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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 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2020 amounted to RMB65,109 million, representing an increase of RMB21,802 million or 50.34% from 2019.

- Profit attributable to equity shareholders of the Company for the year ended 31 December 2020 amounted to RMB7,296 million, representing an increase of RMB2,915 million or 66.54% from 2019.

- Basic earnings per share for the year ended 31 December 2020 amounted to RMB97.75 cents, representing an increase of RMB39.45 cents compared with basic earnings per share of RMB58.30 cents in 2019. Diluted earnings per share for the year ended 31 December 2020 amounted to RMB96.73 cents, representing an increase of RMB38.81 cents compared with diluted earnings per share of RMB57.92 cents in 2019.

- The Board proposed a final dividend of RMB0.32 per share for the year ended 31 December 2020.

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 2020 (the "**Reporting Period**") together with the comparative figures for 2019:

FINANCIAL RESULTS

Financial information extracted from the audited financial statements for 2020 prepared in accordance with International Financial Reporting Standards ("**IFRSs**"):

Consolidated statement of comprehensive income
For the year ended 31 December 2020
(Expressed in RMB)

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

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

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

Consolidated statement of financial position
At 31 December 2020
(Expressed in RMB)

	Note	**2020** **RMB millions**	2019 RMB millions
Non-current assets			
Property, plant and equipment		**7,342**	6,735
Right-of-use assets		**3,068**	2,433
Intangible assets		**1,965**	2,043
Goodwill		**2,054**	2,017
Interests in associates	*8*	**3,388**	3,909
Other financial assets	*9*	**2,703**	2,644
Trade and other receivables	*11*	**14,131**	9,072
Receivables under finance lease	*12*	**13,008**	7,771
Pledged bank deposits		**175**	84
Deferred tax assets	*15(b)*	**1,453**	1,271
Total non-current assets		**49,287**	37,979
Current assets			
Inventories		**14,652**	11,772
Other current assets		**1,374**	1,413
Financial assets at fair value through profit or loss	*10*	**4,284**	4,311
Trade and other receivables	*11*	**23,972**	20,839
Receivables under finance lease	*12*	**10,365**	9,229
Pledged bank deposits		**2,223**	1,415
Cash and cash equivalents		**10,086**	5,073
Total current assets		**66,956**	54,052
Total assets		**116,243**	92,031
Current liabilities			
Loans and borrowings		**2,964**	7,312
Trade and other payables	*13*	**40,387**	25,012
Financial liabilities at fair value through profit or loss		**—**	37
Contract liabilities		**2,777**	1,934
Lease liabilities		**90**	88
Income tax payable	*15(a)*	**710**	186
Total current liabilities		**46,928**	34,569
Net current assets		**20,028**	19,483
Total assets less current liabilities		**69,315**	57,462

	Note	**2020**	2019
		RMB millions	*RMB millions*
Non-current liabilities			
Loans and borrowings		**16,337**	14,515
Lease liabilities		**320**	329
Deferred tax liabilities	*15(b)*	**490**	455
Other non-current liabilities		**4,318**	2,666
Total non-current liabilities		**21,465**	17,965
NET ASSETS		**47,850**	39,497
CAPITAL AND RESERVES			
Share capital		**7,938**	7,875
Reserves		**38,768**	30,952
Total equity attributable to equity shareholders of the Company		**46,706**	38,827
Non-controlling interests		**1,144**	670
TOTAL EQUITY		**47,850**	39,497

Consolidated statement of changes in equity

For the year ended 31 December 2020

(Expressed in RMB)

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

Consolidated statement of changes in equity

For the year ended 31 December 2020 (continued)
(Expressed in RMB)

		Attributable to equity shareholders of the Company									
	Note	Share capital *RMB millions*	Capital reserve *RMB millions*	Statutory surplus reserve *RMB millions*	Exchange reserve *RMB millions*	Fair value reserve (non-recycling) *RMB millions*	Other reserves *RMB millions*	Retained earnings *RMB millions*	Total *RMB millions*	Non-controlling interests *RMB millions*	Total equity *RMB millions*
Balance at 31 December 2019 and 1 January 2020		**7,875**	**11,214**	**3,555**	**(1,268)**	**14**	**43**	**17,394**	**38,827**	**670**	**39,497**
Changes in equity for 2020											
Profit for the year		—	—	—	—	—	—	7,296	7,296	75	7,371
Other comprehensive income		—	—	—	(32)	(2)	—	(87)	(121)	—	(121)
Total comprehensive income		—	—	—	(32)	(2)	—	7,209	7,175	75	7,250
Appropriation for surplus reserve		—	—	369	—	—	—	(369)	—	—	—
Cash dividends	*6*	—	10	—	—	—	—	(1,662)	(1,652)	—	(1,652)
Share incentive scheme											
— Share option scheme	*14*	66	250	—	—	—	—	—	316	—	316
— Restricted share scheme	*14*	(3)	1,804	—	—	—	—	—	1,801	—	1,801
Acquisition of non-controlling interests in subsidiaries		—	7	—	—	—	—	—	7	(7)	—
Dividends declared by subsidiaries to non-controlling interests		—	—	—	—	—	—	—	—	(35)	(35)
Acquisition of a subsidiary		—	—	—	—	—	—	—	—	173	173
Contribution from non-controlling shareholders in a subsidiary		—	232	—	—	—	—	—	232	268	500
Safety production fund	*16(b)*	—	—	—	—	—	16	(16)	—	—	—
Balance at 31 December 2020		**7,938**	**13,517**	**3,924**	**(1,300)**	**12**	**59**	**22,556**	**46,706**	**1,144**	**47,850**

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

Amendments to IFRS 3, Definition of a Business

Amendment to IFRS 16, Covid-19-Related Rent Concessions

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

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:

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

(b) Segment reporting

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

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

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

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

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

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

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

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following basis:

The measure used for reporting segment profit is revenue less cost of sales and services.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

Disaggregation of revenue from contracts with customers by timing of revenue recognition regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

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

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

(ii) ***Information about profit or loss***

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

(iii) ***Reconciliations of segment profit***

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

(iv) Geographic information

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

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

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

4 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

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

(b) Staff costs:

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

(c) Other items:

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

5 INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

(a) Taxation charged to profit or loss:

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

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

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

Notes:

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

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2019: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. In 2020 and 2019, the Group did not derive any income chargeable to Hong Kong Profits Tax on the basis that all the income was offshore sourced, all the expenses incurred by the subsidiaries in Hong Kong have been disallowed.

The Company's overseas subsidiaries are subject to income tax at rates ranging from 15.0% to 28.4% (2019: 19.0% to 28.4%).

(ii) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The Company and certain of its subsidiaries obtained or renewed its status as high-technology enterprises in 2020 and accordingly are subject to income tax at 15% for the years from 2020 to 2022.

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

6 DIVIDENDS

(i) Dividends paid during year

Pursuant to the shareholders' approval at the third extraordinary general meeting held on 16 September 2020, an interim dividend in respect of the six-month period ended 30 June 2020 of RMB0.21 per share based on 7,919 million ordinary shares in issue, totaling RMB1,662 million was declared, in which RMB10 million was declared to restricted shareholders who are expected to be unlocked. The forfeited restricted shares will not be entitled to the declared dividends. As at 31 December 2020, RMB263 million dividends are not paid and will be fully paid by March 2021.

Pursuant to the shareholders' approval at the Annual General Meeting held on 21 June 2019, a final cash dividend of RMB0.25 per share based on 7,460 million ordinary shares in issue, totaling RMB1,861 million in respect of the year ended 31 December 2018 was declared, in which RMB27 million was declared to restricted shareholders who are expected to be unlocked and RMB2 million was declared to restricted shareholders who are not expected to be unlocked. The forfeited restricted shares will not be entitled to the declared dividends, and was fully paid by March 2020.

(ii) Dividends proposed after the balance sheet date

Pursuant to a resolutions passed at the directors' meeting on 30 March 2021, a final dividend in respect of the year ended 31 December 2020 of RMB0.32 per share totaling RMB2,540 million (2019: Nil) was proposed for shareholders' approval at the forthcoming Annual General Meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

Weighted average number of ordinary shares

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

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB7,296 million (2019: RMB4,381 million) and the weighted average number of ordinary shares of 7,543 million shares (2019: 7,564 million shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

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

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

8 INTERESTS IN ASSOCIATES

	2020	2019
	RMB millions	*RMB millions*
Infore Environment Technology Group Co., Ltd. ("Infore Environment")	**3,040**	2,933
Aggregate carrying amount of individually material associates in the consolidated financial statements	**3,040**	2,933
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**348**	976
Total	**3,388**	3,909

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

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

				Proportion of ownership interest		
Name of associate	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid up capital** ***(millions)***	**Group's effective interest**	**Held by the Company**	**Principal activities**
Infore Environment *(Note)*	Incorporated	China	RMB3,163	12.63%	12.63%	Environmental construction and project operation

Note: Infore Environment is listed on the main board of Shenzhen Stock Exchange. On 31 December 2020, the quoted market price of Infore Environment was RMB8.14 (2019: RMB6.17) per share and the fair value of the investment in Infore Environment was RMB3,249 million (2019: RMB2,463 million).

	2020	2019
	RMB millions	*RMB millions*
Amounts of the Group's share of Infore Environment		
Profit from operations	**151**	178
Other comprehensive income	**—**	—
Total comprehensive income	**151**	178

	2020	2019
	RMB millions	*RMB millions*
Aggregate amounts of the Group's share of individually immaterial associates		
Profit from operations	**31**	10
Other comprehensive income	**—**	—
Total comprehensive income	**31**	10

9 OTHER FINANCIAL ASSETS

	Note	**2020**	2019
		RMB millions	*RMB millions*
Financial assets at FVOCI			
Equity securities	*(i)*	**2,279**	2,367
Financial assets at FVPL			
Listed equity securities	*(ii)*	**271**	127
Securities investment funds	*(iii)*	**153**	150
Total		**2,703**	2,644

Notes:

(i) The equity securities comprises equity funds and other unlisted equity securities. The aggregate fair value of equity funds and unlisted equity securities was RMB1,618 million and RMB661 million respectively at 31 December 2020 (2019: RMB1,264 million and RMB1,103 million). The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of RMB17 million (2019: RMB36 million) were received on investments in equity securities during the year ended 31 December 2020. A gain accumulated in the fair value reserve (non-recycling) of RMB2 million in relation to partial disposal of equity securities was transferred to retained earnings during the year (2019: a loss accumulated of RMB0.4 million loss).

(ii) The listed equity securities represent the Group's investments in shares of listed companies in the PRC. The aggregate fair value of these investments was RMB271 million, based on their quoted market prices as at 31 December 2020 (2019: RMB127 million).

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

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB millions	*RMB millions*
Financial assets carried at fair value through profit or loss:		
— Wealth management products *(Note)*	**3,363**	3,953
— Securities investment funds *(Note 9(iii))*	**921**	358
	4,284	4,311

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

11 TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB millions	*RMB millions*
Trade receivables	**37,475**	30,437
Less: loss allowance	**(4,943)**	(5,146)
	32,532	25,291
Less: trade receivables due after one year	**(14,131)**	(9,072)
	18,401	16,219
Bills receivable	**2,532**	1,748
	20,933	17,967
Amounts due from related parties	**185**	181
Prepayments for purchase of raw materials	**706**	644
Prepaid expenses	**366**	623
VAT recoverable	**938**	771
Deposits	**164**	197
Others	**680**	456
	23,972	20,839

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

The Group generally allows certain customers with appropriate credit standing to make payments in instalments over a maximum period of 42 months ("instalment payment method"). Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2020, the weighted average discount rate was approximately 4.75% (2019: 4.75%) per annum. As at 31 December 2020, trade receivables due after one year of RMB14,131 million (31 December 2019: RMB9,072 million) were presented net of unearned interest of RMB1,559 million (31 December 2019: RMB826 million).

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

	2020	2019
	RMB	*RMB*
	millions	*millions*
Within 1 year	**25,143**	16,984
Over 1 year but less than 2 years	**3,460**	3,086
Over 2 years but less than 3 years	**1,273**	1,641
Over 3 years but less than 5 years	**1,681**	2,698
Over 5 years	**975**	882
	32,532	25,291

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2019: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 40% to 50% (2019: 40% to 50%) of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2019: 6 to 42 months), customers are normally required to make an upfront payment ranging from 30% to 50% (2019: 30% to 50%) of the product price.

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

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

	2020	2019
	RMB	*RMB*
	millions	*millions*
Balance at 1 January	**5,146**	5,912
Impairment losses recognised	**1,257**	425
Reclassification from loss allowance of receivables under finance lease *(Note 12)*	**232**	22
Uncollectible amounts written off	**(1,620)**	(307)
Written off upon debt-equity swap	**(46)**	—
Written off upon sale of trade receivables *(Note)*	**(26)**	(906)
Balance at 31 December	**4,943**	5,146

Note: During the year ended 31 December 2020, RMB26 million of loss allowance for trade receivables were written off due to disposal of certain receivables in a bulk sale (2019: RMB906 million).

As at 31 December 2020, bills receivable of RMB2,532 million (2019: RMB1,748 million) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the year.

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

As at 31 December 2020, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2020, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB2,015 million (31 December 2019: RMB1,387 million).

As at 31 December 2020, bills receivable of RMB294 million (31 December 2019: RMB358 million) were discounted to banks or other financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred. Since the Group has continuing involvement in the transferred assets, these discounted bills receivable were therefore not derecognised. As at 31 December 2020, bills receivable of RMB873 million (31 December 2019: RMB559 million) was discounted to banks or other financial institutions without recourse, where substantially all the risks and rewards of ownership had been transferred. Since the Group does not have continuing involvement in the transferred assets, these discounted bills receivable were therefore derecognised.

12 RECEIVABLES UNDER FINANCE LEASE

	2020	2019
	RMB millions	*RMB millions*
Gross investment	**26,112**	19,406
Unearned finance income	**(1,135)**	(760)
	24,977	18,646
Less: loss allowance	**(1,604)**	(1,646)
	23,373	17,000
Less: receivables under finance lease due after one year	**(13,008)**	(7,771)
Receivables under finance lease due within one year	**10,365**	9,229

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of un-reimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for a period ranging from 2 to 5 years (2019: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 50% of the product price (2019: 5% to 40%) and pay a security deposit ranging from 1% to 15% of the product price (2019: 1% to 10%). At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

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

	2020	2019
	RMB millions	*RMB millions*
Present value of the minimum lease payments		
Within 1 year	**11,546**	10,670
Over 1 year but less than 2 years	**6,455**	4,223
Over 2 years but less than 3 years	**3,981**	2,498
Over 3 years	**2,995**	1,255
	24,977	18,646
Unearned finance income		
Within 1 year	**719**	468
Over 1 year but less than 2 years	**273**	192
Over 2 years but less than 3 years	**107**	76
Over 3 years	**36**	24
	1,135	760
Gross investment		
Within 1 year	**12,265**	11,138
Over 1 year but less than 2 years	**6,728**	4,415
Over 2 years but less than 3 years	**4,088**	2,574
Over 3 years	**3,031**	1,279
	26,112	19,406

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

	2020	2019
	RMB millions	*RMB millions*
Not yet due	**21,986**	13,360
Within 1 year past due	**392**	1,621
Over 1 year but less than 2 years past due	**449**	1,114
Over 2 years past due	**2,150**	2,551
Total past due	**2,991**	5,286
	24,977	18,646
Less: loss allowance	**(1,604)**	(1,646)
	23,373	17,000

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

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

	Note	**2020**	2019
		RMB millions	*RMB millions*
Balance at 1 January		**1,646**	1,667
Impairment losses recognised		**262**	1
Written off upon debt-equity swap		**(39)**	—
Written off upon sale of trade receivables under finance lease		**(33)**	—
Reclassification to loss allowance of trade receivables	*11*	**(232)**	(22)
Balance at 31 December		**1,604**	1,646

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.

13 TRADE AND OTHER PAYABLES

	2020	2019
	RMB millions	*RMB millions*
Trade creditors	**13,663**	9,301
Bills payable	**18,921**	9,760
Trade creditors and bills payable	**32,584**	19,061
Accrued staff costs	**1,177**	786
VAT payable	**869**	640
Sundry taxes payable	**165**	125
Security deposits	**1,015**	607
Dividends payable	**263**	313
Amounts due to non-controlling shareholders of certain subsidiaries	**138**	254
Payable for acquisition of property, plant and equipment	**293**	284
Locked restricted share	**—**	100
Product warranty provision	**158**	99
Interest payable	**89**	81
Financial guarantees issued	**65**	67
Amounts due to related parties	**2**	3
Other accrued expenses and payables	**3,569**	2,592
	40,387	25,012

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

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

	2020 ***RMB millions***	2019 *RMB millions*
Due within 1 month or on demand	**5,989**	5,119
Due after 1 month but within 3 months	**13,327**	5,935
Due after 3 months but within 6 months	**9,591**	7,619
Due after 6 months but less than 12 months	**3,677**	388
	32,584	19,061

14 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.

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

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

On 10 September 2020, the board of directors further resolved to approve the commencement of the first exercise period in respect of options granted under the Second Grants. A total number of 8,682,207 share options and 8,711,715 restricted shares granted to the Participants under Second Grants were vested or unlocked.

On 7 November 2020, the board of directors further resolved to approve the commencement of the second exercise period in respect of options granted under the First Grants. A total number of 45,913,580 share options and 46,072,212 restricted shares granted to the Participants under First Grants were vested or unlocked.

(a) share options

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

	Number of instruments	Vesting conditions	Contractual life of option
Options granted to directors: — on 1 November 2017	2,288,520	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 3 exercise periods or tranches, whose percentages of options exercisable are 40%, 30% and 30% respectively, subject to certain performance conditions as the conditions of exercise.	0.25 years
Options granted to employees: — on 1 November 2017	166,472,391	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 3 exercise periods or tranches, whose percentages of options exercisable are 40%, 30% and 30% respectively, subject to certain performance conditions as the conditions of exercise.	0.25 years
Options granted to employees: — on 10 September 2018	18,554,858	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 2 exercise periods or tranches, whose percentages of options exercisable are 50% and 50% respectively, subject to certain performance conditions as the conditions of exercise.	0.33 years
	187,315,769		

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

	2020		2019	
	Weighted average exercise price *RMB*	**Number of options**	Weighted average exercise price *RMB*	Number of options
Outstanding at the beginning of the year	**4.10**	**106,335,610**	4.52	182,843,029
Exercised during the year	**4.04**	**(65,948,050)**	4.25	(71,376,029)
Forfeited during the year	**4.13**	**(5,052,820)**	4.08	(5,131,390)
Outstanding at the end of the year	**3.88**	**35,334,740**	4.10	106,335,610
Exercisable at the end of the year	**3.88**	**35,334,740**	4.12	47,017,998

(iii) Fair value of share options and assumptions

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

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

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

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

(b) Restricted shares

The number of restricted shares are as follows:

	2020 Number of restricted shares	2019 Number of restricted shares
Outstanding at the beginning of the year	**58,016,302**	117,371,631
Vested during the year	**(54,783,927)**	(54,417,525)
Forfeited during the year	**(3,232,375)**	(4,937,804)
Granted during the year	**390,449,924**	—
Outstanding at the end of the year	**390,449,924**	58,016,302
Contractual life of restricted shares	**1.23 years**	0.81 years

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

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

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

Management estimates the expected yearly percentage of the Participants that will leave the Group at the end of the vesting period/locking period in order to determine the amount of share incentive scheme expenses to be recognised in the consolidated statement of comprehensive income. As at 31 December 2020, the First Grants and the Second Grants are all excised. For ESOP, no matter Participants leave the Group or not at the end of the locking period, all share incentive scheme expenses are to be recognised in the consolidated statement of comprehensive income. In 2020, share incentive scheme expenses of RMB598 million (2019: RMB135 million) were recognised in the consolidated statement of comprehensive income.

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2020 ***RMB millions***	2019 *RMB millions*
Provision for PRC income tax *(Note)*	**694**	177
Provision for income tax in other tax jurisdictions	**16**	9
	710	186

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

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are presented as follows:

Year ended 31 December 2020

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

Year ended 31 December 2019

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

As at 31 December 2020, deferred tax assets in respect of tax losses totalling RMB258 million (31 December 2019: RMB422 million) were not recognised by certain subsidiaries of the Company, as it is not probable that sufficient future taxable profits will be available to utilise such tax benefits.

16 RECONCILIATION OF FINANCIAL INFORMATION PREPARED UNDER PRC GAAP TO IFRSS

(a) Reconciliation of total equity of the Group

	As at 31 December 2020 ***RMB millions***	As at 31 December 2019 *RMB millions*
Total equity reported under PRC GAAP	**47,887**	39,534
— Acquisition-related costs incurred on prior year business combination	**(37)**	(37)
Total equity reported under IFRSs	**47,850**	39,497

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

	2020	2019
	RMB millions	*RMB millions*
Total comprehensive income for the year reported under PRC GAAP	**7,234**	4,272
— Safety production fund *(Note)*	**16**	10
Total comprehensive income for the year reported under IFRSs	**7,250**	4,282

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

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

Cost of Sales and Services

Due to the expansion of sales scale, our cost of sales and services increased by 53.37% from RMB30,314 million for the year ended 31 December 2019 to RMB46,492 million for the year ended 31 December 2020.

Gross profit

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

Other income

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

Sales and marketing expenses

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

General and administrative expenses

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

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

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

Net finance costs

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

Profit for the year

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

Operating activities

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

Investing activities

In 2020, net cash generated from investing activities was RMB976 million, consisting primarily of: (i) proceeds from disposal of financial assets at FVPL of RMB15,221 million; (ii) proceeds from proposed disposal of property, plant and equipment and right-of-use assets of RMB938 million; (iii) interest received of RMB190 million; (iv) proceeds from disposal of property, plant and equipment and intangible assets of RMB489 million; and (v) proceeds from disposal of financial assets at FVOCI of RMB159 million, (vi)proceeds from disposal of interests in associates of RMB1,056 million and offset by the following items: (i) payment for acquisition of financial assets of RMB14,898 million; (ii) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB1,101 million; and (iii) payment for acquisition of financial assets at FVOCI of RMB251 million, (iv) increase in pledged bank deposits of RMB899 million.

Financing activities

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

BUSINESS REVIEW AND PROSPECT

I. Operation Review of 2020

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

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

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

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

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

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

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

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

1. Strengthened construction machinery

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

① Major products accelerated development and outperformed others.

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

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

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

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

② Achieving full breakthrough in the potential market.

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

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

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

③ Continue to strengthen the layout of the key components industry

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

2. Accelerate the transformation and upgrade of agricultural machinery

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

① Achieving leapfrog development in agricultural machinery

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

② Accelerating intelligent agriculture

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

3. Integrating industry with finance to facilitate industrial upgrading

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

4. Speeding up digital transformation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. Business Outlook of the Group

(I) Industry development trend and market outlook

1. Construction machinery market

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

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

2. Agricultural machinery market

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

(II) Main operation direction and measures for 2021

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

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

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

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

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

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

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

5. Accelerating construction of intelligent industrial city. Based on intelligent product line and internet of thing platform, we will deepen the integration between manufacturing industry and information application, digitalization, and gain full access to production factors with application of intelligence by digital technology so as to build a world leading factory playing a leading role in the next thirty years and make intelligent industrial city an important advanced national manufacturing highland and innovative technological highland with core competitiveness. Construction machinery, concrete machinery, and work-at-height machinery park will be fully constructed.

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

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

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

1. Uncertainties on global pandemic and macroeconomic situation.

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

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

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

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

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

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

Pursuant to a resolution passed at the Board meeting on 30 March 2021, a final dividend for the year ended 31 December 2020 of RMB0.32 per share was proposed, totaling RMB2,540 million. The final dividend is calculated based on the total share capital of the Company as of 31 December 2020, and adjusted accordingly based on the total share capital at the date of record when profit distribution is made. The specific amount is subject to actual distribution. Such proposal is subject to shareholders' approval at the forthcoming annual general meeting of the Company. The proposed final dividend is expected to be paid to the shareholders of the Company on or about 20 August 2021. Information regarding the record date and book close date to determine the entitlement to the final dividend and attendance of the annual general meeting will be announced in due course.

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 2020, 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 2020. 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 2020, the Company repurchased its own ordinary shares traded on the Shenzhen Stock Exchange as follows:

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

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

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

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 2020. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2020 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 2021

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*