ZOOMLION
中 联 重 科

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 2015

FINANCIAL HIGHLIGHTS

- Revenue of the Group for 2015 was RMB20,753 million, representing a decrease of RMB5,098 million or 19.72% over 2014.
- Profit attributable to equity shareholders of the Company for 2015 was RMB89 million, representing a decrease of RMB505 million or 85.02% over 2014.
- Earnings per share for 2015 was RMB0.01.
- The Board proposed a final dividend of RMB0.15 per share for the year of 2015.

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 2015 together with the comparative figures for 2014:

FINANCIAL RESULTS

Financial information extracted from the audited financial statements for 2015 prepared in accordance with International Financial Reporting Standards ("IFRSs"):

Consolidated statement of comprehensive income
For the year ended 31 December 2015
(Expressed in RMB)

	Note	2015 RMB millions	2014 RMB millions
Revenue	3	**20,753**	25,851
Cost of sales and services		**(15,146)**	(18,642)
Gross profit		**5,607**	7,209
Other income		**676**	164
Sales and marketing expenses		**(2,502)**	(3,036)
General and administrative expenses		**(2,271)**	(2,347)
Research and development expenses		**(320)**	(443)
Profit from operations		**1,190**	1,547
Net finance costs	4(a)	**(1,182)**	(692)
Gain on disposal of associates		**30**	7
Share of profits less losses of associates		**1**	1
Profit before taxation	4	**39**	863
Income tax	5	**58**	(235)
Profit for the year		**97**	628
Other comprehensive income for the year (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		**(470)**	(210)
Change in fair value of available-for-sale financial assets		**—**	3
Total other comprehensive income for the year		**(470)**	(207)
Total comprehensive income for the year		**(373)**	421

	Note	**2015**	2014
		RMB millions	*RMB millions*
Profit attributable to:			
Equity shareholders of the Company		**89**	594
Non-controlling interests		**8**	34
Profit for the year		**97**	628
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(381)**	387
Non-controlling interests		**8**	34
Total comprehensive income for the year		**(373)**	421
Basic and diluted earnings per share (RMB)	*7*	**0.01**	0.08

Consolidated statement of financial position

As at 31 December 2015

(Expressed in RMB)

	Note	**2015**	2014
		RMB millions	*RMB millions*
Non-current assets			
Property, plant and equipment		**8,520**	6,781
Lease prepayments		**2,375**	1,960
Intangible assets		**2,358**	1,347
Goodwill	*9*	**1,993**	1,661
Interests in associates		**208**	228
Other financial assets		**181**	471
Trade and other receivables	*10*	**3,504**	3,697
Receivables under finance lease	*11*	**2,484**	4,476
Pledged bank deposits		**189**	520
Other non-current assets		**—**	2,088
Deferred tax assets	*13(b)*	**855**	618
Total non-current assets		**22,667**	23,847
Current assets			
Inventories		**14,083**	10,376
Other current assets		**449**	280
Trade and other receivables	*10*	**30,493**	30,639
Receivables under finance lease	*11*	**12,644**	12,202
Pledged bank deposits		**1,860**	1,891
Cash and cash equivalents		**11,487**	14,483
Total current assets		**71,016**	69,871
Total assets		**93,683**	93,718
Current liabilities			
Loans and borrowings		**13,273**	5,687
Trade and other payables	*12*	**16,813**	19,494
Income tax payable	*13(a)*	**87**	30
Total current liabilities		**30,173**	25,211
Net current assets		**40,843**	44,660

	Note	**2015**	2014
		RMB millions	*RMB millions*
Total assets less current liabilities		**63,510**	68,507
Non-current liabilities			
Loans and borrowings		**21,881**	25,925
Other non-current liabilities		**621**	899
Deferred tax liabilities	*13(b)*	**439**	475
Total non-current liabilities		**22,941**	27,299
NET ASSETS		**40,569**	41,208
CAPITAL AND RESERVES			
Share capital		**7,664**	7,706
Reserves		**32,232**	33,085
Total equity attributable to equity shareholders of the Company		**39,896**	40,791
Non-controlling interests		**673**	417
TOTAL EQUITY		**40,569**	41,208

Consolidated statement of changes in equity

For the year ended 31 December 2015

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital	Capital reserve	Statutory surplus reserve	Exchange reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB millions	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*
Balance at 1 January 2014	7,706	13,172	2,902	(110)	2	17,907	41,579	433	42,012
Changes in equity for 2014									
Total comprehensive income for the year	—	—	—	(210)	3	594	387	34	421
Appropriation for surplus reserve	—	—	4	—	—	(4)	—	—	—
Cash dividends	—	—	—	—	—	(1,156)	(1,156)	—	(1,156)
Contribution from non-controlling interests	—	—	—	—	—	—	—	2	2
Acquisition of non-controlling interests	—	(19)	—	—	—	—	(19)	(38)	(57)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(14)	(14)
Balance at 31 December 2014 and 1 January 2015	7,706	13,153	2,906	(320)	5	17,341	40,791	417	41,208
Changes in equity for 2015									
Total comprehensive income for the year	—	—	—	(470)	—	89	(381)	8	(373)
Appropriation for surplus reserve	—	—	11	—	—	(11)	—	—	—
Cash dividends	—	—	—	—	—	(385)	(385)	—	(385)
Safety production fund	—	—	—	—	6	(6)	—	—	—
Repurchase of own shares	(42)	(86)	—	—	—	—	(128)	—	(128)
Business combination	—	—	—	—	—	—	—	899	899
Acquisition of non-controlling interests	—	(1)	—	—	—	—	(1)	(611)	(612)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(40)	(40)
Balance at 31 December 2015	7,664	13,066	2,917	(790)	11	17,028	39,896	673	40,569

Notes to the financial information
For the year ended 31 December 2015

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. Consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

The Group has adopted the above amendments and interpretation. These amendments do not have significant impact on the Group's financial statements. The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

3 REVENUE

The principal activities of the Group are research, development, manufacturing and sale of construction machinery, environmental sanitation equipment and agricultural machinery, as well as the provision of environmental solutions and 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.

The amounts of each significant category of revenue recognised are as follows:

	2015 ***RMB millions***	2014 *RMB millions*
Construction machinery		
— Concrete machinery	**5,476**	10,555
— Crane machinery	**4,574**	7,423
— Others	**2,314**	2,919
Environmental industry	**4,525**	4,024
Agricultural machinery	**3,295**	—
Financial services	**569**	930
	20,753	25,851

4 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	2015	2014
	RMB millions	*RMB millions*
Finance income:		
Interest income	**(956)**	(720)
(Gain)/loss on remeasurement of derivative financial instruments at fair value	**(14)**	12
	(970)	(708)
Finance costs:		
Interest on loans and borrowings	**1,706**	1,260
Net exchange loss	**446**	140
	2,152	1,400
	1,182	692

(b) Staff costs:

	2015	2014
	RMB millions	*RMB millions*
Salaries, wages and other benefits	**2,163**	2,706
Contributions to retirement schemes	**273**	263
	2,436	2,969

(c) Other items:

	2015	2014
	RMB millions	*RMB millions*
Cost of inventories sold	**15,134**	18,640
Depreciation of property, plant and equipment	**625**	512
Amortisation of lease prepayments	**54**	38
Amortisation of intangible assets	**150**	96
Operating lease charges	**189**	202
Auditors' remuneration:		
— audit services	**14**	12
Product warranty costs	**112**	95
Impairment losses/(reversal):		
— trade receivables	**559**	450
— receivables under finance lease	**(3)**	(62)
— inventories	**141**	172
— goodwill	**20**	—

5 INCOME TAX

Income tax in the consolidated statements of comprehensive income represents:

	2015	2014
	RMB millions	*RMB millions*
Current tax — PRC income tax		
Provision for the year	**177**	221
Current tax — Income tax in other tax jurisdictions		
Provision for the year	**5**	4
Deferred taxation ***(Note 13(b))***		
Origination and reversal of temporary differences	**(127)**	(78)
Change in recognised deductible temporary differences	**(113)**	88
Income tax (credit)/expense	**(58)**	235

Reconciliation between actual income tax (credit)/expense and notional tax on profit before taxation is as follows:

	2015	2014
	RMB millions	*RMB millions*
Profit before taxation	**39**	863
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned *(Note (a))*	**10**	216
Tax effect of non-deductible expenses *(Note (a))*	**223**	133
Change in recognised deductible temporary differences	**(113)**	88
Current year loss for which no deferred tax assets was recognised	**61**	51
Tax effect of non-taxable income *(Note (a))*	**(124)**	(30)
Tax effect of tax concessions *(Note (b))*	**(47)**	(112)
Additional deduction for qualified research and development expenses *(Note (c))*	**(68)**	(111)
Actual income tax (credit)/expense	**(58)**	235

Notes:

(a) The PRC statutory income tax rate is 25% (2014: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2014: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. In 2015, the Group did not derive any income chargeable to Hong Kong Profits Tax on the basis that all the income was offshore sourced, all the expenses incurred by the subsidiaries in Hong Kong have been disallowed.

The Company's overseas subsidiaries are subject to income tax at rates ranging from 19.0% to 31.4% (2014: 19.0% to 31.4%).

(b) 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 2014 and accordingly are subject to income tax at 15% for the years from 2014 to 2016. The newly acquired Zoomlion Heavy Machinery Co., Ltd. and certain of its subsidiaries are also qualified as high technology enterprises and are subject to income tax at 15% in 2015. In addition, a subsidiary of the Company was qualified as software developer and is entitled to income tax exemption for the years from 2013 to 2014 and a 12.5% preferential tax rate for the years from 2015 to 2017.

(c) Under the income tax law and its relevant regulations, a 50% additional tax deduction is allowed for qualified research and development expenses.

6 DIVIDENDS

(i) Dividends paid during year

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2015, a final cash dividend of RMB0.05 per share based on 7,706 million ordinary shares totalling RMB385 million in respect of the year ended 31 December 2014 was declared, of which RMB377 million was paid by the end of 2015, and the remaining balance of RMB8 million will be paid in 2016.

(ii) Dividends proposed after the balance sheet date

Pursuant to a resolution passed at the directors' meeting on 30 March 2016, a final dividend in respect of the year ended 31 December 2015 of RMB0.15 (2014: RMB0.05) per share totalling RMB1,150 million (2014:RMB385 million) was proposed for shareholders' approval at the 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 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB89 million (2014: RMB594 million), and the weighted average number of shares of 7,689 million in issue during the year (2014: 7,706 million shares).

There were no dilutive potential ordinary shares in issue as at 31 December 2015 (31 December 2014: Nil).

8 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.

(i) 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 2015 and 2014.

(ii) Environmental industry segment primarily researches, develops, manufactures and sells a wide range of environmental and sanitation machineries, including road sweepers, washing vehicles and waste treatment equipment, as well as provides environmental solutions.

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

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

(a) 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.

Information 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 year ended 31 December 2015 is set out below:

	2015	2014
	RMB millions	*RMB millions*
Reportable segment revenue:		
Construction machinery		
— Concrete machinery	**5,476**	10,555
— Crane machinery	**4,574**	7,423
— Others *(Note)*	**2,314**	2,919
Environmental industry	**4,525**	4,024
Agricultural machinery	**3,295**	—
Financial services	**569**	930
Total	**20,753**	25,851
Reportable segment profit:		
Construction machinery		
— Concrete machinery	**1,149**	2,368
— Crane machinery	**1,423**	2,063
— Others *(Note)*	**529**	650
Environmental industry	**1,417**	1,200
Agricultural machinery	**520**	—
Financial services	**569**	928
Total	**5,607**	7,209

Note: In the year ended 31 December 2015, the data of road construction and pile foundation machinery segment and earth working machinery segment is included in "other segments" and not separately disclosed as the amounts involved are not significant. The comparative figures have been reclassified to conform with the current year presentation.

(b) Reconciliation of segment profit

	2015	2014
	RMB millions	*RMB millions*
Total segment profit	**5,607**	7,209
Other income	**676**	164
Sales and marketing expenses	**(2,502)**	(3,036)
General and administrative expenses	**(2,271)**	(2,347)
Research and development expenses	**(320)**	(443)
Net finance costs	**(1,182)**	(692)
Gain on disposal of associates	**30**	7
Share of profits less losses of associates	**1**	1
Consolidated profit before taxation	**39**	863

(c) 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 lease prepayments ("specified non-current assets"). The geographical location of revenue is based on the selling location. The geographical location of specified non-current assets is based on the physical location of the asset. No geographic information is presented for trademarks, technical know-how and goodwill as these assets are commonly used by the Group both in and outside PRC. All other non-current assets are physically located in the PRC, except for customer relationships acquired through business combination of CIFA and m-tec, which are determined to be outside PRC.

	2015	2014
	RMB millions	*RMB millions*
Revenue from external customers		
— Mainland PRC	**18,198**	22,956
— Outside PRC	**2,555**	2,895
Total	**20,753**	25,851

	2015	2014
	RMB millions	*RMB millions*
Specified non-current assets		
— Mainland PRC	**10,672**	8,470
— Outside PRC	**223**	271
Total	**10,895**	8,741

9 GOODWILL

On 4 January 2015, the Company completed the acquisition of 67.51% interests in Zoomlion Heavy Machinery Co., Ltd., formerly known as Chery Heavy Industry Co., Ltd. and its subsidiaries (collectively "Zoomlion Heavy Machinery Group") with a cash consideration of RMB2,349 million. Zoomlion Heavy Machinery Group is engaged in the manufacturing of agricultural machinery with its sales primarily made in China. The purpose of the business combination was to broaden the Group's business segment. Goodwill of RMB413 million was recognized on the acquisition.

10 TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB millions	*RMB millions*
Trade receivables	**31,801**	31,574
Less: allowance for doubtful debts	**(2,316)**	(1,780)
	29,485	29,794
Less: trade receivables due after one year	**(3,504)**	(3,697)
	25,981	26,097
Bills receivable	**1,186**	1,816
	27,167	27,913
Amounts due from related parties	**386**	657
Prepayments for purchase of raw materials	**172**	204
Prepaid expenses	**357**	413
VAT recoverable	**945**	580
Deposits	**332**	310
Others	**1,134**	562
	30,493	30,639

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 2015, the weighted average discount rate was approximately 4.75% (2014: 6.00%) per annum. As at 31 December 2015, trade receivables due after one year of RMB3,504 million (31 December 2014: RMB3,697 million) were presented net of unearned interest of RMB274 million (31 December 2014: RMB281 million).

During the year ended 31 December 2015, no trade receivables were factored to banks or other financial institutions (2014: RMB5,197 million were factored to banks and other financial institutions without recourse and were therefore derecognised). Under the non-recourse factoring agreements, the Group has agreed to repurchase equipment at fair value from banks and other financial institutions to which the Group previously factored its receivables, upon repossession of the equipment under the relevant equipment sales contracts by such banks or financial institutions. During the year ended 31 December 2015, the Group have not made any repurchase of assets from banks and other financial institutions under such commitment (2014: Nil).

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 allowance for doubtful debts is as follows:

	2015	2014
	RMB millions	*RMB millions*
Within 1 month	**3,080**	4,475
Over 1 month but less than 3 months	**3,080**	5,431
Over 3 months but less than 1 year	**10,250**	11,104
Over 1 year but less than 2 years	**9,826**	6,758
Over 2 years but less than 3 years	**2,622**	1,775
Over 3 years but less than 5 years	**627**	251
	29,485	29,794

Trade receivables under credit sales arrangement are generally due within 1 to 3 months from the date of billing, and customers are normally required to make an upfront payment ranging from 20% to 30% of the product price (2014: 20% to 30%). For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2014: 6 to 42 months), customers are normally required to make an upfront payment ranging from 15% to 30% of the product price (2014: 15% to 30%).

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.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2015	2014
	RMB millions	*RMB millions*
Balance at 1 January	**1,780**	1,451
Impairment losses recognised	**559**	450
Reclassification from impairment of receivable under finance lease	**6**	15
Uncollectible amounts written off	**(29)**	(136)
Balance at 31 December	**2,316**	1,780

11 RECEIVABLES UNDER FINANCE LEASE

	2015 RMB millions	2014 RMB millions
Gross investment	**16,146**	17,876
Unearned finance income	**(373)**	(544)
	15,773	17,332
Less: allowance for doubtful debts	**(645)**	(654)
	15,128	16,678
Less: receivables under finance lease due after one year	**(2,484)**	(4,476)
Receivables under finance lease due within one year	**12,644**	12,202

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 (2014: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 25% of the product price (2014: 5% to 25%) and pay a security deposit ranging from 1% to 10% of the product price (2014: 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:

	2015 RMB millions	2014 RMB millions
Present value of the minimum lease payments		
Within 1 year	**13,122**	12,670
Over 1 year but less than 2 years	**1,456**	2,775
Over 2 years but less than 3 years	**668**	1,313
Over 3 years	**527**	574
	15,773	17,332
Unearned finance income		
Within 1 year	**306**	405
Over 1 year but less than 2 years	**39**	84
Over 2 years but less than 3 years	**16**	34
Over 3 years	**12**	21
	373	544

	2015	2014
	RMB	*RMB*
	millions	*millions*
Gross investment		
Within 1 year	**13,428**	13,075
Over 1 year but less than 2 years	**1,495**	2,859
Over 2 years but less than 3 years	**684**	1,347
Over 3 years	**539**	595
	16,146	17,876

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

	2015	2014
	RMB	*RMB*
	millions	*millions*
Not yet due	**8,260**	12,214
Within 1 year past due	**4,031**	3,605
Over 1 year but less than 2 years past due	**2,224**	1,310
Over 2 years past due	**1,258**	203
Total past due	**7,513**	5,118
	15,773	17,332
Less: allowance for doubtful debts	**(645)**	(654)
	15,128	16,678

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.

Impairment losses in respect of receivables under finance lease are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against the receivables directly.

The movement in the allowance for doubtful debts during the year, is as follows:

	2015	2014
	RMB	*RMB*
	millions	*millions*
Balance at 1 January	**654**	731
Impairment losses reversed	**(3)**	(62)
Reclassification to impairment of trade receivables	**(6)**	(15)
Balance at 31 December	**645**	654

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.

12 TRADE AND OTHER PAYABLES

	2015	2014
	RMB millions	*RMB millions*
Trade creditors	**6,378**	7,319
Bills payable	**5,674**	6,141
Trade creditors and bills payable	**12,052**	13,460
Amounts due to related parties	**15**	32
Amounts due to non-controlling shareholders of certain subsidiaries	**477**	—
Receipts in advance	**838**	983
Payable for acquisition of property, plant and equipment	**608**	536
Accrued staff costs	**293**	515
Product warranty provision	**74**	93
VAT payable	**146**	143
Sundry taxes payable	**126**	263
Security deposits	**525**	880
Interest payable	**236**	220
Payables for factoring discount	**2**	78
Dividend payable	**8**	—
Cash collected on behalf of banks	**—**	703
Other accrued expenses and payables	**1,413**	1,581
	16,813	19,494

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

	2015	2014
	RMB millions	*RMB millions*
Due within 1 month or on demand	**5,076**	5,490
Due after 1 month but within 3 months	**2,910**	3,404
Due after 3 months but within 6 months	**3,473**	3,915
Due after 6 months but less than 12 months	**593**	651
	12,052	13,460

13 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2015	2014
	RMB millions	*RMB millions*
Provision for PRC income tax	**82**	26
Provision for income tax in other tax jurisdictions	**5**	4
	87	30

(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 2015

	Balance at 1 January 2015	**Acquisition from business combination**	**Credited/ (charged) to profit or loss**	**(Credited)/ charged to reserves**	**Balance at 31 December 2015**
	RMB millions	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*
Deferred tax assets arising from:					
Receivables	**436**	**14**	**67**	**(1)**	**516**
Inventories	**34**	**19**	**18**	**—**	**71**
Accrued expenses	**40**	**12**	**(14)**	**(1)**	**37**
Tax losses	**84**	**59**	**11**	**58**	**212**
Others	**24**	**2**	**(7)**	**—**	**19**
Total	**618**	**106**	**75**	**56**	**855**
Deferred tax liabilities arising from:					
Property, plant and equipment	**(14)**	**(4)**	**1**	**—**	**(17)**
Intangible assets	**(324)**	**(114)**	**45**	**8**	**(385)**
Lease prepayments	**(29)**	**(9)**	**3**	**—**	**(35)**
Others	**(108)**	**—**	**116**	**(10)**	**(2)**
Total	**(475)**	**(127)**	**165**	**(2)**	**(439)**

Year ended 31 December 2014

	Balance at 1 January 2014	Acquisition from business combination	Credited/ (charged) to profit or loss	(Credited)/ charged to reserves	Balance at 31 December 2014
	RMB millions	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*
Deferred tax assets arising from:					
Receivables	405	1	32	(2)	436
Inventories	32	—	2	—	34
Accrued expenses	64	—	(22)	(2)	40
Tax losses	109	—	(14)	(11)	84
Others	34	1	(9)	(2)	24
Total	644	2	(11)	(17)	618
Deferred tax liabilities arising from:					
Property, plant and equipment	(5)	(9)	—	—	(14)
Intangible assets	(327)	(48)	14	37	(324)
Lease prepayments	(33)	—	4	—	(29)
Others	(103)	—	(17)	12	(108)
Total	(468)	(57)	1	49	(475)

As at 31 December 2015, deferred tax assets in respect of asset impairment losses and tax losses totalling RMB317 million (31 December 2014: RMB231 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.

14 RECONCILIATION OF FINANCIAL INFORMATION PREPARED UNDER PRC GAAP TO IFRSS

(a) Reconciliation of total equity of the Group

	2015	2014
	RMB millions	*RMB millions*
Total equity reported under PRC GAAP	**40,609**	41,248
— Acquisition-related costs incurred on prior year business combination	**(40)**	(40)
Total equity reported under IFRSs	**40,569**	41,208

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

	2015	2014
	RMB millions	*RMB millions*
Total comprehensive income for the year reported under PRC GAAP	**(367)**	421
— Safety production fund (Note)	**(6)**	—
Total comprehensive income for the year reported under IFRSs	**(373)**	421

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.

Results of Operations

Revenue

Our revenue decreased by 19.72% from RMB25,851 million for the year ended 31 December 2014 to RMB20,753 million for the year ended 31 December 2015. The decrease of revenue was mainly due to the weak market demand for concrete machinery and crane machinery, being two major products in construction machinery industry, and tightened sales policy implemented by the Company. However, our two major products maintained their market dominance in their respective industry and we were managed to control the risk exposure to the construction machinery industry. Two new sectors, namely agricultural machinery following the acquisition of Zoomlion Heavy Machinery Co., Ltd. and environmental industry, achieved a double-digit growth in revenue on a year-on-year basis, representing 37.68% of our total revenue, making them the new drivers to our results.

Cost of Sales and Services

Due to the decrease in the volume of the Company's sales, our cost of sales and services reduced by 18.75 % from RMB18,642 million for the year ended 31 December 2014 to RMB15,146 million for the year ended 31 December 2015.

Gross profit

As a result of the foregoing, our gross profit decreased by 22.22% from RMB7,209 million for the year ended 31 December 2014 to RMB5,607 million for the year ended 31 December 2015. Our gross profit margin decreased from 27.89% for the year ended 31 December 2014 to 27.02% for the year ended 31 December 2015, which was mainly due to change of product mix, Gross profit margin of agricultural machinery is generally lower than the other products.

Other income

Our other income increased from the net gain of RMB164 million for the year ended 31 December 2014 to a net gain of RMB676 million for the year ended 31 December 2015, which is mainly due to the increase of subsidy income received by the agricultural machinery and other segments.

Sales and marketing expenses

Our sales and marketing expenses decreased by 17.59% from RMB3,036 million for the year ended 31 December 2014 to RMB2,502 million for the year ended 31 December 2015. Sales and marketing expenses as a percentage of our consolidated revenue increased from 11.74% for the year ended 31 December 2014 to 12.06% for the year ended 31 December 2015 primarily due to the decrease in our sales, which resulted in the increase of fixed sales and marketing expenses as a percentage of consolidated revenue.

General and administrative expenses

Our general and administrative expenses decreased by 3.24% from RMB2,347 million for the year ended 31 December 2014 to RMB2,271 million for the year ended 31 December 2015. General and administrative expenses as a percentage of our consolidated revenue increased from 9.08% for the year ended 31 December 2014 to 10.94% for the year ended 31 December 2015 primarily due to the decrease of the Company's operating expenses and the increase in provision for impairment of receivables and inventory.

Research and development expenses

Our research and development expenses decreased by 27.77% from RMB443 million for the year ended 31 December 2014 to RMB320 million for the year ended 31 December 2015.

Profit from operations

As a result of the foregoing, our profit from operations dropped by 23.08% from RMB1,547 million for the year ended 31 December 2014 to RMB1,190 million for the year ended 31 December 2015. Our operating margin fell from 5.98% for the year ended 31 December 2014 to 5.73% for the year ended 31 December 2015.

Net finance costs

Our net finance costs for the year ended 31 December 2014 was RMB692 million and our net finance costs for the year ended 31 December 2015 was RMB1,182 million. The fluctuation was due to the change of exchange rate and the incidental increase in interest-bearing liabilities.

Income tax

Our income tax changed from RMB235 million income tax expenses for the year ended 31 December 2014 to RMB58 million income tax credit for the year ended 31 December 2015 primarily due to the decrease in taxable income and reversal of deferred tax liabilities.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 84.55% from RMB628 million for the year ended 31 December 2014 to RMB97 million for the year ended 31 December 2015. Our net profit margin dropped from 2.43% for the year ended 31 December 2014 to 0.47% for the year ended 31 December 2015.

Profit attributable to shareholders of the Company

As a result of the foregoing, our profit attributable to shareholders of the Company decreased by 85.02% from RMB594 million for 2014 to RMB89 million for 2015.

Cash Flow

Operating activities

In 2015, net cash used in operating activities was RMB4,012 million derived primarily from the profit before taxation of RMB39 million, adjusted to reflect interest expenses of RMB1,706 million and depreciation and amortisation of RMB829 million, and net of following items: (i) the increase in trade and other receivables of RMB2,657 million; (ii) the decrease in trade and other payables of RMB6,468 million; and (iii) the income tax payment of RMB140 million, and the effect of decrease in inventories of RMB2,221 million.

Investing activities

In 2015, net cash generated from investing activities was RMB3,070 million, consisting primarily of: (i) payments for the purchases of property, plant, equipment and land of RMB386 million; (ii) payment for acquisition of available-for-sale financial assets of RMB1,000 million. And added (i) net cash inflow impact of RMB1,046 million arising from acquisition of subsidiaries; (ii) recovery of entrusted loan of RMB900 million; (iii) a decrease in pledged bank deposits of RMB724 million; (iv) interest income of RMB678 million.

Financing activities

In 2015, net cash used in financing activities was RMB2,042 million, consisting primarily of the proceeds from loans and borrowings of RMB19,924 million, offset by: (i) repayments of loans and borrowings of RMB19,085 million; (ii) cash dividends paid to equity shareholders of RMB378 million; (iii) interest payments of RMB1,674 million; (iv) payment on the acquisition of minority interest of RMB661 million; (v) dividends paid to minority shareholders of RMB40 million; and (vi) payment for the repurchase of own shares of RMB128 million.

Capital Expenditures

For the year ended 31 December 2015, our capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB1,525 million.

Commitments and Contingent Liabilities

As at 31 December 2015, our commitment consisted of capital commitments that have been authorised and contracted for in the amount of RMB574 million, and operating lease commitments of RMB245 million, of which RMB99 million was payable within one year.

As at 31 December 2015, we had contingent liabilities of RMB8,186 million in connection with financial guarantees provided for certain bank loans obtained by our customers to finance their purchases of our products. Under the guarantee contracts, if the customers defaulted, we are entitled to repossess the product which had been purchased and pledged by the customers. For the year ended 31 December 2015, due to our customers' default, we paid RMB947 million, respectively, to the banks under our guarantees.

Starting from 1 January 2013, certain customers of the Group financed their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, the Group provides guarantee to the third-party leasing companies that in the event of customer default, the Group is required to make payment to the leasing companies for the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 31 December 2015, the Group's maximum exposure to such guarantees was RMB2,089 million. The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. For the year ended 31 December 2015, there was no payment made for repossession of machinery incurred under the guarantee arrangement as a result of customer default.

Certain customers of the Group finance their purchase of the Group's agricultural machinery products through cargo-backed loans in the form of bank acceptance notes provided by the banks. The Group undertakes the joint liability guarantee for the customers. In the event of customer default, the Group is required to make payments to the banks for the outstanding amount due from the customers when the bank acceptant notes are due. As at 31 December 2015, the Group's maximum exposure to such guarantees was RMB117 million.

Working Capital and Indebtedness

Our net current asset decreased from RMB44,660 million as at 31 December 2014 to RMB40,843 million as at 31 December 2015, mainly attributable to the increase of long-term loans due within one year and other borrowings.

Our outstanding loans and borrowings increased by 11.12% from RMB31,612 million as at 31 December 2014 to RMB35,154 million as at 31 December 2015, mainly attributable to the acquisition of Zoomlion Heavy Machinery Co., Ltd. and the increase of short-term borrowings.

As at 31 December 2015, our RMB and US dollar unsecured short-term and long-term loans and borrowings with an aggregate outstanding principal amounts of RMB25,680 million and RMB25,681 million, respectively, are subject to certain restrictive financial covenants. As of 31 December 2015, we have not breached any of these restrictive financial covenants. If we were unable to comply with such restrictive financial covenants and were not exempted by the lending banks, we might be ordered to repay the bank loans immediately, and our liquidity will be adversely affected.

As at 31 December 2015, our facilities from 32 domestic and overseas financial institutions amounted to approximately RMB79,500 million have not been utilized.

BUSINESS REVIEW AND PROSPECT

Review of 2015

1. Implementing strategic transformation and realizing parallel development of the four sectors

In addition to the continuous efforts in the construction machinery sector, the Company also accelerated transformation to the environmental industry, agricultural machinery and financial services sectors, and have successfully transformed into an equipment manufacturer which integrated the four sectors.

(1) As regard to construction machinery sector, with the aim of improving operational quality, the Company worked to cut excessive industrial capacity, control risks, reduce costs, and bolster weak spots.

(2) As regard to environmental industry sector, the Company, on the basis of its continuous Top One place in China in terms of environmental and sanitation equipment, transformed itself from an equipment supplier to a comprehensive solution provider and investment operator in the environmental industry.

Firstly, implementing the development strategy of "going out, taking back". The Company will be able to obtain internationally advanced technologies in fields of waste water treatment, soil remediation and anaerobic fermentation through the proposed acquisition of LADURNER, an Italian company. In addition, the Company took Huaian Chenjie project as a pilot platform to integrate anaerobic fermentation technology from LADURNER and the Company's project operation experience, which became a sample project of kitchen waste treatment in China.

Secondly, involving in environment improvement in multiple dimensions and at multiple levels. Implementing the full county environment improvement mode, the Company signed full county environment improvement framework agreements with key national ecological functional districts and counties for the provision of comprehensive full environment improvement services such as disposal of rubbish, waste water treatment and soil remediation. Besides that, the Company respectively signed strategic cooperation agreements with Shenzhen Energy & Environment Co., Ltd., and Beijing Yuantaida Environment Technology Co., Ltd. for in-depth cooperation in fields of rubbish terminal disposal and building waste resource recovery.

(3) As regard to the agricultural machinery sector, the Company aims at developing itself into a "full mechanization agricultural equipment solution provider" with quality improvement and upgrading. In 2015, the Company accelerated management integration in the sector, and the growth of revenue from agricultural machinery exceeded other industry players. The Company was leading in China in terms of market shares of dryer and wheat harvester.

Firstly, the Company intensified its investment into development of new technology and new product, and into technology renovation, and brought technological benefits of R&D centers both in China and the North America into full play to achieve research and development of agricultural machineries covering all processes from ploughing, seeding, cultivating, and harvesting to drying. The Company developed a batch of strategic products with independent core intelligent technologies.

Secondly, the Company explored innovations in intelligent agriculture. The Company promoted integration of agricultural machinery and agronomy by launching the demonstrative farmer, demonstrative center, and demonstrative base program, which were classified on the basis of characteristics of agricultural production and operation. The exemplary project of integration of agricultural machinery and agronomy for ultra high yield hybrid rice successfully gained a significant position in agricultural machinery market. With the establishment of the Hebei Demonstration Base based on Internet plus remote intelligent control technology, the agricultural machinery sector was pushed forward towards the direction of "intelligent agriculture and precise agriculture".

(4) Financial service sector was improved gradually. Zoomlion Capital, which has been incorporated, will serve as a platform for managing financial services, thus promoting the Company's integration of production and financing, and providing all-dimensional financial service and support for developing the Company into a global high-end equipment manufacturer. The Finance Company was formally established to provide high-quality, comprehensive and personalized financial service for its member companies. The Finance Company will carry out functions including centralized fund management, fund settlement, financing and financial service.

2. Sustaining efforts in promoting integration of manufacturing industry and internet

The Company preliminarily realized transformation from manufacturing to manufacturing + service, and gradually established the business mode of "Product on Internet, Data in Cloud, and Market on Hand".

The Company accelerated integration of information technology and industrialization, and made efforts to promote business mode reform and foster new competitive driving force. Firstly, the Company integrated, analyzed and applied key data in core business systems such as ERP, CRM, CSS, Internet of Things, WeChat, and online mall to realize "comprehensive, in-depth and integrated application of information technology"; secondly, the WeChat Mall, an online trading platform established by the Company, formally went live, allowing for online product exhibition and purchase and sales of parts; and thirdly, the Company became proximity to customers through application of mobile Internet tool and big data analysis to provide customized intelligent services for customers, laying good foundation for precise marketing.

3. *Making great achievements in independent innovations and leading technology development in the industry*

In 2015, the Company was granted 758 invention patents, which is the first in the industry and ranks No. 8 across the country. The Company received three excellence awards for patents in China, and the title of "Intellectual Property Right Demonstration Enterprise of China". The Company led to draft one international standard, i.e., Construction Machinery and Equipment Concrete and Mortar Precasting Machinery Part I Terminology and Commercial Specification, participated in amending four international standards, and cast votes with respect to 17 international standards, securing more representation and a greater say for the Company in international standards.

During the reporting period, the Company saw remarkable achievements in technology innovations, and promoted product upgrading by launching product 4.0. Adhering to the guidance of development strategy of "Made in China 2025", the Company promoted product family optimization and upgrading with focus on "reliability, green and intelligence", and it launched products that are competitive in technology, quality, service and cost:

Construction machinery: the Company successfully delivered the full terrain crane with the world's largest tonnage (2,000 t) to the user, which played an important role in wind power development in China; sales agreement for the second 3,200 t crawler crane was signed, contributing to development of nuclear power in China; QAY800V743 full terrain crane was granted the Gold Medal for Application Contribution of Top 50 China Construction Machinery Annual Products, and Key Technology and Application of Rescue and Fire Fighting Vehicle for High-rising Buildings and Key Technology and Application of Large Aerial Fire Fighting Vehicle respectively granted First Prize of China Machinery Industry Science and Technology Award and First Prize of Hunan Science and Technology Progress Award. Playing a leadership role, the Company also undertaken two projects listed in the National Key Technology Research and Development Program of the Ministry of Science and Technology of China: the Development of Large Multi-function Integrated Rescue Equipment, and the Research on Key Technology and Demonstration of Application of Robotic Intelligent Welding Line of Truss Members of Construction Hoist. Successful development of core intelligent parts such as bus electro-hydraulic proportional multi-way valve and digital hydraulic cylinder provides support for intelligent product development.

Agricultural machinery: the Company led the National and Local Combined Engineering Research Center for Modern Agricultural Equipment. High-end large-horsepower tractor that the Company develops received positive response in Hanover Germany Agriculture, taking the lead to develop high-end agricultural machinery. In the " Top 50 China Construction Machinery Annual Products", the Gu Wang TB60 combine wheat harvester, Gu Wang DC150 batch-processing circulating grain dryer and Gu Wang PQ45 fully hydraulic crawler rice combine harvester received the "Golden Award for Contribution to Application", "Market Leader Award" and "Technological Innovation Award" respectively.

Environment industry: the Company led to organize the Hunan Engineering Research Center for Bio-organic Waste Treatment; the Company was designated as the technical equipment support unit for equipment kit for pre-treatment of kitchen waste and mobile percolating treatment equipment listed in the Major EP Technical Equipment Encouraged by the State (2014 revision). The innovative dry sweeper truck capable to clean curb is the first of its kind in China. Multi-function anti-dust truck with injection distance of 120m developed by the Company boasts of domestic advanced technology. Domestic waste pre-treatment technology of "waste selection + waste compression", which is the first in China, allows for landfill of less domestic waste, dramatically improving quality of waste incineration.

4. Accelerating global market exploration

Firstly, the Company adhered to the national strategy of "One Belt and One Road", along which the Company has established production bases and trade platforms. The Company has established China — Belarus Industrial Park, subsidiary in Thailand and subsidiary in Pakistan to orderly promote cooperation in production capacity with key countries along the "One Belt and One Road". China — Belarus Industrial Park allows for local production and assembly of products, from which the first batch of equipment including 40 t truck crane, 60 t truck crane and 16 t sweeper truck has been released. The Company will make good use of geological and platform advantages of the park to establish a base for research, development and manufacturing covering the East Europe and the Central Asia regions on the Silk Road Economic Belt.

Secondly, the Company accelerated "going global" and "going integration" to develop the Company into an international one. The Company fully promoted differentiated marketing strategy of "one policy for one country" and "one policy for one district" in targeted regions like Pan-Pacific, Africa, Central Asia, Middle East and South Asia to meet the specific needs of different markets. During the reporting period, under the background of industry decline in exports as a whole, the revenue from the export of the construction crane machinery, road construction and pile foundation machinery increased by 17.47% and 27.98% year on year, respectively.

5. Adopting various measures to strengthen management and achieving fruitful results from our intensive efforts

In 2015, the Company focused on management reform, and continued to make efforts in risk control, cost reduction & efficiency improvement, team development, and brand management, bringing about reinforcement of and improvement in operational quality.

(1) Initial success was made in risk control

1. Firstly, the Company tightened credit policy, strengthened client credit evaluation, introduced client credit classification, waived low-quality order on its own initiative, and determined responsibilities for call to strictly control additional risks; secondly, the Company formulated the debt recovery strategy of "One Policy for One Customer" for overdue customers to enhance the collectibility.

(2) Cost reduction and efficiency improvement became normal

The Company promoted cost reduction in the operation processes including design, procurement, manufacturing, selling, provision of service and function management, etc.; strictly implemented the linkage between operation costs and HR costs and operational results; promoted order-based planned production mode, strengthened inventory control, and optimized organization and management process to reduce levels of management, thus improving efficiency.

(3) New breakthroughs were made in team development

The Company conducted the "Best Craftman" campaign. The Company strengthened development of leaders and backbone staff through check, training and incentive of backbone staff and improved their sense of responsibility and cohesion in order to develop a forward-looking nuclear force.

(4) Influence of brand was increased continuously

During the reporting period, the Company was mainly granted the following honors:

- With brand value of RMB33.571 billion, Zoomlion ranked No. 74 of Top 500 Most Valuable Chinese Brands (Second Round) by World Brand Lab, and its brand value was increased by 26% compared with 2014.

- Four overall self-dumping supply trucks appeared in the formation in "September 3 Parade" on the 70th anniversary day of the victory of the Chinese people's war of resistance against Japanese aggression. More than ten high-end equipment contributed to CCTV global live of the parade.

- The Listed Company with the Best Sustainable Investment Value, Leadership Price for the Listed Company with the Best Influence, and Prize for Outstanding Contribution of Golden Secretary to the Board, of the 10th Competitive Power and Public Trust of Listed Companies in China.

- China Trademark Gold Medal • Trademark Application Prize granted by the State Administration of Industry and Commerce and World Intellectual Property Organization, which is the highest prize in field of trademark.

- China Merger & Acquisition • Golden Parasol Prize, the first in China.

- The President Zhan Chunxin was granted the Most Influential Industry Leader Prize of China Construction Machinery.

III. Business Outlook for Future Development of the Company

(I) Industry development trend and market outlook

1. Construction machinery market

In 2016, the central government will continue implementing the positive fiscal policies and also maintain optimal and stable monetary policies. With regional development, Coordinated Development for the Beijing-Tianjin-Hebei Region, Yangtze River Economic Belt development and construction of infrastructure such as high-speed rail, inter-city rail, and subway derived therefrom, stable room for development of domestic construction machinery industry will be expected, however, influenced by China's reform of the supply side, excess industry capacity and high inventory of terminal equipment, the construction machinery industry is still in the stage of absorption to simultaneously deal with the slowdown in economic growth, make difficult structural adjustments, and absorb the effects of previous economic stimulus policies.

In terms of overseas market, inclusion of the renminbi in its Special Drawing Rights (SDR) basket and the national "One Belt and One Road" policy will boost exports of construction machineries, and construction machinery companies will enhance market exploration in Eastern Asia, South East Asia, Central Asia, Africa and South America, where market demands are strong, through strategic investments in foreign countries, supporting foreign projects and setting up localized factories. An enterprise that makes arrangements with respect to the "One Belt and One Road" in advance will stand out from competitions.

2. Environmental industry market

With promotion of urbanization and improvement in urban management, waste disposal market will become a new growth point. Medium-large dump sites will see tremendous demands, and conventional environment & sanitation mechanical product will still see stable market growth. The environmental industry is having unprecedented growth opportunities, and will maintain the fast growing momentum. Ecological civilization is included in the ten objectives stated in the *CPC Central Committee's Proposal for Formulating the 13th Five-Year Plan for China's Economic and Social Development* for the first time. Businesses involving daily waste classification, disposal of kitchen waste and construction waste, treatment of leachate, sewage and sludge will embrace brighter prospect. It is expected that companies with higher technology innovation capabilities, stronger brand influence and sufficient capital will have a competitive edge.

3. *Agricultural machinery market*

In the No. 1 Central Document 2016, the central government stressed policies and measures such as large-scale promotion of construction of high-standard farmlands, acceleration of full mechanical production of major crops, acceleration of land transfer, and mortgage of right of contracting and operation of land. With inclusion of agricultural equipment into the list of 10 key industries for Made in China 2025, the country will continue intensifying investment into and support of agricultural machinery, providing good climate and opportunity for development of agricultural machinery.

Following the trend of integration among traditional agricultural machinery and Internet, Internet of Things and the technology of big data, the agricultural machinery will break through the boundary of conventional manufacturing industry, and bring about a new era of integration between agricultural machinery and agronomy, as well as the combination of smart services and manufacturing of equipment. The industrial segment of high-end agricultural machinery featuring all-round operation, large size and smart functions will be developed rapidly. Opportunities for capturing larger market share will arise for those industry players with advantages in terms of technology, brand, channel and capital.

(II) Main operation thoughts for 2016

To secure continuous promotion of the Company's "2+2+4" strategy, the Company will mainly rely on the following operation thoughts in 2016:

For the construction machinery sector, the Company will continue centering on efficiency and benefit by striving for promoting reform and integration of regional markets, collecting receivables, eliminating inventory, and improving and promoting products 4.0, and by strictly implementing all-round budget management and control to reduce costs and improve efficiency. The Company will allocate more resources to realize the objective of international company, and will fully gear into the "One Belt and One Road" to achieve "going global" of products and capital.

Quality growth achieved in environment industry sector. When it comes to environment & sanitation machinery, the Company will promote innovative management mode and incentive mechanism for R&D, marketing and production, and reinforce its scale advantage and industry leader position; and in terms of environment industry, the Company will focus on urban and rural domestic waste, kitchen waste, waste water treatment and soil remediation, and will integrate resources to establish an industry federation in which Zoomlion will be at core to rapidly realize leaping-style growth of environment industry businesses.

When it comes to agricultural machinery sector, the Company will focus on "addition" and "subtraction" in terms of resource allocation, business mode, operation management and product development to promote business and management transformation and upgrading, thus developing the Company into a full mechanization agricultural equipment solution provider.

When it comes to financial service sector, the Company will take Zoomlion Capital as the core financial control platform, and will be devoted to becoming a financial service provider covering fields such as asset management, finance company, insurance, industry fund and industry finance by means of holding, participation, merger and acquisition, thus contributing to the growth of the industry.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

Pursuant to a resolution passed at the Board meeting on 30 March 2016, a final dividend for the year ended 31 December 2015 of RMB0.15 per share was proposed, totaling RMB1,150 million. Such proposal is subject to shareholders' approval at the forthcoming annual general meeting of the Company. 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 2015, 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 2015. 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 2015, the Company repurchased its own ordinary shares traded on The Stock Exchange of Hong Kong Limited as follows:

Date/month/year	**Number of share repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		RMB Yuan	*RMB Yuan*	*RMB millions*
10 July 2015	19,853,800	3.33	3.05	64
22 July 2015	3,016,800	3.26	3.24	10
23 July 2015	1,684,000	3.35	3.28	6
30 July 2015	5,503,200	3.31	3.17	18
16 September 2015	1,950,000	2.51	2.47	5
17 September 2015	2,704,000	2.53	2.46	7
22 September 2015	3,066,000	2.60	2.51	8
24 September 2015	2,144,000	2.54	2.44	5
25 September 2015	1,900,000	2.58	2.44	5
	41,821,800			128

The repurchase was approved by the shareholders at the Annual General Meeting held on 29 June 2015, whereupon a resolution on the "General Mandate to Repurchase Certain H Shares of the Company". The total amount paid on the repurchased shares of approximately RMB128 million was paid wholly out of cash. These repurchased shares had all been cancelled as of 31 December 2015.

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 2015.

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 the 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. Hu Xinbao 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 2014 and its interim results for the year 2015. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2015 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 2016

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

* *For identification purpose only*