Zoomlion Heavy Industry Science and Technology Co., Ltd.*
中聯重科股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1157)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2019 amounted to RMB43,307 million, representing an increase of RMB14,610 million or 50.91% from 2018.
- Profit attributable to equity shareholders of the Company for the year ended 31 December 2019 amounted to RMB4,381 million, representing an increase of RMB2,350 million or 115.71% from 2018.
- Basic earnings per share for the year ended 31 December 2019 amounted to RMB58.30 cents, representing an increase of RMB31.70 cents compared with basic earnings per share of RMB26.60 cents in 2018. Diluted earnings per share for the year ended 31 December 2019 amounted to RMB57.92 cents, representing an increase of RMB31.51 cents compared with diluted earnings per share of RMB26.41 cents in 2018.
- The Board does not propose any final dividend for the year ended 31 December 2019.

The board of directors (the "**Board**") of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (the "**Company**") hereby announces the audited results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 together with the comparative figures for 2018:

FINANCIAL RESULTS

Financial information extracted from the audited consolidated financial statements for 2019 prepared in accordance with International Financial Reporting Standards ("**IFRSs**"):

Consolidated statement of comprehensive income
For the year ended 31 December 2019
(Expressed in RMB)

	Note	**2019** *RMB millions*	2018 *RMB millions (Note)*
Revenue	*3*	**43,307**	28,697
Cost of sales and services		**(30,314)**	(20,923)
Gross profit		**12,993**	7,774
Other income		**1,017**	882
Sales and marketing expenses		**(3,780)**	(2,379)
General and administrative expenses		**(2,693)**	(2,063)
Research and development expenses		**(1,516)**	(581)
Profit from operations		**6,021**	3,633
Net finance costs	*4(a)*	**(1,165)**	(1,205)
Share of profits less losses of associates		**188**	222
Profit before taxation	*4*	**5,044**	2,650
Income tax	*5*	**(759)**	(682)
Profit for the year		**4,285**	1,968

	Note	2019 RMB millions	2018 RMB millions (Note)
Profit attributable to:			
Equity shareholders of the Company		**4,381**	2,031
Non-controlling interests		**(96)**	(63)
		4,285	1,968
Profit for the year		**4,285**	1,968
Earnings per share (cents)			
Basic	*7*	**58.30**	26.60
Diluted	*7*	**57.92**	26.41

	Note	2019 *RMB millions*	2018 *RMB millions (Note)*
Profit for the year		**4,285**	1,968
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)		**26**	(71)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside mainland PRC		**(29)**	(155)
Total other comprehensive income for the year		**(3)**	(226)
Total comprehensive income for the year		**4,282**	1,742
Total comprehensive income attributable to:			
Equity shareholders of the Company		**4,378**	1,805
Non-controlling interests		**(96)**	(63)
Total comprehensive income for the year		**4,282**	1,742

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

Consolidated statement of financial position
At 31 December 2019
(Expressed in RMB)

	Note	**2019** **RMB** ***millions***	2018 *RMB* *millions* *(Note)*
Non-current assets			
Property, plant and equipment		**6,735**	6,077
Right-of-use assets	*8*	**2,433**	—
Lease prepayments		**—**	1,943
Intangible assets		**2,043**	2,153
Goodwill		**2,017**	2,046
Interests in associates	*9*	**3,909**	3,500
Other financial assets	*10*	**2,644**	2,379
Trade and other receivables	*12*	**9,072**	5,498
Receivables under finance lease	*13*	**7,771**	3,656
Pledged bank deposits		**84**	129
Deferred tax assets	*17(b)*	**1,271**	1,276
Total non-current assets		**37,979**	28,657
Current assets			
Inventories		**11,772**	9,551
Other current assets		**1,413**	1,097
Financial assets at fair value through profit or loss	*11*	**4,311**	13,787
Trade and other receivables	*12*	**20,839**	21,554
Receivables under finance lease	*13*	**9,229**	8,835
Pledged bank deposits		**1,415**	1,184
Cash and cash equivalents		**5,073**	8,754
Total current assets		**54,052**	64,762
Total assets		**92,031**	93,419
Current liabilities			
Loans and borrowings		**7,312**	22,044
Trade and other payables	*14*	**25,012**	15,786
Financial liabilities at fair value through profit or loss		**37**	40
Contract liabilities		**1,934**	1,602
Lease liabilities	*15*	**88**	—
Income tax payable	*17(a)*	**186**	151
Total current liabilities		**34,569**	39,623
Net current assets		**19,483**	25,139
Total assets less current liabilities		**57,462**	53,796

	Note	**2019**	2018
		RMB millions	*RMB millions (Note)*
Non-current liabilities			
Loans and borrowings		**14,515**	13,645
Lease liabilities	*15*	**329**	—
Deferred tax liabilities	*17(b)*	**455**	429
Other non-current liabilities		**2,666**	991
Total non-current liabilities		**17,965**	15,065
NET ASSETS		**39,497**	38,731
CAPITAL AND RESERVES			
Share capital		**7,875**	7,809
Reserves		**30,952**	30,355
Total equity attributable to equity shareholders of the Company		**38,827**	38,164
Non-controlling interests		**670**	567
TOTAL EQUITY		**39,497**	38,731

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

Consolidated statement of changes in equity

For the year ended 31 December 2019

(Expressed in RMB)

		Attributable to equity shareholders of the Company									
	Note	Share capital *RMB millions*	Capital reserve *RMB millions*	Statutory surplus reserve *RMB millions*	Exchange reserve *RMB millions*	Fair value reserve (non-recycling) *RMB millions*	Other reserves *RMB millions*	Retained earnings *RMB millions*	Total *RMB millions*	Non-controlling interests *RMB millions*	Total equity *RMB millions*
Balance at 1 January 2018		7,794	12,708	2,964	(1,084)	43	21	15,028	37,474	637	38,111
Changes in equity for 2018											
Profit for the year		—	—	—	—	—	—	2,031	2,031	(63)	1,968
Other comprehensive income		—	—	—	(155)	(55)	—	(16)	(226)	—	(226)
Total comprehensive income		—	—	—	(155)	(55)	—	2,015	1,805	(63)	1,742
Appropriation for surplus reserve		—	—	369	—	—	—	(369)	—	—	—
Cash dividends	*6*	—	31	—	—	—	—	(1,556)	(1,525)	—	(1,525)
Dividends declared by subsidiaries to non-controlling interests		—	—	—	—	—	—	—	—	(11)	(11)
Share incentive scheme	*16*										
— Share option scheme		—	48	—	—	—	—	—	48	—	48
— Restricted share scheme		15	342	—	—	—	—	—	357	—	357
Equity pick up of capital reserve change in an associate		—	5	—	—	—	—	—	5	—	5
Contribution from non-controlling shareholders in a subsidiary		—	—	—	—	—	—	—	—	6	6
Acquisition of non-controlling interests in a subsidiary		—	—	—	—	—	—	—	—	(2)	(2)
Safety production fund	*18(b)*	—	—	—	—	—	12	(12)	—	—	—
Balance at 31 December 2018		7,809	13,134	3,333	(1,239)	(12)	33	15,106	38,164	567	38,731

	Note	Attributable to equity shareholders of the Company								Non-controlling interests RMB millions	Total equity RMB millions
		Share capital RMB millions	Capital reserve RMB millions	Statutory surplus reserve RMB millions	Exchange reserve RMB millions	Fair value reserve (non-recycling) RMB millions	Other reserves RMB millions	Retained earnings RMB millions	Total RMB millions		
Balance at 31 December 2018 and 1 January 2019		**7,809**	**13,134**	**3,333**	**(1,239)**	**(12)**	**33**	**15,106**	**38,164**	**567**	**38,731**
Changes in equity for 2019											
Profit for the year		—	—	—	—	—	—	4,381	4,381	(96)	4,285
Other comprehensive income		—	—	—	(29)	26	—	—	(3)	—	(3)
Total comprehensive income		—	—	—	(29)	26	—	4,381	4,378	(96)	4,282
Appropriation for surplus reserve		—	—	222	—	—	—	(222)	—	—	—
Cash dividends	*6*	—	27	—	—	—	—	(1,861)	(1,834)	—	(1,834)
Repurchase of own shares		—	(2,145)	—	—	—	—	—	(2,145)	—	(2,145)
Share incentive scheme											
— Share option scheme	*16*	71	278	—	—	—	—	—	349	—	349
— Restricted share scheme	*16*	(5)	193	—	—	—	—	—	188	—	188
Contributions in a subsidiary		—	(291)	—	—	—	—	—	(291)	291	—
Acquisition of non-controlling interests in subsidiaries		—	(15)	—	—	—	—	—	(15)	(140)	(155)
Dividends declared by subsidiaries to non-controlling interests		—	—	—	—	—	—	—	—	(9)	(9)
Contribution from non-controlling shareholders in a subsidiary		—	33	—	—	—	—	—	33	57	90
Safety production fund	*18(b)*	—	—	—	—	—	10	(10)	—	—	—
Balance at 31 December 2019		**7,875**	**11,214**	**3,555**	**(1,268)**	**14**	**43**	**17,394**	**38,827**	**670**	**39,497**

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

Notes to the financial information

1 STATEMENT OF COMPLIANCE

The financial information contained in this preliminary announcement of annual results was extracted from the Group's consolidated financial statements. Consolidated 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.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. The comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to IFRS 16 (1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.6%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Right-of-use assets' and presents lease liabilities separately in the statement of financial position.

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of comprehensive income, as compared to the results had IAS 17 been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

d. Lessor accounting

The Group leases out a number of items of machinery as the lessor of operating leases and finance leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

3 REVENUE AND SEGMENT REPORTING

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

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

(a) Disaggregation of revenue

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

	2019	2018
	RMB millions	*RMB millions*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
Construction machinery		
— Concrete machinery	**13,870**	10,130
— Crane machinery	**22,124**	12,447
— Others	**4,916**	4,076
Agricultural machinery	**1,583**	1,477
	42,493	28,130
Revenue from other sources		
Rental income from construction machinery		
— Concrete machinery	**32**	35
— Crane machinery	**23**	25
— Others	**26**	10
	81	70
Financial services	**733**	497
	814	567
	43,307	28,697

(b) Segment reporting

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

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

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

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

Others primarily research, develop, manufacture and sell of other machinery products, including road construction and pile foundation machinery, earth working machinery, material handling machinery and systems, specialised vehicles and vehicle axles. None of these segments met any of the quantitative thresholds for determining reportable segments for the years ended 31 December 2019 and 2018.

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

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

(i) Segment results

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 2019 and 2018 is set out below:

	2019			2018		
	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	**13,870**	**32**	**13,902**	10,130	35	10,165
— Crane machinery	**22,124**	**23**	**22,147**	12,447	25	12,472
— Others	**4,916**	**26**	**4,942**	4,076	10	4,086
Agricultural machinery	**1,583**	**—**	**1,583**	1,477	—	1,477
Financial services	**—**	**733**	**733**	—	497	497
	42,493	**814**	**43,307**	28,130	567	28,697

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

(ii) Information about profit or loss

	2019	2018
	RMB millions	*RMB millions (Note)*
Reportable segment profit:		
Construction machinery		
— Concrete machinery	**3,810**	2,436
— Crane machinery	**7,256**	3,625
— Others	**1,127**	1,115
Agricultural machinery	**68**	102
Financial services	**732**	496
	12,993	7,774

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

(iii) Reconciliations of segment profit

	2019	2018
	RMB millions	*RMB millions (Note)*
Reconciliation of segment profit:		
Total reportable segment profit	**12,993**	7,774
Gross profit	**12,993**	7,774
Other income	**1,017**	882
Sales and marketing expenses	**(3,780)**	(2,379)
General and administrative expenses	**(2,693)**	(2,063)
Research and development expenses	**(1,516)**	(581)
Net finance costs	**(1,165)**	(1,205)
Share of profits less losses of associates	**188**	222
Profit before taxation	**5,044**	2,650

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

(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, right-of-use assets, and lease prepayments ("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.

	2019 *RMB millions*	2018 *RMB millions (Note)*
Revenue from external customers		
— Mainland PRC	**39,738**	25,107
— Outside PRC	**3,569**	3,590
Total	**43,307**	28,697

	2019 *RMB millions*	2018 *RMB millions (Note)*
Specified non-current assets		
— Mainland PRC	**8,462**	7,755
— Outside PRC	**706**	265
Total	**9,168**	8,020

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

4 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	2019	2018
	RMB millions	*RMB millions (Note)*
Interest income	**(539)**	(347)
Interest on loans and borrowings	**1,663**	1,451
Interest on lease liabilities	**10**	—
Net exchange loss	**31**	101
	1,165	1,205

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

(b) Staff costs:

	2019	2018
	RMB millions	*RMB millions*
Salaries, wages and other benefits	**2,908**	2,063
Share incentive scheme expenses	**135**	267
Contributions to retirement schemes	**440**	337
	3,483	2,667

(c) Other items:

	2019	2018
	RMB millions	*RMB millions (Note)*
Cost of inventories sold	**30,314**	20,923
Depreciation charge		
— owned property, plant and equipment	**612**	585
— right-of-use assets, lease prepayments	**50**	50
— right-of-use assets, other than lease prepayments	**68**	—
Amortisation of intangible assets	**205**	202
Gain on disposal of property, plant and equipment and intangible assets	**8**	4
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**—**	134
Auditors' remuneration:		
— audit services	**10**	10
Product warranty costs	**162**	151
Impairment losses:		
— owned property, plant and equipment	**—**	1
— trade receivables	**425**	145
— receivables under finance lease	**1**	85
— inventories	**180**	36
— goodwill	**30**	50
— intangible assets	**6**	—

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

5 INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

(a) Taxation charged to profit or loss:

	2019	2018
	RMB millions	*RMB millions*
Current tax — PRC income tax	**747**	620
Current tax — Income tax in other tax jurisdictions	**12**	7
Deferred taxation	**—**	55
Tax expenses	**759**	682

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

	2019 *RMB millions*	2018 *RMB millions*
Profit before taxation	**5,044**	2,650
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (Note (i))	**1,261**	663
Tax effect of non-deductible expenses	**115**	500
Current year loss for which no deferred tax assets was recognised	**107**	96
Tax effect of non-taxable income (Note (i))	**(168)**	(146)
Tax effect of tax concessions (Note (ii))	**(460)**	(361)
Additional deduction for qualified research and development expenses (Note (iii))	**(96)**	(70)
Actual income tax expenses	**759**	682

Notes:

(i) The PRC statutory income tax rate is 25% (2018: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2018: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. In 2019 and 2018, 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 19.0 % to 28.4 % (2018: 19.0% to 28.4%).

(ii) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The company and certain of its subsidiaries obtained or renewed its status as high-technology enterprises in 2019 and accordingly are subject to income tax at 15% for the years from 2019 to 2021.

The 15% preferential tax rate applicable to high-technology enterprises is subject to renewal approval jointly by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations. The Company and certain of its subsidiaries have begun the renewal approval process. It is probable that they are qualified as high-technology enterprises. Management therefore believes 15% represents the best estimate of the annual tax rate of these entities for the year ending 31 December 2020.

(iii) Under the income tax law and its relevant regulations, a 75% additional tax deduction is allowed for qualified research and development expenditure for the year ended 31 December 2019 (2018: 75%).

6 DIVIDENDS

(i) Dividends paid during year

Pursuant to the shareholders' approval at the Annual General Meeting held on 21 June 2019, a final cash dividend of RMB0.25 per share based on 7,460 million ordinary shares in issue, totaling RMB1,863 million in respect of the year ended 31 December 2018 was declared, in which RMB27 million was declared to restricted shareholders who are expected to be unlocked and RMB2 million was declared to restricted shareholders who are not expected to be unlocked. The forfeited restricted shares will not be entitled to the declared dividends. As at 31 December 2019, RMB313 million dividends are not paid and will be fully paid in 2020.

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2018, a final cash dividend of RMB0.2 per share based on 7,794 million ordinary shares totalling RMB1,559 million in respect of the year ended 31 December 2017 was declared in which RMB31 million was declared to restricted shareholders who are expected to be unlocked and RMB3 million was declared to restricted shareholders who are not expected to be unlocked, and was fully paid by February 2019.

(ii) Dividends proposed after the balance sheet date

Pursuant to a resolutions passed at the directors' meeting on 30 March 2020, no dividend in respect of the year ended 31 December 2019 (2018: RMB0.25 per share totaling RMB1,952 million) was proposed for shareholders' approval at the Annual General Meeting.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB4,381 million (2018: RMB2,031 million) and the weighted average of 7,514 million ordinary shares (2018: 7,635 million shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019	2018
	millions	*millions*
Issued ordinary shares at 1 January	**7,809**	7,794
Effect of shares repurchased	**(219)**	—
Effect of restricted A shares issued	**(117)**	(169)
Effect of restricted A shares unlocked	**9**	10
Effect of share options exercised	**32**	—
Weighted average number of ordinary shares at 31 December	**7,514**	7,635

(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 RMB4,381 million (2018: RMB2,031 million) and the weighted average number of ordinary shares of 7,564 million shares (2018: 7,691 million shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2019	2018
	millions	*millions*
Weighted average number of ordinary shares at 31 December	**7,514**	7,635
Effect of deemed issue of restricted A shares	**45**	56
Effect of exercisable options	**5**	—
Weighted average number of ordinary shares (diluted) at 31 December	**7,564**	7,691

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

8 RIGHT-OF-USE ASSETS

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	Note	**At 31 December 2019** ***RMB millions***	**At 1 January 2019** ***RMB millions***
Land use rights, carried at depreciated cost	*(i)*	**2,020**	**1,943**
Plant, machinery and equipment, carried at depreciated cost	*(ii)*	**413**	**334**
		2,433	**2,277**

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

	2019 ***RMB millions***	2018 *RMB millions (Note)*
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights, carried at depreciated cost	**50**	50
Plant, machinery and equipment, carried at depreciated cost	**68**	—
	118	50
Interest on lease liabilities	**10**	—
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**25**	—
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**20**	—
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**—**	134

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

During the year, additions to right-of-use assets were RMB274 million. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

(i) Land use rights

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

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

(ii) Plant, machinery and equipment

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

9 INTERESTS IN ASSOCIATES

	2019 RMB millions	2018 RMB millions
Infore Environment Technology Group Co., ltd. ("**Infore Environment**")	**2,933**	2,795
Aggregate carrying amount of individually material associates in the consolidated financial statements	**2,933**	2,795
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**976**	705
Total	**3,909**	3,500

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

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

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital *(millions)*	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activities
Infore Environment *(Note)*	Incorporated	China	RMB3,163	12.62%	12.62%	Environmental construction and project operation

Note: Infore Environment is listed on the main board of Shenzhen Stock Exchange. On 31 December 2019, the quoted market price of Infore Environment was RMB6.17 (2018: RMB5.65) per share and the fair value of the investment in Infore Environment was RMB2,463 million (2018: RMB2,256 million).

	2019 RMB millions	2018 RMB millions
Amounts of the Group's share of Infore Environment		
Profit from operations	**178**	—
Other comprehensive income	**—**	—
Total comprehensive income	**178**	—

	2019 RMB millions	2018 RMB millions
Aggregate amounts of the Group's share of individually immaterial associates		
Profit from operations	**10**	35
Other comprehensive income	**—**	—
Total comprehensive income	**10**	35

10 OTHER FINANCIAL ASSETS

	Note	**31 December 2019**	31 December 2018
		RMB millions	*RMB millions*
Financial assets at FVOCI			
Equity securities	*(i)*	**2,367**	2,268
Financial assets at FVPL			
Listed equity securities	*(ii)*	**127**	111
Securities investment funds	*(iii)*	**150**	—
Total		**2,644**	2,379

Notes:

(i) The equity securities comprises equity funds and other unlisted equity securities. The aggregate fair value of equity funds and unlisted equity securities was RMB1,264 million and RMB1,103 million respectively at 31 December 2019 (2018: RMB1,364 million and RMB904 million).The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of RMB38 million were received on investments in equity securities during the year. A loss accumulated in the fair value reserve (non-recycling) of RMB0.4 million in relation to partial disposal of equity securities was transferred to retained earnings during the year(2018: RMB16 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 RMB127 million, based on their quoted market prices as at 31 December 2019 (2018: RMB111 million).

(iii) The Group invests its spare cash in securities investment funds offered by fund management institutions. The underlying assets of the products are a wide range of government and corporate bonds, asset-backed securities, bond repurchases, bank deposits and other financial instruments.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RMB millions	*RMB millions*
Financial assets carried at fair value through profit or loss:		
— Wealth management products *(Note)*	**3,953**	8,443
— Structured deposits *(Note)*	**—**	5,344
— Securities investment funds *(Note 10(iii))*	**358**	—
	4,311	13,787

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

12 TRADE AND OTHER RECEIVABLES

	31 December 2019	31 December 2018
	RMB millions	*RMB millions*
Trade receivables	**30,437**	28,497
Less: loss allowance	**(5,146)**	(5,912)
	25,291	22,585
Less: trade receivables due after one year	**(9,072)**	(5,498)
	16,219	17,087
Bills receivable	**1,748**	1,350
	17,967	18,437
Amounts due from related parties	**181**	376
Prepayments for purchase of raw materials	**644**	558
Prepaid expenses	**623**	494
VAT recoverable	**771**	970
Deposits	**197**	123
Others	**456**	596
	20,839	21,554

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

The Group generally allows certain customers with appropriate credit standing to make payments in instalments over a maximum period of 42 months ("instalment payment method"). Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2019, the weighted average discount rate was approximately 4.75% (2018: 4.75%) per annum. As at 31 December 2019, trade receivables due after one year of RMB9,072 million (31 December 2018: RMB5,498 million) were presented net of unearned interest of RMB826 million (31 December 2018: RMB564 million).

As at the end of the reporting period, ageing analysis based on the invoice date of trade receivables (which are included in trade and other receivables), net of loss allowance is as follows:

	2019	2018
	RMB millions	*RMB millions*
Within 1 year	**16,984**	11,495
Over 1 year but less than 2 years	**3,086**	4,132
Over 2 years but less than 3 years	**1,641**	2,813
Over 3 years but less than 5 years	**2,698**	3,754
Over 5 years	**882**	391
	25,291	22,585

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2018: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 40% to 50% (2018: 40% to 50%) of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2018: 6 to 42 months), customers are normally required to make an upfront payment ranging from 30% to 50% (2018: 30% to 50%) of the product price.

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

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 ***RMB*** ***millions***	2018 *RMB* *millions*
Balance at 31 December 2017 under IAS 39		5,937
Impact on initial application of IFRS 9		56
Balance/adjusted balance at 1 January	**5,912**	5,993
Impairment losses recognised	**425**	145
Reclassification from loss allowance of receivables under finance lease	**22**	16
Uncollectible amounts written off	**(307)**	(242)
Written off upon sale of trade receivables *(Note)*	**(906)**	—
Balance at 31 December	**5,146**	5,912

Note: During the year ended 31 December 2019, RMB906 million of loss allowance for trade receivables were written off due to disposal of certain receivables in a bulk sale (2018: nil).

As at 31 December 2019, bills receivable of RMB1,748 million (2018: RMB1,350 million) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the year.

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

As at 31 December 2019, 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 2019, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB1,387 million (31 December 2018: RMB2,343 million).

As at 31 December 2019, bills receivable of RMB358 million (31 December 2018: RMB203 million) were discounted to banks or other financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred. Since the Group has continuing involvement in the transferred assets, these discounted bills receivable were therefore not derecognised. As at 31 December 2019, bills receivable of RMB559 million (31 December 2018: nil) 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.

13 RECEIVABLES UNDER FINANCE LEASE

	31 December 2019	31 December 2018
	RMB millions	*RMB millions*
Gross investment	**19,406**	14,623
Unearned finance income	**(760)**	(465)
	18,646	14,158
Less: loss allowance	**(1,646)**	(1,667)
	17,000	12,491
Less: receivables under finance lease due after one year	**(7,771)**	(3,656)
Receivables under finance lease due within one year	**9,229**	8,835

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of un-reimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for a period ranging from 2 to 5 years (2018: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 40% of the product price (2018: 5% to 40%) and pay a security deposit ranging from 1% to 10% of the product price (2018: 1% to 10%). At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

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

	2019	2018
	RMB millions	*RMB millions*
Present value of the minimum lease payments		
Within 1 year	**10,670**	10,260
Over 1 year but less than 2 years	**4,223**	2,102
Over 2 years but less than 3 years	**2,498**	1,235
Over 3 years	**1,255**	561
	18,646	14,158
Unearned finance income		
Within 1 year	**468**	320
Over 1 year but less than 2 years	**192**	88
Over 2 years but less than 3 years	**76**	41
Over 3 years	**24**	16
	760	465
Gross investment		
Within 1 year	**11,138**	10,580
Over 1 year but less than 2 years	**4,415**	2,190
Over 2 years but less than 3 years	**2,574**	1,276
Over 3 years	**1,279**	577
	19,406	14,623

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

	2019	2018
	RMB millions	*RMB millions*
Not yet due	**13,360**	6,663
Within 1 year past due	**1,621**	2,535
Over 1 year but less than 2 years past due	**1,114**	2,588
Over 2 years past due	**2,551**	2,372
Total past due	**5,286**	7,495
	18,646	14,158
Less: loss allowance	**(1,646)**	(1,667)
	17,000	12,491

Past due receivables refer to the amount remains unpaid after the relevant payment due date, including those receivables that are overdue for only one day.

The movement in the loss allowance in respect of receivables under finance lease during the year, is as follows:

	2019	2018
	RMB millions	*RMB millions*
Balance at 31 December 2017 under IAS 39		1,560
Impact on initial application of IFRS 9		38
Balance/adjusted balance at 1 January	**1,667**	1,598
Impairment losses recognised	**1**	85
Reclassification to loss allowance of trade receivables	**(22)**	(16)
Balance at 31 December	**1,646**	1,667

The Group monitors the credit risk arising from finance lease arrangement through various control measures. 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.

14 TRADE AND OTHER PAYABLES

	31 December 2019 *RMB millions*	31 December 2018 *RMB millions*
Trade creditors	**9,301**	6,998
Bills payable	**9,760**	3,802
Trade creditors and bills payable	**19,061**	10,800
Accrued staff costs	**786**	568
VAT payable	**640**	601
Sundry taxes payable	**125**	131
Security deposits	**607**	397
Dividends payable	**313**	251
Amounts due to non-controlling shareholders of certain subsidiaries	**254**	338
Payable for acquisition of property, plant and equipment	**284**	259
Locked restricted share	**100**	243
Product warranty provision	**99**	82
Interest payable	**81**	143
Financial guarantees issued	**67**	55
Amounts due to related parties	**3**	23
Other accrued expenses and payables	**2,592**	1,895
	25,012	15,786

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

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

	2019 *RMB millions*	2018 *RMB millions*
Due within 1 month or on demand	**5,119**	4,638
Due after 1 month but within 3 months	**5,935**	2,791
Due after 3 months but within 6 months	**7,619**	3,223
Due after 6 months but less than 12 months	**388**	148
	19,061	10,800

15 LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 31 December 2019		At 1 January 2019 (Note)	
	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	**88**	**88**	**50**	**50**
After 1 year but within 2 years	**74**	**82**	**47**	**49**
After 2 years but within 5 years	**115**	**128**	**101**	**111**
After 5 years	**140**	**160**	**136**	**161**
	329	**370**	**284**	**321**
	417	**458**	**334**	**371**
Less: total future interest expenses		**(41)**		**(37)**
Present value of lease liabilities		**417**		**334**

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. The comparative information as at 31 December 2018 has not been restated.

16 SHARE INCENTIVE SCHEME

On 1 November 2017, a Share Incentive Scheme was considered and approved at the first extraordinary general meeting of 2017, the A shareholders' Class Meeting of 2017 and H shareholders' Class Meeting of 2017. On 7 November 2017, the Company adopted the Share Incentive Scheme and the related resolution was considered and passed at the seventh extraordinary meeting of the fifth session of the board of directors, pursuant to which the date of grant for the Share Incentive Scheme of the Company has been set for 7 November 2017, and 171,568,961 share options and 171,568,961 restricted shares were planned to be granted to 1,231 selected current employees (the "Participants") of the Group ("the First Grants"). Each share option shall entitle its eligible holder to purchase one Zoomlion ordinary A share at an exercise price of RMB4.57, and the Participants are entitled to purchase Zoomlion restricted A shares at RMB2.29 each. The Participants of the Share Incentive Scheme included directors, senior executives and core technical employees. As a result, 168,760,911 share options and 168,760,911 restricted shares were granted to the Participants on 7 November 2017.

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

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

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

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

(a) share options

(i) The terms and conditions of the share option are as follows:

	Number of instruments	Vesting conditions	Contractual life of option
Options granted to directors: — on 1 November 2017	2,288,520	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 3 exercise periods or tranches, whose percentages of options exercisable are 40%, 30% and 30% respectively, subject to certain performance conditions as the conditions of exercise.	0.8 years
Options granted to employees: — on 1 November 2017	166,472,391	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 3 exercise periods or tranches, whose percentages of options exercisable are 40%, 30% and 30% respectively, subject to certain performance conditions as the conditions of exercise.	0.8 years
Options granted to employees: — on 10 September 2018	18,554,858	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 2 exercise periods or tranches, whose percentages of options exercisable are 50% and 50% respectively, subject to certain performance conditions as the conditions of exercise.	1.17 years
	187,315,769		

(ii) The number and weighted average exercise prices of share options are as follows:

	2019		2018	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**4.52**	**182,843,029**	4.57	168,760,911
Exercised during the year	**4.25**	**(71,376,029)**	—	—
Forfeited during the year	**4.08**	**(5,131,390)**	4.57	(4,472,740)
Granted during the year		**—**	3.96	18,554,858
Outstanding at the end of the year	**4.10**	**106,335,610**	4.52	182,843,029
Exercisable at the end of the year	**4.12**	**47,017,998**	4.57	65,471,398

(iii) Fair value of share options and assumptions

The fair value of the equity-settled share options granted on the date of the First Grants and the Second Grants is estimated using Black-Scholes model and conditions for the share options taken into account. The input variables under the applied model are as follow:

The First Grants	**First tranche**	**Second tranche**	**Third tranche**
Fair value at measurement date	0.57	0.76	0.91
Share price	4.55	4.55	4.55
Exercise price	4.57	4.57	4.57
Volatility	19.04%	19.04%	19.04%
Risk-free interest rate	2.10%	2.75%	2.75%

The Second Grants	**First tranche**	**Second tranche**
Fair value at measurement date	0.31	0.45
Share price	3.69	3.69
Exercise price	3.96	3.96
Volatility	16.92%	16.92%
Risk-free interest rate	2.10%	2.75%

The expected volatility is based on the historical volatility in the publicly available information.

(b) Restricted shares

The number of restricted shares are as follows:

	2019 Number of restricted shares	2018 Number of restricted shares
Outstanding at the beginning of the year	**117,371,631**	168,760,911
Vested during the year	**(54,417,525)**	(65,877,838)
Forfeited during the year	**(4,937,804)**	(4,066,300)
Granted during the year	**—**	18,554,858
Outstanding at the end of the year	**58,016,302**	117,371,631
Contractual life of restricted shares	**0.81 years**	1.31 years

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

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

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

Management estimates the expected yearly percentage of the Participants that will leave the Group at the end of the vesting period /locking period in order to determine the amount of share incentive scheme expenses to be recognised in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2019, the weighted average expected demission rate of the Participants was assessed to be 4.78% (2018: 3.05%). In 2019, share incentive scheme expenses of RMB135 million (2018: RMB267 million) were recognised in the consolidated statement of comprehensive income.

17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2019	2018
	RMB millions	*RMB millions*
Provision for PRC income tax *(Note)*	**177**	148
Provision for income tax in other tax jurisdictions	**9**	3
	186	151

Note: Income tax payable after one year is recognised in other non-current liabilities.

(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 2019

	Balance at 31 December 2018	**Acquisition from business combination**	**Credited/ (charged) to profit or loss**	**Credited/ (charged) to reserves**	**Balance at 31 December 2019**
	RMB millions	***RMB millions***	***RMB millions***	***RMB millions***	***RMB millions***
Deferred tax assets arising from:					
Receivables	**825**	**—**	**(111)**	**—**	**714**
Inventories	**135**	**—**	**20**	**—**	**155**
Accrued expenses	**101**	**—**	**35**	**—**	**136**
Tax losses	**137**	**—**	**57**	**—**	**194**
Others	**78**	**—**	**(5)**	**(1)**	**72**
Total	**1,276**	**—**	**(4)**	**(1)**	**1,271**
Deferred tax liabilities arising from:					
Property, plant and equipment	**(14)**	**(23)**	**(8)**	**—**	**(45)**
Intangible assets	**(348)**	**—**	**14**	**1**	**(333)**
Right-of-use assets	**(42)**	**—**	**2**	**—**	**(40)**
Others	**(25)**	**—**	**(4)**	**(8)**	**(37)**
Total	**(429)**	**(23)**	**4**	**(7)**	**(455)**

Year ended 31 December 2018

	Balance at 31 December 2017 *RMB millions*	Impact on initial application of IFRS 9 *RMB millions*	Balance at 1 January 2018 *RMB millions*	Credited/ (charged) to profit or loss *RMB millions*	Credited/ (charged) to reserves *RMB millions*	Balance at 31 December 2018 *RMB millions*
Deferred tax assets arising from:						
Receivables	902	15	917	(93)	1	825
Inventories	114	—	114	21	—	135
Accrued expenses	53	—	53	48	—	101
Tax losses	210	—	210	(73)	—	137
Others	79	—	79	3	(4)	78
Total	1,358	15	1,373	(94)	(3)	1,276
Deferred tax liabilities arising from:						
Property, plant and equipment	(15)	—	(15)	1	—	(14)
Intangible assets	(369)	—	(369)	22	(1)	(348)
Lease prepayments	(43)	—	(43)	1	—	(42)
Others	(58)	—	(58)	15	18	(25)
Total	(485)	—	(485)	39	17	(429)

As at 31 December 2019, deferred tax assets in respect of tax losses totalling RMB422 million (31 December 2018: RMB371 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.

18 RECONCILIATION OF FINANCIAL INFORMATION PREPARED UNDER PRC GAAP TO IFRSs

(a) Reconciliation of total equity of the Group

	As at 31 December 2019 ***RMB millions***	As at 31 December 2018 *RMB millions*
Total equity reported under PRC GAAP	**39,534**	38,768
— Acquisition-related costs incurred on prior year business combination	**(37)**	(37)
Total equity reported under IFRSs	**39,497**	38,731

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

	2019	2018
	RMB millions	*RMB millions*
Total comprehensive income for the year reported under PRC GAAP	**4,272**	1,730
— Safety production fund *(Note)*	**10**	12
Total comprehensive income for the year reported under IFRSs	**4,282**	1,742

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis was prepared based on our financial information prepared in accordance with the International Financial Reporting Standards.

Revenue

Our revenue increased by 50.91% from RMB28,697 million for the year ended 31 December 2018 to RMB43,307 million for the year ended 31 December 2019. The increase of revenue was mainly due to the continuous recovery of the construction machinery market, and as a result the Group's gross profit margin of products increased and profitability also significantly enhanced.

Cost of Sales and Services

Due to the expansion of sales scale, our cost of sales and services increased by 44.88% from RMB20,923 million for the year ended 31 December 2018 to RMB30,314 million for the year ended 31 December 2019.

Gross profit

Our gross profit increased by 67.13% from RMB7,774 million for the year ended 31 December 2018 to RMB12,993 million for the year ended 31 December 2019. Our gross profit margin increased from 27.09% for the year ended 31 December 2018 to 30.00% for the year ended 31 December 2019, which is mainly due to a significant increase in gross profit margin of concrete machinery and crane machinery.

Other income

Our other income increased from RMB882 million for the year ended 31 December 2018 to RMB1,017 million for the year ended 31 December 2019, which is mainly due to an increase in gain from investment in wealth management products.

Sales and marketing expenses

Our sales and marketing expenses increased by 58.89% from RMB2,379 million for the year ended 31 December 2018 to RMB3,780 million for the year ended 31 December 2019 primarily due to the expansion of sales scale resulting in an increase in sales and marketing expenses accordingly.

General and administrative expenses

Our general and administrative expenses increased from RMB2,063 million for the year ended 31 December 2018 to RMB2,693 million for the year ended 31 December 2019 primarily due to an increase in taxes and surcharges and impairment losses on receivables and inventories.

Net finance costs

Our net finance costs for the year ended 31 December 2018 was RMB1,205 million and our net finance costs for the year ended 31 December 2019 was RMB1,165 million. The decrease was due to the decrease of net exchange loss.

Profit for the year

As a result of the foregoing, our profit for the year increased by 117.73% from a profit RMB1,968 million for the year ended 31 December 2018 to a profit RMB4,285 million for the year ended 31 December 2019.

Operating activities

In 2019, net cash generated from operating activities was RMB5,968 million derived primarily from the profit before taxation of RMB5,044 million in total, adjusted to reflect interest expenses of RMB1,673 million, interest income of RMB539 million, depreciation and amortisation of RMB935 million, net realised and unrealised gains on financial assets at FVPL of RMB753 million, share incentive scheme expenses of RMB135 million, share of profits less losses of associates of RMB188 million and added back the effect of (i) the increase in trade and other payables of RMB9,896 million and (ii) the increase in contract liabilities of RMB332 million, and net off the following items: (i) the increase of receivables under finance lease of RMB4,618 million; (ii) the increase in inventories of RMB1,708 million; (iii) the increase in trade and other receivables of RMB3,460 million and (iv) income tax payment of RMB773 million.

Investing activities

In 2019, net cash generated from investing activities was RMB9,984 million, consisting primarily of: (i) proceeds from disposal of financial assets at FVPL of RMB29,193 million; (ii) proceed from proposed disposal of property, plant and equipment and right-of-use assets of RMB1,375 million and (iii) interest received of RMB253 million and offset by the following items: (i) payment for acquisition of financial assets of RMB19,130 million; (ii) payment for purchase of property plant and equipment of RMB1,082 million; (iii) payment for investments in associates of RMB301 million and (iv) payment for acquisition of a subsidiary of RMB165 million.

Financing activities

In 2019, net cash used in financing activities was RMB19,648 million, consisting primarily of: (i) repayments of loans and borrowings assets of RMB56,533 million; (ii) cash dividends paid to equity shareholders of RMB1,801 million; (iii) interest payments of RMB1,707 million and (iv) payment for repurchase of own shares of RMB2,145 million and added proceeds from loans and borrowings of RMB42,525 million.

BUSINESS REVIEW AND PROSPECT

I. Operation Review of 2019

In 2019, there witnessed rising tensions in global trade with a continuous slowdown in economic growth rate, while the Chinese economy generally maintained stable in favorable development. Driven by multiple favorable factors such as investment in infrastructure, replacement of aged equipment, promotion of environmental protection and replacement of labors, the construction machinery industry continued to grow strongly. The agricultural machinery industry was affected by factors such as weak market demand, decline in crop prices and decrease in government subsidies, resulting in the decline in sales volume in the traditional agricultural machinery market while the industry was still at the stage of transformation and upgrade.

Since 2019, the Company has upheld the business motto of "Year of Development, Year of Management, Year of Intelligence, Year of Quality, Year of Service, Year of Ecology", with emphasis on implementation, responsibility and innovation and accelerating digital transformation, which significantly enhanced the Company's capabilities on operating management, risk control, resource coordination, further solidify its market leading position, steadily increased gross profit margin, dramatically improved profitability and gained sufficient operating cash flow. The Company has achieved sustainable and healthy development in all aspects of operation indicators, marking the best year of operation management throughout the history and achieving high quality, efficiency and sustainable performance growth.

During the Reporting Period, the Group achieved revenue of RMB43,307 million, representing a year-on-year increase of 50.91%; profit attributable to equity shareholders of the Company amounted to RMB4,381 million, representing a year-on-year increase of 115.71%; operating cash flow amounted to RMB5,968 million, representing a year-on-year increase of 26.52%.

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

(I) Emerging effect from strategic focus and explosive growth in business sectors

During the Reporting Period, under the overall strategic framework of "equipment manufacturing + Internet" and "industry + finance", the Company focused on its main business of equipment manufacturing, optimized resource allocation, further promoted industrial upgrade and drove the Company into a new phrase of "digital enterprise", realizing steady growth with high quality.

1. Strengthened construction machinery. During the Reporting Period, sales revenue of the Company's construction machinery products amounted to RMB40,910 million, representing a year-on-year increase of 53.49%, maintaining strong growth of products with competitive edges.

① Continuously improved the market position of major products. In 2019, the Company relaunched the "multidivisional system". After divisions regained the sales function of product lines, market competitive advantage was further enhanced. The market shares of crane machinery and concrete machinery products continued to maintain their leading positions, among which construction crane machinery ranked No. 1 around the world in term of sales volume, further strengthening the number one position in the industry; the market share of construction cranes reached the best level in the past five years, and the domestic market share of truck cranes and crawler crane increased 6% and 10% year on year, respectively, achieving the strategic goal of market leading.

② Potential markets ready to be introduced. The introduction of work-at-height machinery has received positive feedback from the market and our products were widely complimented by customers. Being introduced into the industry for the first year, our products have become the top one in the work-at-height platform field and generated a new business growth point for the Company. Earth working machinery sector refined products and finalized the layout of market by introducing new product series such as ZE60E-10 and ZE75E-10 that had remarkable fuel consumption efficiency and were popular in market. It also speeded up the research, development and application of common technologies such as hydraulic technique, intelligent technology and structural technology, finalized the layout of sales service outlets throughout the provinces in the PRC. Latecomer advantages have begun to appear, and it is expected to become a strong growth point for the Company in the future. The emerging businesses including manufactured sand, dry mortar and spraying robotic arm continued to expand in a favorable momentum.

③ Fully integration of key components industry. The Company strengthened independent innovation of key components, improved internal supply of core components such as oil cylinders, hydraulic valves and engineering bridges, and continuously led the development of the industry and improved product competitiveness through technological innovation.

2. Enhanced agricultural machinery. The Company explicitly formulated the strategy for the development of mid-to-high-end agricultural machinery, based on the business motto of "building foundation, preventing losses, navigating focus and achieving breakthrough", creating reliable products and further promoting the application of intelligent agriculture.

① Market edges remained solid. Focusing on core businesses with competitive edges, the Company deepened the adjustment of product structure, accelerated the upgrades of technology and product and improved product profitability. The major products, such as wheat harvester machinery and rice harvester machinery, achieved growth in a difficult situation, and wheat harvester machinery, sugarcane machinery products and drying machinery maintained their leading positions.

② AI empowered intelligent agriculture industry. The Company further broadened and deepened the strategic cooperation with Landing. AI, an artificial intelligence company founded by Professor Andrew Yan-Tak Ng. Breakthrough has been made in the fields such as AI harvester and plant protection machine, domestic large-scale AI agricultural dataset DeepHarvest, drive assistance and software upgrade, among which artificial intelligence wheat harvester machinery, rice harvester machinery and plant protection machine were global first products. The release of the technologies of artificial intelligence products was made at the China Agricultural Machinery Exhibition in October 2019 in Qingdao, helping the Company to become the leading AI agricultural equipment manufacturer in China.

3. Escalated the expansion of financial business. Riding on Zoomlion Capital as platform and Industrial Fund as its core, the Company has formed synergy with finance companies, financial leasing, guarantee companies, and fully cooperated with construction machinery and agricultural machinery industries to improve the industrial chain deployment, thus promoting industrial transformation and upgrading. The successful issurance of the first batch of asset-backed securities (ABS) in our self-owned financial leasing platform laid a solid foundation for our independent market-oriented financing of financial leasing platform, which helped us to improve the Company's financing structure, enhance our operational capacities, and strengthen the consolidation of industry and finance.

4. Consummated industrial Internet platform. In 2019, the Company comprehensively advanced digital transformation. Leveraging on digital technologies and Internet of Things, the Company intensified its digital operation in areas including marketing, manufacturing, service and management and continued to construct the "digital Zoomlion" so as to achieve specific and efficient management. Taking ZValley OS industrial Internet platform as our base, and focusing on Industrial Intellect and Agricultural Machinery Intellect, we empowered product application scenarios for customers, and provided user-end general operation solutions based on intelligent equipment, thus boosting the Company's pace of entering the stage of "digital enterprise" and promoting the transformation and upgrade of "equipment manufacturing + Internet".

(II) Comprehensively deepening intelligent manufacturing and acceleration of industrial transformation and upgrade

The Group speeded up the intelligent upgrade of manufacturing, creating a new model for the development of high-end equipment manufacturing industry so as to improve our core competitiveness.

1. Accelerated the promotion of industrial agglomeration and upgrade. The Group fully commenced the planning and construction of Zoomlion Intelligent Industrial City and the construction of our first earth working machinery industrial parks. Upon completion of construction and achieving production target, Zoomlion Intelligent Industrial City shall become the international leading and largest park among

construction machinery industry, and become an environmentally friendly and ecological high-end equipment intelligent manufacturing base and artificial intelligence research and application base.

2. Escalated the advancement of intelligent manufacturing. Our first phase of intelligent tower crane factory project has been put into operation with high efficiency and intelligent work-at-height machinery production line has achieved mass production, indicating the further improvement of the Company's intelligent, automated and flexible production. The construction of the second phase of the intelligent tower crane factory project commenced, which would be built into the world's largest and most intelligent tower crane factory upon completion of construction. Intelligent mixer manufacturing industrial and park and hydraulic key component industrial park both under planning would be the world-class and domestic leading intelligent manufacturing industrial parks. A high-end intelligent agricultural machinery manufacturing base that we constructed and invested under the cooperation agreement with Sanshan District, Wuhu City, Anhui Province, operated technological innovation projects including development of AI harvesting machinery, plant protection machinery, tractors, promoting the transformation and upgrade of "high-end, intelligent" agricultural machinery business.

(III) Leading the market by technological innovation, with outstanding results in research and development innovation

Adhered to our technology innovation development philosophy of "technologies and products as fundamentals, product competitiveness as essence of the Company's core competitiveness", the Group continuously enhanced its momentum in independent innovation with our intelligent and green manufacturing capabilities that lead the development of the industry.

1. Continued to lead standards in the international field. The Company is the first domestic construction machinery enterprise to lead the formulation of international standards. During the Reporting Period, we introduced one international standard and two national standards, while two international standards and one national standard were newly approved, with the number of registered international standardization experts increased to 13. For international standards revised under the lead of the Company, 10245-3 "Cranes — Limiting and Indicating Devices — Part 3: Tower Cranes" was published; working groups in respect of ISO 12480-1 "Cranes — Safe use — Part 1: General" revised under the lead of the Company and ISO 9928-3 "Crane Driving Manual — Part 3: Tower Cranes" formulated under the lead of the Company were duly formed respectively.

2. Achieved fruitful results in independent innovation.

① Construction machinery products:

ZCC9800W crawler crane, T7525 series flat-head tower crane, ZLJ5318GJBHE truck-mounted concrete mixer and intelligent and lithium battery driven crosscutting work-at height platform ZS1212HD-Li were included in the list of 2019 TOP50 Chinese Construction Machinery Products (中國工程機械年度產品 TOP50)(2019), among which, ZCC9800W crawler crane was awarded "Application Contribution Golden Award". The launch of the world largest internal climb luffing-jib tower crane LH3350-120 broke the monopoly position of foreign-branded super-sized tower crane used in high-rise construction projects. The 5-bridge 67-meter steel boom pump truck is made of 1100 MPa ultra-high-strength steel, with a hollow design, which was accredited as the "lightweight benchmark for pump trucks" by the industry.

We developed intelligent core common technologies such as Dynamic detection technology for space obstacles of moving subject (hook)(運動主體（吊鉤）的空間障礙物動態檢測技術), Auxiliary positioning technology for crane hoisting landing hook (起重機吊裝起落鉤輔助定位技術), 2D and 3D construction guidance technology for excavators (挖掘機 2D 和 3D 施工引導技術) and Sand and stone moisture content online detection technology (砂石含水率在線檢測技術等智能關鍵共性技術). In addition, we realized partial loading and application on mainframe products such as engineering cranes, tower cranes, excavators and mixing stations, and promoted the upgrade of less humanized and unmanned products.

② Agricultural machinery products:

The production of the PRC first 4GQT-1 mountainous sugarcane machine and 9YY-2200 bundling machine samples symbolizing innovative technology of the PRC has been completed. We completed the development of 2ZPY-13A rice order seedling throwing machine and sales by batches. Such product technology replaced the planting modes such as manual seedling throwing and rice direct seeding, achieving 13 rows of rice seedling throwing operations, which is nearly 50% quicker than traditional high-speed rice transplanter (6 rows). We updated the agronomic methods of mechanical rice seedling throwing in the domestic rice planting industry, and such proprietary technology took the lead in the country. The exhibited prototype AC90 sugarcane harvester at the China International Agricultural Machinery Exhibition 2019 has filled the gap of large domestic sugarcane machine, and has reached the international advanced level in terms of product intelligence, harvesting efficiency, impurity ratio, and adaptability.

③ Green manufacturing led the transformation and upgrade of the industry. In 2019, the Company was selected as the first batch of industrial product green design demonstration enterprises (工業產品綠色設計示範企業) by the Ministry of Industry and Information Technology, and it is also the first company in Hunan Province being listed. We developed new products which satisfying the National VI Emission Standards, including pump truck, mixer truck and truck-mounted pump, and 12 small and medium and small tonnage truck cranes. We adopted industry-leading technology in respect of all these National VI products, which achieved comprehensive upgrade of emissions and performance. We developed "Energy saving prince (節能小王子)", the new generation mixer truck with power and working condition self-adaptive technology, which reduced the overall vehicle fuel consumption by 5%–7%. The world's first hybrid agitating cloth pump truck, MK28E, was released and put into market. The electric crank arm aerial work platform was the first in the industry to develop and apply a "dual control system" with pump control + valve control, which is energy saving and efficient.

④ Maintaining the lead in industry in terms of patents. 233 patents were granted during the year, among which, 101 patents are invention patents, which achieved a zero breakthrough in terms of industrial internet patent. Leveraging on 9 leading industry indexes such as patent amount, homogeneity, patentability and exclusivity, the Company was selected as one of the top 500 Chinese patent enterprise in 2019, ranking first in the construction machinery industry.

(IV) Intensifying efforts in overseas markets, fostering international breakthroughs

The Company continued to focus on key countries and regions and intensified its efforts in exploring overseas markets. In accordance with the principle of "leading, intensifying and penetrating", the Company speeded up the layout planning and upgrade of overseas production bases to form a localized manufacturing cluster along the "One Belt, One Road".

1. Comprehensively promoted overseas operations and management reform. In the next half year, the business segments regained the overall control over the overseas operations of the Company, streamlining research, production, sales and services of product lines of overseas operations, enhancing the main business of business segments and creating a new system with clear division, distinct responsibility and full coordination.

2. Reached a new level for overseas localized manufacturing. The localization of manufacturing of the European CIFA crane achieved great breakthrough, and ATC960 and ATC1000 all-terrain crane samples, 100% designed and made in Europe, were unveiled in bauma GERMANY and obtained the intellectual property rights of crane products in line with the European standards, laying a good foundation for the fully launch of ATC products. The Group broadened the market of the German M-tec continuously and introduced the German high-end manufacturing and service standards to China, achieving a steady rise in results. Wilbert from Germany strengthened the integration and coordination with us, making a breakthrough in production bottleneck

and further enhancing the marketing capability. The Belarus base has been completed and commenced trial operation and production, accelerating our presence into Eastern Europe and Central Asia. The Group established India division and speeded up the preparation for the construction of new factories in India and we are geared to establish the overall layout of emerging markets in India and South Asia.

3. Achieved a preliminary breakthrough in the internationalization of agricultural machinery. By fully leveraging on the overseas platform of the Company, 7 key overseas markets in Southeast Asia has completed the channel layout planning and we have signed strategic cooperation agreements with Cambodia, speeding up the international expansion and achieving an increase in the revenue from the export of agricultural machineries.

4. Stably improved operation quality of overseas businesses. In 2019, the Company continuously improved the operation quality of overseas businesses with a stable increase in the overall profitability by improving the structure of export goods, strictly managing risk of overdue receivables of overseas operations and enhancing the management of capital budget.

(V) Strengthening management innovation, significantly improving operational quality

During the Reporting Period, the Company strengthened its management platform, innovated management tools, intensified the management models and improved management capabilities focusing on the principal of high quality and sustainable development, achieving a new level of management standards and operational efficiency.

1. Enhanced its assessment incentive mechanism among business segments. In 2019, the Company implemented a system of share in super profits and allowed business segments to make a decision flexibly, in order to achieve the reasonable allocation of responsibility, rights, profits and resources, guiding business segments to make market profits, stimulating new vitality of operation and striving for the sustainable and high quality development.

2. Innovated marketing models. The Group quickly promoted the reform of performance partnership scheme, implemented the flat management, combined sales and services, to stimulate the teamwork of marketing staff under mutual creation and sharing model, help newbie to grow up quickly and strengthen core competitiveness in market.

3. Continuously enhanced risk management and control capabilities. The Company adhered to tightening credit policy, carried out real-time monitoring to correct the deviation by controlling down payment ratio and the risks of customer identification in front end, implementing single monitoring early-warning in middle end and strictly implementing receivable collection in backend, and firmly grasped the key points of risk control, and hence significantly enhancing the quality of operations.

4. Built a customer alliance ecosystem. Dominated by strategic key projects of the Company, the Group explored, incubated, promoted and replicated new business models with state-owned enterprises, promoted the development of customer alliances to a deeper level through one point to all aspects to build an efficient and sustainable industrial chain ecosystem.

5. Establishing core competitiveness in services. The Group will continuously improve and optimize its service system, as well as enhance service skills and component supply capabilities. Leveraging on industrial Internet technology and mobile application promotion, we comprehensively promote our one-click repairing service, explore service visualization, mobile and intelligent applications. Also, we constantly provide users with more convenient, personalized and customized services with an aim to optimizing customer service efficiency and experience.

II. Business Outlook of the Group

(I) Industry development trend and market outlook

1. Construction machinery market

   2020 marks the last year of building a moderately prosperous society in all respects and the 13th Five-Year Plan. China will continue to implement proactive fiscal policies and sound monetary policies. Since 2020, with a large number of infrastructure projects having been introduced, the scale of local special bonds seeing increase and financial institutions increasing financing support, the growth rate of infrastructure investment is expected to accelerate. Numerous major and extremely large projects, such as the coordinated development for the Beijing-Tianjin-Hebei Region, integrated development of Yangtze River Delta, construction of Xiong'an new district and Guangdong-Hong Kong-Macao Greater Bay Area, commenced construction successively and are further promoted, and more efforts are put on infrastructure investment in severely impoverished areas, which continuously promote the construction of underground pipelines and renovation of urban old residential communities. This will bring about opportunities of long term development for the construction machinery industry. In addition, with the speed up of promotion of prefabricated buildings, enhancement of environmental protection requirements, further replacement of labors by machinery, continuous growth momentum of periodical equipment update and intensive promotion of the national "One Belt, One Road" initiative, the construction machinery industry will continue to grow, and leading enterprises with edges in brand, technology, scale and services will gain greater competitive strengths.

   Affected by the outbreak of COVID-19, in 2020, market demand in the construction machinery industry delayed and traditional "peak season" postponed, which posted negative impact on sales in the first quarter. However, as various industries in different regions are resuming production orderly and the effect of the outbreak is gradually eliminated, downtown construction demand is fully released, the sales in the second quarter is expected to experience strong growth, hence the impact on annual sales will be limited.

2. Agricultural machinery market

   In November 2019, the Ministry of Finance announced that the subsidy term of purchasing agricultural machinery was extended to 2023. In 2020, policies on agricultural machinery subsidy will maintain stable and focus of subsidy will be put on middle-to-high end, green, and smart products. With the implementation of the country's rural revitalization strategy and in-depth advancing of the structural reform of the agricultural supply side, domestic agricultural mechanization will be further improved, offering opportunity and space for development of the industry. Thus, the industry will continue to grow, and leading enterprises with edges in brand, technology, scale and services will gain greater competitive strengths.

(II) Main operation direction for 2020

1. Completing target responsibility system in all aspects. The Group will do a good job in resource allocation, stick to a tight budget by managing budget strictly, and strengthen execution capability, accountability, innovation in a fast and excellent way, in order to accomplish the business goals and enhance the operational quality of 2020.

2. Speeding up digital transformation. By making business systematic and conducting online operation, the Group will comprehensively deepen management on end-to-end business management and thoroughly open the market chain, so as to provide support for efficient, transparent and controllable business operations. With application scenarios as its core, the Group will continue to promote the digital and intelligent upgrade in terms of products, manufacturing, services, supply chain and management. The Group will further produce intelligent application products based on industrial Internet platform, so as to empower the upstream and downstream industry chains, make business models more innovative and achieve digital transformation.

3. Accelerating research, development and application of intelligent technologies. Based on the existing achievements of product 4.0, the Group will further improve intelligence level of its products; proactively explore the research, development and application of new technologies for the Internet and the Internet of the Things. The Group will get through the value chain of incubation, cultivation, application and marketization of new technologies based on ZValley and leveraging on two level research and development system of the central research institute and business department in headquarters, so as to form a technology incubation platform and market incubation platform for new industries.

4. Achieving breakthrough in potential market. By implementing the strategy of "making focus, overcoming difficulties, achieving breakthrough and making progress", earth working machinery will focus its resources on intelligent manufacturing, market and services to create a whole industry chain ecology covering production, sales and supply that bring about mutual benefits, achieving a comprehensive takeoff; work-at-height machinery will increase production capacity at full speed, improve product profile, speed up global layout, and expand market via multiple channels, achieving rapid development; and our agricultural machinery segment will keep increasing investment

in agricultural machinery business, work hard on developing key technologies and improving the quality of traditional industries, overcome shortcomings and weakness based on market demand and agricultural production and continuously research and develop efficient, appropriate and intelligent high end agricultural machinery products, so as to build up core competitiveness of products and improve profitability.

5. Accelerating the development of overseas business. The Company has fully transferred overseas business into the business department. The Company will further improve the research, production, sales and service system of overseas business of each product line, create innovative overseas business and development models, and promote reform of overseas business. The Company will strengthen research on overseas markets and accelerate collaboration of overseas systems, further improving competiveness of the Company's products exported overseas and creating a new situation for overseas market expansion.

6. Establishing an intelligent industrial city with high quality and efficiency. The intelligent industrial city reflects the Company's future transformation and upgrading. In 2020, the Company will promote its high quality and highly efficient construction to ensure that the whole project can achieve or exceed annual target. As the first park opened in the industrial park, excavating machinery park will follow the requirements of establishing world-class smart factory and adopt advanced technologies including artificial intelligence and industrial Internet to carry out intelligent upgrade on business areas such as factories, products, and markets, and conduct digital transformation for business modes of research and development, marketing, services and management, realizing real-time monitoring, optimized scheduling and value mining of the entire production process and efficiently producing products with high performance and quality.

7. Building a healthy industrial ecological park. The Company will continue to expand and optimize customer alliance ecosystem, improve supply chain system, further realize upstream and downstream expansion, and selectively cooperate with suitable partners in multiple and all-round ways, so as to work together to create a healthy ecosystem with high quality.

8. Doing a good job in talent recruitment and training. Talent recruitment is a sustainable project of the Company. The Company will further improve the system of talent recruitment and training, put more efforts on the recruitment of middle to high end talents and enhance the diverse and multi-dimensional incentive system of "co-creation of values and benefit sharing", so as to recruit, retain and make good use of talents and train them as the core force of promoting sustainable development of the Company.

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

1. Uncertainties on macroeconomic situation and industry growth.

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

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

   Measures: We will pay attention to the global trend of price changes of major raw materials and energy, and conduct analysis, research and judgment to make correct and favorable purchasing decisions. Through the re-integration of supplier resources and centralized procurement of common materials, we will nurture large-scale and specialized suppliers to form a long-term supplier strategic alliance and establish a stable, reliable, efficient and low-cost supply chain system. We will enhance the utilization rate of materials through the use of technology and innovation processes, and develop new materials and new processes with alternative technology to continuously reduce costs.

3. Uncertainties on exchange rate fluctuations, risk of decrease in earnings from overseas investments and sales.

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

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board does not propose any final dividend for the year ended 31 December 2019.

COMPLIANCE WITH THE CODE PROVISIONS IN THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE CORPORATE GOVERNANCE CODE AS SET OUT IN APPENDIX 14 TO THE LISTING RULES

The Board has adopted all code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the code of the Company. During the year ended 31 December 2019, the Company complied with all the applicable code provisions set out in the Code, save and except the only deviation from code provision A.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Dr. Zhan Chunxin is currently the chairman of the Board and chief executive officer of the Company. The Board is of the view that vesting of these two roles in Dr. Zhan Chunxin can facilitate efficient formulation and implementation of business strategies of the Company, and that through the supervision of the Board and the independent non-executive directors as well as the internal check-and-balance system, the balance of power and authority between the Board and management of the Company will not be affected. The Board believes that this arrangement is in the interests of the Company and its business.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the rules governing the securities transactions by directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all directors and supervisors, and all its directors and supervisors have confirmed that they complied with the Model Code throughout the year ended 31 December 2019. The Company has not identified any non-compliance with the Model Code by any of its directors or supervisors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2019, the Company has repurchased a total of 390,449,924 A shares on the Shenzhen Stock Exchange by means of centralised biddings through its specific securities account for repurchase for the purpose of a stock ownership plan to be implemented, and therefore does not involve any cancellation of shares. The total transaction amount was RMB2,145 million.

Month	Total number of A Shares repurchased	Highest price paid per A Share	Lowest price paid per A Share	Total consideration paid
May 2019	164,295,362	5.46	5.07	863,272,549
June 2019	226,154,562	6.29	6.06	1,281,540,525

On 29 April 2019, the Board resolved that the restricted A shares held by 46 participants of the restricted A share incentive scheme who had, since completion of the first grant ant the second grant of restricted A shares, ceased employment with the Group be repurchased and cancelled by the Company. As the participants were no longer qualified participants within the meaning of the restricted A share incentive scheme, the Board proposed to repurchase and cancel a total of 4,758,624 restricted A shares (comprising 4,401,084 restricted A shares under the first grant and 357,540 restricted A shares under the second grant) granted under the restricted A share incentive scheme to but not yet unlocked by the participants, in accordance with the terms of the restricted A share incentive scheme. The repurchase price was RMB2.09 per share with respect to the first grant of restricted A shares and RMB1.98 per share with respect to the second grant of restricted A shares, and the aggregate price paid amounted to RMB9.91 million. The repurchase and cancellation was completed on 19 July 2019.

On 10 September 2019, the Board resolved that the restricted A shares held by 6 participants of the restricted A share incentive scheme who had, since completion of the second grant of restricted A shares, ceased employment with the Group be repurchased and cancelled by the Company. As the participants were no longer qualified participants within the meaning of the restricted A share incentive scheme, the Board proposed to repurchase and cancel 179,180 restricted A shares granted under the restricted A share incentive scheme to but not yet unlocked by the participants, in accordance with the terms of the restricted A share incentive scheme. The repurchase price was RMB1.73 per share and the aggregate price paid amounted to RMB0.31 million. The repurchase and cancellation was completed on 31 October 2019.

On 7 November 2019, the Board resolved that the restricted A shares held by 33 participants of the restricted A share incentive scheme who had, since the first grant of restricted A shares, ceased employment with the Group or otherwise failed to satisfy the conditions for unlocking the restricted A shares be repurchased and cancelled by the Company. As the participants were no longer qualified participants within the meaning of the restricted A share incentive scheme, the Board proposed to repurchase and cancel 2,008,515 restricted A shares granted under the restricted A share incentive scheme to but not yet unlocked by the participants, in accordance with the terms of the restricted A share incentive scheme. The repurchase price was RMB1.84 per share and the aggregate price paid amounted to RMB3.69 million. The repurchase and cancellation was completed on 7 January 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities in the year ended 31 December 2019.

REVIEW BY THE AUDIT COMMITTEE

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

The Audit Committee comprises three members, including two independent non-executive directors and one non-executive director. It is currently chaired by Ms. Liu Guiliang with Mr. He Liu and Mr. Zhao Songzheng as members. The Audit Committee satisfies the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee held four meetings during the year considering the annual results of the Company for the year ended 31 December 2019 and its interim results for the six months ended 30 June 2019. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2019 and the accounting principles and practices adopted by the Company and discussed matters relating to internal control and financial reporting.

By Order of the Board of
Zoomlion Heavy Industry Science and Technology Co., Ltd.*
Zhan Chunxin
Chairman

Changsha, the PRC, 30 March 2020

As at the date of this announcement, the executive directors of the Company is Dr. Zhan Chunxin; the non-executive directors are Mr. He Liu and Mr. Zhao John Huan; and the independent non-executive directors are Mr. Zhao Songzheng, Mr. Lai Kin Keung, Ms. Liu Guiliang and Mr. Yang Changbo.

* *For identification purpose only*