjusting events after the reporting period

(a) Repurchase A shares

Pursuant to a resolution passed at the fourth extraordinary meeting in 2022 of the sixth session of the board of directors on 20 July 2022, the Company will repurchase A shares of the Company from stock market over a period of no more than 12 months starting from 20 July 2022. All repurchased shares will be used for future employee stock ownership plan. The Company will repurchase no less than 2.5% and no more than 5% of the total issued A shares of the Company at a price of not exceeding RMB9.19 per share, and the aggregate repurchase amount is expected to be no more than RMB3,988 million.

Up to 31 December 2022, the Company has repurchased 259,863,183 A shares in aggregate, with aggregate repurchase amount of RMB1,556 million (inclusive of stamp duty, commissions and other transaction cost). During the period from 1 January 2023 to the issuance date of these financial statements, the Company repurchased 164,093,583 A shares in aggregate, representing 1.89% of the total issued shares of the Company, with aggregate repurchase amount of RMB1,084 million (inclusive of stamp duty, commissions and other transaction cost).

(b) Spin-off and restructuring of a subsidiary

On 5 February 2023, a resolution was passed at the first extraordinary meeting in 2023 of the sixth session of the board of directors, which approved the spin-off and restructuring of Zoomlion Aerial Machinery Co., Ltd. (the "Proposed Spin-off"). Pursuant to the Proposed Spin-off plan, RoadRover Technology, being a listed subsidiary of the Company, intends to (i) acquire 100% equity interest in Zoomlion Aerial Machinery Co., Ltd. through issuing new shares to the 29 existing shareholders of Zoomlion Aerial Machinery Co., Ltd. (including the Company), and (ii) raise funds through a non-public issue of shares to not exceeding 35 designated investors.

As at the issuance date of these financial statements, the Proposed Spin-off has not been completed.

(c) Cash dividend

Pursuant to a resolution passed at the directors' meeting on 30 March 2023, a final dividend in respect of the year ended 31 December 2022 of RMB0.32 per share totalling approximately RMB2,694 million (2021: RMB0.32 per share totalling approximately RMB2,777 million) was proposed for shareholders' approval at the forthcoming Annual General Meeting, and repurchased shares are not included in the profit distribution. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.


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