



長沙中聯重工科技發展股份有限公司
CHANGSHA ZOOMLION HEAVY INDUSTRY
SCIENCE AND TECHNOLOGY DEVELOPMENT CO., LTD.*

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

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

CHANGSHA ZOOMLION
HEAVY INDUSTRY
SCIENCE AND TECHNOLOGY
DEVELOPMENT

2011
INTERIM REPORT

* For identification purpose only

Important Notice:

1. The Board of Directors and the Supervisory Board of the Company and its directors, supervisors and senior management warrant that there are no mis-representation, misleading statements or material omissions in this report and they shall, individually and jointly, accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report.
2. Mr. Zhan Chunxin, Chairman of the Board, Ms. Hong Xiaoming, the person in charge of financial affairs, and Ms. Du Yigang, head of accounting department warrant the truthfulness and completeness of the financial report contained in this interim report.
3. The interim financial report of the Company was unaudited, and was reviewed and adopted in the third meeting of the 4th session of the Board of Directors.
4. This report is published in both Chinese and English Language. If there are any inconsistencies in the content of this interim report (other than the interim financial report prepared in accordance with the international financial reporting standards), the Chinese version shall prevail. For the interim financial report prepared in accordance with the international financial reporting standards, the English version shall prevail.
5. Definitions

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

“The Company”, “Joint-stock Company” or “Zoomlion” refers to Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd.



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Company Profile

- I. Company name (in Chinese): 長沙中聯重工科技發展股份有限公司
Chinese abbreviation: 中聯重科
Company name (in English): Changsha Zoomlion Heavy Industry Science And Technology Development Co., Ltd.
English abbreviation: Zoomlion
- II. Legal representative of the Company: Zhan Chunxin
- III. Secretary of the Board of Directors: Shen Ke
Representative of securities affairs: Guo Tao
Contact Address: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC
Telephone: (86 731) 88923908
Fax: (86 731) 88923904
E-mail: 157@zoomlion.com
- IV. Registered address and place of business of the Company: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC
Postal code: 410013
Website: <http://www.zoomlion.com/>
E-mail: 157@zoomlion.com
- V. Authorized representatives: Zhan Chunxin
Shen Ke
Address of the authorized representatives: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC
- VI. Newspapers for disclosure of the Company's information: China Securities Journal, Shanghai Securities News, Securities Times
Website publishing the A share announcements: <http://www.cninfo.com.cn>
Website publishing the H share announcements: <http://www.hkexnews.hk>
Address for Inspection of the Interim Report: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC
- VII. Listing information: A Shares
Shenzhen Stock Exchange of China ("SZSE")
Stock Name: ZOOMLION
Stock Code: 000157
Corporate Bonds Name: 2008 Zoomlion Bonds (08中聯債)
Corporate Bonds Code: 112002
H Shares
The Stock Exchange of Hong Kong Limited ("SEHK")
Stock Name: ZOOMLION
Stock Code: 1157

Company Profile

- VIII. H Share Registrar: Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong
- IX. Legal Advisors
As to PRC law: Beijing Tianyin Law Firm
15/F, Zhong Kun Mansion, No. 59 Gaoliangqiao Road, Haidian District, Beijing, PRC
As to Hong Kong law: Norton Rose Hong Kong
38/F, Jardine House, 1 Connaught Place, Central, Hong Kong
- X. Auditors
Domestic auditors: Baker Tilly China Certified Public Accountants Co., Ltd. ("Baker Tilly China")
Address: Room 208, Block B, Huatong Building, B19 Chegongzhuang West Road,
Haidian District, Beijing, PRC
International auditors: KPMG
Address: 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong, PRC
- XI. Compliance Advisor: Anglo Chinese Corporate Finance, Limited
Address: 40th floor, Two Exchange Square, 8 Connaught Place, Central,
Hong Kong, PRC
- XII. Other relevant information
First registration date: 31 August 1999
First registration address: No. 307 Yinpen South Road, Changsha, Hunan Province, PRC
Date of registration for subsequent change: 20 October 2010
Place of registration for subsequent change: No. 361 Yinpen South Road, Changsha,
Hunan Province, PRC
Enterprise legal business licence registration number: 430000400000198
Taxation registration number: 430104712194405
Organisation Code: 71219440-5

Company Profile

XIII. Major financial data and indicators prepared in accordance with China Accounting Standards for Business Enterprises (“PRC GAAP”)

Unit: (RMB)

	As at the end of the reporting period	As at the end of the reporting period last year	Change compared to the end of the reporting period last year
Total assets (RMB)	75,087,819,472.11	62,995,275,498.09	19.20%
Shareholders' equity attributable to equity shareholders of the Company (RMB)	32,108,657,472.00	27,415,214,655.29	17.12%
Share capital (share)	5,927,656,962.00	5,797,219,562.00	2.25%
Net assets attributable to equity shareholders of the Company (RMB/share)	5.4168	4.7290	14.54%

	During the reporting period (January to June)	During the corresponding period last year	Change compared to the corresponding period last year
Operating income (RMB)	24,148,443,983.58	16,088,837,630.50	50.09%
Operating profit (RMB)	5,373,581,358.57	2,527,118,943.61	112.64%
Gross profit (RMB)	5,444,562,888.13	2,558,602,655.99	112.79%
Net profit attributable to equity shareholders of the Company (RMB)	4,627,983,865.45	2,202,455,108.37	110.13%
Net profit attributable to equity shareholders of the Company before extraordinary gain and loss (RMB)	4,564,043,762.95	2,173,951,534.78	109.94%
Basic earnings per share (RMB/Share)	0.6028	0.3562	69.23%
Diluted earnings per share (RMB/Share)	0.6028	0.3562	69.23%
Weighted average net return on net assets	14.92%	14.97%	-0.05%
Weighted average net return on net assets after extraordinary gain and loss	14.72%	14.79%	-0.07%
Net cash flow from operating activities (RMB)	467,329,422.51	-1,291,666,179.95	
Net cash flow from operating activities (RMB/Share)	0.0788	-0.2228	

Company Profile

Extraordinary items:

Unit: (RMB)

Extraordinary items	Amount	Notes (if applicable)
Loss on disposal of non-current assets	-4,128,664.28	
Government grants recorded in current profit and loss, except regular grants of fixed amount closely related to the normal business operations of the Company and entitled pursuant to government policy	67,471,583.12	
Loss from debt restructuring	-3,523,213.90	
Gains from fair value changes of trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's normal operations	11,325,401.66	
Non-operating income and expenses other than those set out above	11,161,824.54	
Tax effect	-12,358,292.73	
Minority interests	-6,008,535.91	
Total	63,940,102.50	

XIV. Major financial data and indicators prepared in accordance with International Financial Reporting Standards ("IFRSs")

Items	Six months ended 30 June		Increase/ decrease from the corresponding period last year (%)
	2011 RMB million	2010 RMB million	
Turnover	24,148	16,089	50.1
Profit before taxation	5,444	2,558	112.8
Income tax expenses	(793)	(395)	100.8
Profit for the period	4,651	2,163	115.0
Profit for the period attributable to:			
Equity shareholders of the Company	4,628	2,202	110.2
Non-controlling interests	23	(39)	-159.0
Basic and diluted earnings per share (RMB)	0.60	0.35	71.4

Company Profile

Items	As at 30 June 2011 RMB million	As at 31 December 2010 RMB million	Increase/ decrease from the end of the last year (%)
Non current assets	21,674	19,372	11.9
Current assets	53,524	43,670	22.6
Current liabilities	34,668	26,067	33.0
Net current assets	18,856	17,603	7.1
Total assets less current liabilities	40,530	36,975	9.6
Non current liabilities	8,363	9,540	-12.3
Net assets	32,167	27,435	17.2
Total equity attributable to the shareholders of the Company	32,070	27,376	17.1
Non-controlling interests	97	59	64.4

XV. Reconciliation of financial information prepared under PRC GAAP to IFRSs

Items	As at 30 June 2011 RMB million	As at 31 December 2010 RMB million
Total equity reported under PRC GAAP	32,207	27,475
Acquisition-related costs incurred on prior year business combination	(40)	(40)
Total equity reported under IFRSs	32,167	27,435

There is no material difference between total comprehensive income and consolidated cash flow of the Group reported under PRC GAAP and IFRSs.

Changes in Share Capital and Substantial Shareholders

I. Changes in Share Capital (As at 30 June 2011)

Unit: Share

Item	Before this change		Increase(+)/Decrease(-) in this change			After this change	
	Number	Percentage	New Issue (Note 1)	Others (Note 2)	Sub-total	Number	Percentage
I. Shares subject to sales restriction							
1. State-owned shares	0	0.00%	0	0	0	0	0.00%
2. Shares held by state-owned legal persons	365,750,000	6.31%	0	-365,750,000	-365,750,000	0	0.00%
3. Other domestic shares	250,931,450	4.33%	0	-250,931,450	-250,931,450	0	0.00%
Including: shares held by domestic non-state-owned legal persons	250,931,450	4.33%	0	-250,931,450	-250,931,450	0	0.00%
shares held by overseas natural persons	0	0.00%	0	0	0	0	0.00%
4. Foreign invested shares	0	0.00%	0	0	0	0	0.00%
Including: shares held by overseas legal persons	0	0.00%	0	0	0	0	0.00%
shares held by overseas natural persons	0	0.00%	0	0	0	0	0.00%
5. Shares held by senior management	1,663,252	0.03%	0	-229,295	-229,295	1,433,957	0.02%
6. Others	128,205,312	2.21%	0	-128,205,312	-128,205,312	0	0.00%
Total number of shares subject to sales restriction	746,550,014	12.88%	0	-745,116,057	-745,116,057	1,433,957	0.02%
II. Outstanding shares not subject to sales restriction							
1. Ordinary shares denominated in RMB	4,094,128,468	70.62%		732,072,317	732,072,317	4,826,200,785	81.42%
2. Domestically listed foreign invested shares	0	0.00%		0	0	0	0.00%
3. Overseas listed foreign invested shares	956,541,080	16.50%	130,437,400	13,043,740	143,481,140	1,100,022,220	18.56%
4. Others	0	0.00%	0	0	0	0	0.00%
Total number of outstanding shares not subject to sales restriction	5,050,669,548	87.12%	130,437,400	745,116,057	875,553,457	5,926,223,005	99.98%
III. Total number of shares	5,797,219,562	100%	130,437,400	0	130,437,400	5,927,656,962	100%

Note 1: As a result of the exercise of over-allotment option right by the joint bookrunners of the Global Offering of H Shares, the Company allotted and issued additional new H Shares at the offering price on 13 January 2011 to, among others, cover the over-allotment of the Global Offering.

Note 2: State-owned A shares were converted into H shares and transferred to the National Council for Social Security Fund of the PRC.

Purchase, Sales and Redemption of Shares

During the reporting period, there was no purchase, sales and redemption of any listed and outstanding securities of the Company by the Group.

Changes in Share Capital and Substantial Shareholders

II. Introduction of Shareholders (As at 30 June 2011)

1. Top ten shareholders of the Company

Unit: Share

Total number of shareholders as at the end of the reporting period						407,571
Shareholding of the top ten shareholders						
Name of shareholder	Nature of shareholder	Percentage of shareholding	Total number of shares held	Number of shares subject to sales restriction	Number of shares pledged or frozen	
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government	State-owned legal person	16.19%	959,523,074	959,523,074	0	
HKSCC Nominees Limited (Note)	H share	18.53%	1,098,197,420	1,098,197,420	0	
Good Excel Group Limited	Overseas legal person	5.60%	331,888,765	331,888,765	0	
Changsha Hesheng Science and Technology Investment Co., Ltd.	Domestic ordinary legal person	5.12%	303,199,961	303,199,961	0	
Changsha Yifang Science and Technology Investment Co., Ltd.	Domestic ordinary legal person	3.20%	189,726,962	189,726,962	0	
Real Smart International Limited	Overseas legal person	2.36%	140,076,617	140,076,617	0	
Hony Capital Fund I (Tianjin), L.P.	Domestic ordinary legal person	2.20%	131,575,000	131,575,000	0	
China Jianyin Investment Co., Ltd.	State-owned legal person	2.15%	127,500,000	127,500,000	0	
Xiangjiang Industrial Investment Co., Ltd.	State-owned legal person	1.14%	67,531,396	67,531,396	0	
Guangdong Hengjian Investment Holding Co., Ltd.	State-owned legal person	1.07%	63,630,000	63,630,000	0	

Changes in Share Capital and Substantial Shareholders

Top ten holders of shares not subject to sales restriction		
Name of shareholder	Number of shares held not subject to sales restriction	Class of shares
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government	959,523,074	Ordinary shares denominated in RMB
HKSCC Nominees Limited (Note)	1,098,197,420	Overseas listed foreign invested shares
Good Excel Group Limited	331,888,765	Ordinary shares denominated in RMB
Changsha Hesheng Science and Technology Investment Co., Ltd.	303,199,961	Ordinary shares denominated in RMB
Changsha Yifang Science and Technology Investment Co., Ltd.	189,726,962	Ordinary shares denominated in RMB
Real Smart International Limited	140,076,617	Ordinary shares denominated in RMB
Hony Capital Fund I (Tianjin), L.P.	131,575,000	Ordinary shares denominated in RMB
China Jiayin Investment Co., Ltd.	127,500,000	Ordinary shares denominated in RMB
Xiangjiang Industrial Investment Co., Ltd.	67,531,396	Ordinary shares denominated in RMB
Guangdong Hengjian Investment Holding Co., Ltd.	63,630,000	Ordinary shares denominated in RMB
Description of the connected relationships between the above shareholders or shareholders who are parties acting in concert	Saved for Changsha Hesheng Science and Technology Investment Co., Ltd. and Changsha Yifang Science and Technology Investment Co., Ltd. which are parties acting in concert, and Good Excel Group Limited and Real Smart International Limited which are parties acting in concert, the Company was not aware of any connected relationships among the other shareholders and the shareholders are not parties acting in concert within the meaning of the Administrative Measures for Information Disclosure on Change of the Shareholdings of Listed Companies.	

Note: The H shares were held by HKSCC Nominees Limited on behalf of various clients.

Changes in Share Capital and Substantial Shareholders

2. Changes of the largest shareholder of the Company

The Company has no controlling shareholder as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

3. Substantial Shareholders’ interests and short positions in the Company

As at 30 June 2011, the following persons (other than the directors and supervisors of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Section 2 and 3 of Part XV of the Securities and Futures Ordinance, or required to be recorded in the register to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance:

Name	Nature of interest	Class of shares	Number of shares	Percentage of class of shares issued (%)	Percentage of total shares issued (%)
Changsha Hesheng Science and Technology Investment Co., Ltd. ⁽¹⁾	Beneficial	A share	303,199,961(L)	6.28	5.11
Good Excel Group Limited ⁽²⁾	Beneficial	A share	331,888,765(L)	6.87	5.59
Rise Honour Investments Limited ⁽²⁾	Interests of controlled corporation	A share	471,965,382(L)	9.77	7.96
Hony Capital II L.P. ⁽²⁾	Interests of controlled corporation	A share	471,965,382(L)	9.77	7.96
Hony Capital GP Ltd. ⁽²⁾	Interests of controlled corporation	A share	471,965,382(L)	9.77	7.96
Right Lane Limited ⁽²⁾	Interests of controlled corporation	A share	471,965,382(L)	9.77	7.96
Legend Holdings Limited ^{(2), (3)}	Interests of controlled corporation	A share	603,540,382(L)	12.50	10.18
Employees’ Shareholding Society of Legend Holdings Limited ^{(3), (4)}	Interests of controlled corporation	A share	603,540,382(L)	12.50	10.18
Chinese Academy of Sciences Holdings Co, Ltd. ^{(3), (4)}	Interests of controlled corporation	A share	603,540,382(L)	12.50	10.18
Chinese Academy of Sciences ^{(3), (4)}	Interests of controlled corporation	A share	603,540,382(L)	12.50	10.18
State-owned Assets Supervision and Administration Commission of Hunan Provincial People’s Government	Beneficial	A share	959,523,074(L)	19.87	16.18
Blackrock, Inc. ⁽⁵⁾	Interests of controlled corporation	H share	75,791,619(L)	5.30	1.27
			12,990,414(S)	0.91	0.21
Morgan Stanley ^{(5), (6)}	Interests of controlled corporation	H share	74,264,229(L)	5.19	1.25
			7,287,033(S)	4.92	1.18
Wellington Management Company, LLP ⁽⁵⁾	Beneficial and investment manager	H share	95,760,853(L)	6.70	1.61
National Council for Social Security Fund ⁽⁵⁾	Beneficial	H share	76,714,42(L)	6.97	1.29
JP Morgan Chase & Co. ^{(5), (7)}	Interests of controlled corporation	H share	101,072,024(L)	7.07	1.70
	and custodian corporation/ approved lending agent		9,200,000(S)	0.64	0.15
			57,114,972(P)	3.99	0.96
Artio Global Management LLC ⁽⁵⁾	Beneficial and investment manager	H share	102,140,612(L)	7.14	1.72
UBS AG ^{(5), (8)}	Beneficial and interests of controlled corporation	H share	1,801,061(L)	12.66	3.05
			26,314,400(S)	1.84	0.44

Changes in Share Capital and Substantial Shareholders

Notes: L refers to long position. S refers to short position. P refers to shares available for lending.

- (1) Changsha Hesheng Science and Technology Investment Co., Ltd. is an investment entity controlled and owned by the management of the Group.
- (2) Good Excel Group Limited and Real Smart International Limited are beneficially interested in 331,888,765 and 140,076,617 A shares respectively. Good Excel Group Limited and Real Smart International Limited are interested in an aggregate of 471,965,382 A shares. Good Excel Group Limited and Real Smart International Limited each is a 67.71% owned subsidiary of Rise Honour Investments Limited. Rise Honour Investments Limited is controlled by Hony Capital II L.P., which is controlled by Hony Capital II G.P. Ltd.. Hony Capital II G.P. Ltd. is wholly owned by Right Lane Limited, which is a wholly owned company of Legend Holdings Limited.
- (3) Legend Holdings Limited is deemed to be interested in 131,575,000 A shares held by Hony Capital Fund I (Tianjin), L.P.. Legend Holdings Limited is deemed to be interested in 603,540,382 A shares.
- (4) Employees' Shareholding Society of Legend Holdings Limited and Chinese Academy of Sciences Holdings Co, Ltd. hold 35% and 36% interests of Legend Holdings Limited, while Chinese Academy of Sciences Holdings Co, Ltd. is wholly owned by Chinese Academy of Sciences.
- (5) The disclosure is based on the information provided on the website of SEHK (www.hkexnews.com.hk).
- (6) Morgan Stanley is deemed or considered to be interested in 74,264,229 H shares of the Company through the holding companies directly or indirectly owned by it, namely Morgan Stanley Capital Management, L.L.C., Morgan Stanley Domestic Holdings, Inc., Morgan Stanley International Incorporated, Morgan Stanley International Limited, Morgan Stanley & Co, Inc., Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co, Inc., Morgan Stanley International Holdings Inc., and MSDW Equity Financing Services (Luxembourg) S.a.r.l.. Morgan Stanley holds 70,287,033 H shares in short position by way of vesting.
- (7) JP Morgan Chase & Co. is deemed or considered to be interested in 101,072,024 H shares of the Company through the holding companies directly or indirectly owned by it, namely JPMorgan Chase Bank, N.A., J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., JPMorgan Chase Bank, N.A., J.P. Morgan Securities Ltd., J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited, J.P. Morgan Markets Limited, Bear Stearns Holdings Limited, Bear Stearns UK Holdings Limited, The Bear Stearns Companies LLC, JF Asset Management Limited, JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., and JPMorgan Asset Management (Taiwan) Limited. JP Morgan Chase & Co. holds 9,200,000 H shares in short position by way of vesting.
- (8) UBS AG is deemed or considered to be interested in 181,001,061 H shares of the Company through the holding companies directly or indirectly owned by it, namely UBS Fund Management (Switzerland) AG, UBS Fund Services (Luxembourg) S.A., UBS Global Asset Management (Canada) Inc., UBS Global Asset Management (Americas) Inc., UBS Global Asset Management (Singapore) Ltd, UBS Global Asset Management (UK) Ltd, UBS Securities LLC, UBS Global Asset Management (Japan) Ltd, UBS Global Asset Management (Hong Kong) Limited, and UBS Global Asset Management Trust Company. UBS AG holds 26,314,400 H shares in short position by way of vesting.

Save as disclosed above, to the best knowledge of the Directors, Supervisors and chief executives of the Company, as at 30 June 2011, none of other person had an interest or short position in the shares or underlying shares of the Company (as the case may be) which is required to be recorded in the register to be kept pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, or were substantial shareholders of the Company.

Changes in Share Capital and Substantial Shareholders

III. Top ten holders of the corporate bonds of the Company (As at 30 June 2011)

Name of holder of the corporate bonds	Number of bonds held	Percentage (%)
Haitong — BOC — Fortis Bank	1,105,198	10.05
China Construction Bank — ICBCCS Credit Value-added Debt Securities Investment Fund	1,099,350	9.99
ICBC Credit Suisse Asset Management — ICBC — Specific clients asset	1,047,927	9.53
CITIC Securities Co., Ltd.	1,001,191	9.10
GF Securities Co., Ltd.	743,874	6.76
Huatai Securities Co., Ltd.	626,000	5.69
Industrial and Commercial Bank of China — Fuguo Tianli Bond Investment Growth Fund (富國天利增長債券投資基金)	544,910	4.95
National Social Insurance Fund 206 Package	540,097	4.91
National Social Insurance Fund 203 Package	536,850	4.88
China Construction Bank — Fuguo Tianfeng Enhanced Income Bond Investment Fund (富國天豐強化收益債券型證券投資基金)	470,840	4.28
Description of the connected relationships between the above holders of bonds	Both ICBCCS Credit Value-added Debt Securities Investment Fund and ICBC Credit Suisse Asset Management — ICBC — Specific clients asset were managed by ICBC Credit Suisse Asset Management Co., Ltd. Both Fuguo Tianli Bond Investment Growth Fund (富國天利增長債券投資基金) and Fuguo Tianfeng Enhanced Income Bond Investment Fund (富國天豐強化收益債券型證券投資基金) were managed by Fullgoal Fund Management Co., Ltd. Both National Social Insurance Fund 206 Package and National Social Insurance Fund 203 Package were managed by the National Social Security Fund. Saved as the above, there was no other connected relationship between other holders of the bonds.	

Directors, Supervisors and Senior Management

I. Shareholdings of the Company's Directors, Supervisors and Senior Management During the Reporting Period

Name	Position	Number of Shares held in the beginning of the year	Number of Shares increased during the reporting period	Number of Shares decreased during the reporting period	Number of Shares held at the end of the reporting period	Of which: number of restrictive shares held	Number of share options held at the end of the reporting period	Reasons of changes
Zhan Chunxin	Chairman and Chief Executive Officer	202,400	0	0	202,400	151,800	0	—
Liu Quan	Executive Director	145,475	0	0	145,475	109,105	0	—
Qiu Zhongwei	Non-executive director	0	0	0	0	0	0	—
Liu Changkun	Independent non-executive director	0	0	0	0	0	0	—
Qian Shizeng	Independent non-executive director	0	0	0	0	0	0	—
Wang Zhile	Independent non-executive director	0	0	0	0	0	0	—
Lian Weizeng	Independent non-executive director	0	0	0	0	0	0	—
Cao Yonggang	Chairman of Supervisory Board	0	0	0	0	0	0	—
Liu Chi	Supervisor	106,700	0	0	106,700	80,025	0	—
Luo Anping	Employee Supervisor	106,427	0	0	106,427	79,820	0	—
Zhang Jianguo	Senior president	143,417	0	0	143,417	107,562	0	—
Yin Zhengfu	Senior president	137,500	0	0	137,500	103,125	0	—
Fang Minghua	Senior president	121,828	0	0	121,828	91,370	0	—
He Jianming	Senior president	126,500	0	0	126,500	94,875	0	—
Du Youqi	Senior president	7,700	0	0	7,700	5,775	0	—
Wang Chunyang	Senior president	121,549	0	0	121,549	91,162	0	—
Xu Wuquan	Senior president	96,251	0	0	96,251	72,188	0	—
Su Yongzhuan	Vice president	88,000	0	0	88,000	66,000	0	—
Guo Xuehong	Vice president	137,500	0	0	137,500	103,125	0	—
Sun Changjun	Vice president	123,751	0	0	123,751	92,813	0	—
Xiong Yanming	Vice president	74,250	0	0	74,250	55,687	0	—
Li Jiangtao	Vice president	117,700	0	0	117,700	88,275	0	—
Hong Xiaoming	Vice president and financial controller	0	0	0	0	0	0	—
He Wenjin	Vice president	0	0	0	0	0	0	—
Wan Jun	Vice president	0	0	0	0	0	0	—
Chen Xiaofei	Vice president	0	0	0	0	0	0	—
Chen Peiliang	Vice president	55,000	0	0	55,000	41,250	0	—
Wang Yukun	Chief Information Officer	0	0	0	0	0	0	—
Shen Ke	Secretary to the Board of Directors	0	0	0	0	0	0	—
Total		1,911,948	0	0	1,911,948	1,433,957	0	

II. Recruitment or Dismissal of the Company's Directors, Supervisors and Senior Management During the Reporting Period

On 22 July 2010, Mr. Shen Ke was designated to perform the duties of Secretary to the Board of Directors in the first meeting of the 4th session of the Board of Directors. In the first extraordinary meeting of the 4th session of the Board of Directors convened on 18 February 2011, Mr. Shen Ke was appointed as the Secretary to the Board of Directors, with a term from 18 February 2011 to the end of term of the 4th session of the Board of Directors.

Directors, Supervisors and Senior Management

III. Directors, Supervisors and Chief Executives' Interests in Shares or Debentures of the Company

Each of the directors, supervisors and chief executives' interests in shares of the Company are set out in the section headed "Shareholdings of the Company's Directors Supervisors and Senior Management during the Reporting Period".

As at 30 June 2011, the directors, supervisors and senior management who have interest or a short position in the shares, underlying shares or debentures of the Company or associated corporation (as defined in Part XV of SFO) which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or required to be disclosed to the Company and SEHK under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Name of Directors/ Supervisors	Nature of interest	Class of share	Number of share	Percentage of the total share capital (%)
Zhan Chunxin	Beneficiary owner	A Share	202,400(L)	0.0042
Liu Quan	Beneficiary owner	A Share	145,475(L)	0.0030
Liu Chi	Beneficiary owner	A Share	106,700(L)	0.0022
Luo Anping	Beneficiary owner	A Share	106,427(L)	0.0022

Note: L represents long position.

As at 30 June 2011, save as disclosed above, none of the directors, supervisors or chief executive officer has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and SEHK pursuant to the Model Code.

As at 30 June 2011, none of the directors, supervisors, or chief executive officers or their respective spouse or children under 18 years of age has any rights to acquire the shares or debentures of the Company or any of its associated corporations nor exercise any of these rights.

Report of the Board of Directors

I. Discussion and Analysis on the Operations of the Company

(I) Discussion and analysis on the results of operations

In the first half of 2011, to cope with the complex macroeconomic situation, the Company further improved its strategic management. By reinforcing its overall strategic guidance and the strategy implementation under its operation units, the Company achieved a new breakthrough for its results of operations and continued to outperform its peers.

1. Excellent results of operations

In the first half of the year, the Company recorded turnover of RMB24,148 million, representing growth of 50.09% as compared to the same period last year. Net profit attributable to equity shareholders of the parent company was RMB4,628 million, representing a growth of 110.13% as compared to the same period last year.

2. Rapid growth in core products

Concrete machinery and truck crane products maintained leading positions in the industry, in particular:

- The remarkable competitive edges of the Company's tower crane products consolidated leading position of the products in the industry;
- Market share of crawling crane products continued to rank first in the industry;
- Market share of environmental and sanitation machinery products continued to be the top in the industry. The Company continued to expand vertically in the industry chain of garbage treatment and new products including snow cleaning equipment, whole set of equipment for landfill and sanitation vehicles powered by new energy generated new income stream;
- Road construction and pile foundation machinery maintained rapid growth and consolidated its position in the industry.

3. Improving overseas marketing network

- The overseas marketing network developed rapidly. With an addition of 10 sales outlets and 16 distributors the first half of 2011, the marketing network covering six continents of the world was formed to conduct sales through regional dealers, direct marketing and establishing major customer base. Increases in sales of key products (tower cranes and crawling cranes) and sales in key overseas markets (South Asia, Middle East and CIS zone) exceeded the average level of the whole industry;

Report of the Board of Directors

4. Fruitful achievements in technology innovation

The Company strived to become a global leading enterprise in technology through its continuous effort on developing advanced technologies in the world.

- Fruitful results were attained by developing innovative proprietary technologies. The Company was selected as one of the “Model Enterprise of Technology Innovation in the PRC of 2011 (2011年國家技術創新示範企業)” by the Ministry of Industry and Information Technology and the Ministry of Finance. It was among the first in the PRC and the only enterprise in Hunan province to receive this title.
- The Company acquired the proprietorship of the German JOST flat top tower crane technology, the leading tower crane technology in the world, which allowed the Company to enter the international high-end markets such as Europe and the United States;
- The ultra-high pressure trailer-mounted concrete pumps designed and developed by the Company successfully pumped C120 high mark concrete to a record high of 417 meters;
- The new truck-mounted concrete pump and mixer developed by Zoomlion and CIFA demonstrated the perfect combination of the world’s leading technologies to facilitate highly-intensive operation and received market recognition;
- The hoisting capacity of the self-developed 3,200-ton ZCC3200NP crawler crane for construction of the third-generation nuclear plant in the PRC broke the record of domestic crawler cranes. As such, Zoomlion rose to the leading position in the international crane industry with this technological breakthrough in the field of heavy crane products which had been dominated by foreign enterprises;
- The Company innovated and developed the QY80 crane, a crane with 4 axles possessing the highest hoisting capacity in the world;
- The 100-ton crane for off road tyres, the largest crane for tyres in the PRC currently, was successfully launched.

5. Leading the industry with innovated service

The service innovation and management of the Company were strengthened. The Company provided one-stop service before, during and after sales to its customers by implementing a service system and security platform with interaction inside and outside the Company and information management for the whole process focused on onsite services supported by its headquarter. The Company aimed to provide high quality service within the industry and improve industry standard with its innovative services.

Report of the Board of Directors

6. Optimization of management

The Company focused on the restructuring of functional departments to further optimize its structure, streamline processes, consolidate the management system and enhance operating efficiency to facilitate our international development strategy.

7. Further enhancement of brand image

The Company further promoted its brand image with a view to becoming a leading brand in the industry. During the first half of the year, the Company won the following honours:

- The Company ranked the eighth amongst the top 50 construction machinery manufacturers in the world of 2011 by “China Mechanical Engineering”, up from the rank of tenth in last year.
- In the Fifth National After-sale Service Awards organized jointly by China Commercial Association and Chinese Foundation for Consumers Protection, the Company won the award of “National Meritorious Enterprise of After-sale Service” again. The Company was the only construction machinery manufacturer that won this honour.
- In the Sixth Conference of Machine Management and Leasing Division of China Construction Industry Association, our crane product received two major awards, namely the “Best Quality Product” and the “Best After-sale Service” awards.
- The Board was also selected the “Most Outstanding Board of Directors” during the “Golden Roundtable Award” of the Seventh Session. The Company is the only listed company won the award for four times and the most frequently awarded listed company in the Shenzhen and Shanghai stock markets.
- The Company received the first Hunan Governor Quality Award and was the only company unanimously approved by the assessment team as the top-ranked awarded company.
- The Company also honored as one of the “Top Ten Most Sustainable Listed Companies in Investment Value in China” for the fourth time, and sustainable investment value of the Company won high recognition from investors.

II. Operational challenges

(I) Economic outlook of the second half of the year

There are uncertainties in global economic outlook as the problems hindering the development of world economy still exist. Recovery will be slow due to weak demand. The possible quantitative easing monetary policy of the US may have negative effect on real economy. As for the overseas market, the developing countries and emerging markets will see a more rapid economic growth, which is expected to boost the international demand of construction machines.

Report of the Board of Directors

Positive as well as negative factors will have their effects on local market in the second half of the year. On the negative side, it is unlikely that austerity policy will be eased in the new future and the growth in investment in fixed assets will slow down. The sales of construction machinery will be affected. On the positive side, the development of construction machinery industry will be driven by the on-going urbanization, construction of low-income housing, irrigation systems and other infrastructures, rapid growth of private investment and promotion of investment by the government.

(II) Operating risks in the second half of the year

1. Macroeconomic policy risks: it is unlikely that the austerity policies will be eased; demand from down-stream industries for construction machinery may remain weak;
2. Exchange risks: appreciation of RMB is anticipated and sales revenue and assets denominated in foreign currencies may have exchange loss;
3. Credit risks: the credibility of customers may have impact on the business of the Company due to the rapid growth of sales and client base;
4. Cost risks: profit may be eroded by rising material cost and labour cost.

(III) Major operating measures in the second half of the year

In the second half of the year, the Company will continue to closely monitor the market and improve domestic and overseas marketing and services network. The Company will strengthen the sense of responsibility and risk of its staff so as to achieve its operation targets.

1. Focus in domestic market and step up marketing efforts

The Group will further explore the markets in second and third tier of cities to increase market share and focus on niche markets by providing customized products and services to fulfill customers' needs.

The Group will coordinate marketing activities in first tier cities through a central market information management system.

To supplement the second and third tier sales networks established by operating units and agents, the Group will establish its first tier sales network to further improve its competitiveness and the ability to adapt market changes.

2. Accelerate expansion into overseas market to promote sales

The Group will push forward its overseas development strategy by speeding up the development of overseas production base and research and development centre. More overseas sales and customer service centers will be established.

Report of the Board of Directors

The Group will also expedite the establishment of information technology system for overseas network to improve its management and communication.

The Company will change its overseas sales strategy and improve the management and selection of overseas sale agents.

3. Expedite technology development to maintain leading position

The Group will increase its investment in scientific research and development of innovative technology, and continue to launch new products.

The Group will focus on large-scale scientific research projects. The Group aims to launch world-class advanced construction machinery products by promoting the application of intelligent, energy conservation and environmental friendly technologies in products with lighter weight.

In addition, the Group will focus on patents application and actively participate in the formulation and revision of national and industrial standards.

The Group will organize internal training programs and recruit talents of medium and high end technology worldwide to strengthen its technology capability.

Strategic alliance with local and overseas academic institutions will be established to strengthen its research and development capability.

4. Promote the sense of responsibility and enhance risk control capability

The Company will develop a corporate culture of “responsibility”. Responsibility of each function role will be clearly defined to eliminate ambiguity. Operation efficiency will be improved by monitoring the implementation and results of management policies.

We will strengthen the analysis and forecast on macro economic conditions so as to promptly response to market changes. Production and sales plans will be carefully devised to maintain optimal structure and level of inventory. The Group will also strengthen its credit control and collection. In addition, the Group will also exploit potentials to increase efficiency and strictly control its costs and expenses to improve profitability.

III. Analysis of financial position

CASH FLOW AND CAPITAL EXPENDITURE

The Company financed its operations primarily through cash generated from operating activities, proceeds from loans and borrowings, including bank borrowings and factoring of its receivables under finance lease, and proceeds from the issuance of shares. As of 30 June 2011, the Company had RMB19,968 million in cash and cash equivalents, 95.7% of which were denominated in Renminbi. Cash and cash equivalents primarily consist of cash and demand deposits.

Report of the Board of Directors

Operating activities

Net cash generated from operating activities for the six months ended 30 June 2011 was RMB356 million, derived primarily by deducting from the profit before taxation of RMB5,444 million the following items: (i) an increase in trade and other receivables of RMB5,162 million; (ii) an increase in receivables under finance lease of RMB2,234 million; (iii) an increase in inventories of RMB1,640 million; and (iv) income tax paid of RMB814 million and then adding back (v) depreciation and amortization of RMB222 million; and (vi) an increase in trade and other payables of RMB4,360 million.

Investing activities

Net cash used in investing activities for the six months ended 30 June 2011 was RMB1,571 million, consisting primarily of an increase in pledged bank deposits of RMB1,045 million and payments for the purchase of property, plant and equipment of RMB613 million.

Financing activities

Net cash generated from financing activities for the six months ended 30 June 2011 was RMB2,488 million, consisting primarily of proceeds from loans and borrowings of RMB5,761 million and net proceeds from private placement of A Share and over-allotment of H Shares in Global Offering of RMB1,507 million, partially offset by repayments of loans and borrowings of RMB4,368 million, interest paid of RMB357 million and dividends paid in the amount of RMB55 million. For the six months ended 30 June 2011, the Company continued to use factoring to provide additional funding for operations with an amount of RMB2,466 million.

Capital Expenditures

The Company incurred capital expenditures of RMB582 million for the six months ended 30 June 2011 (for the six months ended 30 June 2010: RMB557 million), for purchase of property, plant and equipment, intangible assets and lease prepayments. The Company funded the capital expenditures primarily with proceeds from issuance of A Shares in Non-public Offering and H Shares in Global Offering. There were no significant asset disposals or business acquisition in the six months ended 30 June 2011.

Credit Policies

There have been no significant changes to the credit policies as adopted by the Group comparing with 2010. Refer note 28(a) of the financial statements prepared under IFRSs for the year 2010 for details.

COMMITMENTS AND CONTINGENT LIABILITIES

As of 30 June 2011, the Company had capital commitments of RMB2,424 million and operating lease commitments of RMB155 million, of which RMB86 million was payable within one year.

Please refer to note 17 of the unaudited interim financial report for the six months ended 30 June 2011 for details of the Company's contingent liabilities.

CHARGE ON ASSETS

Please refer to note 13 of the unaudited interim financial report for six months ended 30 June 2011 for details of the Company's charge on assets

Report of the Board of Directors

IV. Investment

The planned investment for the concrete-mixing plant project in Hanshou Industrial Park was RMB180,000,000. As at 30 June 2011, approximately 95% of the project has been completed.

The Company did not have any material acquisitions and disposals of subsidiaries and associated companies for the six months ended 30 June 2011. As at date of this report, the Company has no plan to make any material investments in or acquisition of capital assets.

V. Employees

During the reporting period, there was no significant change on the number of employees, their salaries and remuneration policies as compared with the number disclosed in the annual report of 2010.

Other Matters

I. Corporate Governance

1. Compliance with the CSRC's applicable requirements of the corporate governance of the Company

The Company has established and improved the structure of its corporate governance to regulate its operation strictly in accordance with the Company Law, Securities Law, the relevant regulations of the CSRC. The Company improves its internal control, the regulations of shareholders' meeting, board meeting and supervisor meeting so as to ensure effective operation and safeguard the interests of all shareholders and itself. The corporate governance of the Company is substantially the same as required by the regulatory requirements of the CSRC on listed companies. The Company will consolidate the efforts of the corporate governance promotion campaign of listed companies by further enhancing corporate governance and internal control of listed companies and their subsidiaries. The accountability mechanism and information disclosure system will be improved to ensure true, accurate, complete, timely and fair disclosure of information.

Save as disclosed above, the Company had complied with the code provisions of the code on Corporate Governance contained in Appendix 14 to the Listing Rules of Hong Kong during the reporting period.

2. Compliance with the principles and code provisions of the code on Corporate Governance during the Reporting Period

The Board had adopted all code provisions of the code on Corporate Governance (the "Codes") contained in Appendix 14 to the Listing Rules as the codes of the Company. During the six months ended 30 June 2011, the Company had complied with all applicable code provisions of the Codes, other than the deviation of Code A.2.1 which the roles of the Chairman and Chief Executive Officer were not separated. Mr. Zhan Chunxin is currently the Chairman and Chief Executive Officer of the Company. The Board believes that Mr. Zhan Chunxin acting as the above two positions concurrently can more effectively facilitate the formulation and implementation of the business strategies of the Company. Through the regulation of the Board and Independent Executive Directors as well as the effective internal balancing mechanism of the Company, such arrangement will not affected the balance of the rights and authorizations regarding business management between the Board and the Company. The Board believes that such arrangement will benefit the Company and its operations.

3. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period

The Company had adopted the code provisions regarding the purchase and sale of the Company's shares by the Directors on the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had fully complied with the Model Code during the six months ended 30 June 2011. The Company was not aware of any non-compliance of the Model Code by any Directors or Supervisors.

4. Audit Committee

The audit committee of the Company had discussed the accounting principles and practices adopted by the Company with the management and reviewed this report, including the interim financial report of the Group prepared in accordance with International Accounting Standard No. 34 for the six months ended 30 June 2011.

5. Change of name of the Company and corresponding amendment to the Articles of the Company

Pursuant to the resolution of the Board passed at the second meeting of the fourth session of the Board held on 28 March 2011 and the special resolution passed at the annual general meeting of the Company held on 3 June 2011, it was considered and approved that the name of the Company was changed from “長沙中聯重工科技發展股份有限公司 (Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd.)” to “中聯重科股份有限公司 (Zoomlion Heavy Industry Science and Technology Co., Ltd.)”. The Company will make corresponding amendments to the Articles of the Company to reflect the proposed change of its name. The proposed change of company name and proposed corresponding amendment to the Articles contained in such resolution will become effective from the date of issue of new business license by the relevant industrial and commercial administrative authorities in the PRC. The Company will make necessary filings to the Registrar of the Companies in Hong Kong when the new company name becomes effective. The shares of the Company bearing the new name may be used for dealing, settlement and delivery for the same quantity of the shares. As such, the Company will not make any arrangement for the free exchange of the existing certificate with new certificate bearing the new company name. Once the change of the Company's name becoming effective, the Company will issue new share certificates bearing the new name. The share abbreviation of the Company will remain unchanged.

The Company will make further announcement regarding the effective date of the change of name.

6. Adoption of various procedural rules of the Company

Pursuant to the Company Law and other regulatory rules, the Company has formulated the Procedural Rules. In light of the recent amendments to the Shenzhen Listing Rules and the Hong Kong Listing Rules and the requirements of the relevant PRC regulations which are applicable to the Company and in order to correspond to the changes made to the Articles, new Procedural Rules for Shareholders' Meetings, Procedural Rules for Directors' Meetings, Procedural Rules for Supervisors' Meetings, Administrative Rules of Related Party Transactions, and Management Measures on Connected Transactions of H Shares were considered and approved in accordance with the resolution of the Board passed at the second meeting of the fourth session of the Board held on 28 March 2011 and the ordinary resolution passed at the annual general meeting of the Company held on 3 June 2011.

7. Grant of general mandate to the Board for issue of new shares of the Company

Pursuant to the resolution of the Board passed at the second meeting of the fourth session of the Board held on 28 March 2011 and the special resolution passed at the annual general meeting of the Company held on 3 June 2011, it was considered and approved the granting of a general mandate to the Board to allot, issue and deal with new shares of the Company subject to the applicable laws, rules and regulations.

The Board declares that the Company currently has no plan to issue any new Shares.

Other Matters

II. Implementation of Profit Distribution Plan as at the Reporting Date

The Profit Distribution Plan for 2010 (2010年度利潤分配方案) was approved at the 2010 annual general meeting, H Shares class meeting and A Shares class meeting convened on 3 June 2011, pursuant to which the Company distributed RMB2.6 (tax included) for every 10 shares in cash to all shareholders based on the total share capital of the Company of 5,927,656,962 shares and issued 3 bonus shares for every 10 outstanding shares by capitalisation of the capital reserve.

The A Shares under the Profit Distribution Plan for 2010 were registered on 14 July 2011. The ex-rights and ex-dividend date of A Shares was 15 July 2011. On 15 July 2011, the final dividend and bonus shares of H Shares were paid and distributed to the H Share shareholders whose names appear on the H Share register of members of the Company at the close of business on 21 June 2011. The distribution of profits for 2010 was implemented on 15 July 2011 by the Company.

III. Litigations of the Company during the Reporting Period

Litigations of the Company during the reporting period are set out below:

1. Dispute on consideration for equity transfer with Skyworth Mobile Communication Limited (創維移動通信)

The Company entered into a written agreement with Skyworth Mobile Communication (創維移動通信) (“Skyworth Mobile”), pursuant to which, the Company shall transfer its 65% equity interests in Changsha New High-tech Industrial Development Zone Zhongke Beidou Hangdian Technology Co., Ltd. (長沙高新技術產業開發區中科北斗航電科技有限公司) (“Zoomlion Beidou”) to Skyworth Mobile at a total consideration of RMB20.15 million. The registration procedure for the equity transfer was completed on 30 December 2008. However, Skyworth Mobile failed to settle the payment under the agreement and the Company filed a statement of claim against Skyworth Mobile with a court on 7 April 2009, requiring Skyworth Mobile to settle the payment of equity transfer and interest accrued thereon as well as the attorney fees and court costs. The judgment of the people’s court of first instance ordered Skyworth Mobile to pay a total amount of RMB21,070,598.44 to the Company in respect of the equity transfer, interest accrued thereon and legal expenses together with the case acceptance fee and custody fees in the total amount of RMB149,954. Skyworth Mobile appealed to the people’s court of second instance which upheld the original judgment on 11 December 2009. The court held the property of Skyworth Mobile in custody and froze the account and its equity interests in Zoomlion Beidou upon application of the Company. Skyworth failed to pay the abovementioned amount after the announcement of the judgment of the people’s court of second instance. The court accepted the application of the Company on 18 January 2010 for the compulsory enforcement of the debit of RMB585,464.01 in aggregate from the two deposit accounts of Skyworth Mobile. Execution of the case is still in progress. At present, several companies express intentions to accept the transfer of the equity interests in Zoomlion Beidou by Skyworth Mobile. The negotiation between the shareholders of Zoomlion Beidou and potential transferees is in progress.

Other Matters

As the case did not arise from the usual course of business of the Company, which was the plaintiff, and the property of the defendant was under the custody of the legal system, the Company continued to maintain effective control on the relevant property of the defendant. As such, the case would not have significant effects on the Company's operations.

2. Taxation Case of a Subsidiary in Italy

In March 2010, Italian tax authorities issued a tax inspection assessment report to CIFA Mixers S.r.l, a subsidiary of CIFA. The tax authorities have challenged the deductibility of certain costs incurred by this entity for tax purpose for the year from 2003 to 2007. CIFA Mixers S.r.l was allowed to appeal to the court and the management of CIFA Mixers S.r.l sought to resolve such issue through legal means. In January 2011, the court ruled in favour of CIFA Mixers S.r.l. at the first degree of judgment and dismissed the claim for additional taxes from the tax authorities. However, the tax authorities may appeal to the second degree of judgment.

Save as disclosed above, the Company has not involved in any material litigation or arbitration which would have significant effects on its production and operation.

IV. During the reporting period, neither the Company nor the Board of Directors, the Directors or the Senior Management of the Company was subject to any investigation by the CSRC, administrative punishment and criticism by the CSRC, the Securities and Future Commission and the Hong Kong Stock Exchange or any public censure by any other administrative department or stock exchange. Neither the directors nor the senior management of the Company was subject to any compulsory measures of judiciary departments.

V. No material acquisition, disposal and asset reorganization was conducted by the Company during the reporting period

VI. Shareholding of the Company in Other Listed Companies

Unit: RMB

Stock code	Abbreviation	Initial investment amount	Shareholding percentage	Carrying value at the end of the period	Gain or loss during the reporting period	Changes in	Accounting item	Source of shares
						owner's equity during the reporting period		
601328	BCOM	5,291,736	0.001%	4,267,550.64	0	39,286.12	Available-for-sale financial assets	Acquisition
Total		5,291,736	—	4,267,550.64	0	39,286.12	—	—

Other Matters

VII. The Company had No Material Connected Transaction during the Reporting Period

VIII. Material Contracts and the Implementation

(I) During the reporting period, neither assets of other companies were held under trust, contract and lease by the Company nor assets of the Company were held under trust, contract and lease by other companies

(II) **Material guarantees during the reporting period**

On 1 September 2008, the Company entered into an irrevocable letter of counter-guarantee with the Export-Import Bank of China, pursuant to which the Company provided a counter guarantee for the bank loans of Zoomlion Overseas Investment Management (H.K.) Co., Limited, a subsidiary of the Company. The irrevocable letter of counter-guarantee shall be effective from the date of its execution to two years after the expiry date of the guarantee contract. The counter guarantee amounted to US\$200 million (equivalent to RMB1,294.32 million based on the exchange rate of US\$1: RMB6.4716 as at 30 June 2011). Such guarantee will be released upon the repayment of the bank loans by Zoomlion Overseas Investment Management (H.K.) Co., Limited on 5 September 2011.

The resolution approving the guarantee was passed at the sixth extraordinary meeting of 2008 of the third session of the Board of the Company and the second extraordinary general meeting of 2008 of the Company, details of which were disclosed on China Securities Journal, Shanghai Securities News, Securities Times and Cninfo (巨潮資訊網) dated 25 June 2008 and 11 July 2008 respectively.

IX. Statement and Independent Opinions of Independent Directors on Guarantees Provided to External Parties by the Company

According to the requirements of Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 3 — The Contents and Formats of Interim Report (Revision 2007), the Notice Concerning the Regulation on the Flow of Funds between Listed Companies and their Related Parties and the Provision of Guarantees by Listed Companies to External Parties (Zheng Jian Fa [2003] No.56) and the Notice Concerning Provision of Guarantees by Listed Companies to External Parties (關於規範上市公司對外擔保行為的通知) (Zheng Jian Fa [2005] No.120) issued by the China Securities Regulatory Commission, we, as the independent directors of the Company, have examined and supervised the guarantees provided by the Company to external parties during the reporting period, and issued our independent opinions regarding the above provision of guarantees by the Company to external parties as follows:

Other Matters

During the period, no additional external guarantee was provided by the Company, and the external guarantees provided by the Company totaled to RMB1,294.32 million, all of which were guarantees provided to the Company's subsidiaries. Guarantees given to the subsidiaries were used to satisfy operation and capital needs of the Company and had no adverse effect on the interests of shareholders, particularly those of minority shareholders. The total external guarantees provided of the Company accounted for 4.71% of the net assets in the audited consolidated financial statements for the latest accounting year.

Save as disclosed above, the Company did not provide other guarantees. Guarantees provided to external parties by the Company and relevant issues were in compliance with regulations of Zheng Jian Fa [2003] No.56 and Zheng Jian Fa [2005] No.120.

X. Fulfillment of Undertakings of the Company or Shareholders holding 5% or More Interests in the Company

Undertakings upon the issue of shares	On 12 February 2010, new shares issued by the Company under a private offering were listed on SZSE. Hony Capital Fund I (Tianjin) (Limited Partnership), China Jiayin Investment Co., Ltd, Xiangjiang Industrial Investment Co., Ltd., Guangdong Hengjian Investment Holding Co., Ltd., Youngor Group Co., Ltd., Anhui Province Investment Group Co., Ltd., Zhonghai Fund Management Co., Ltd., PICC Asset Management Co., Ltd and Bainian Cosmetics and Personal Care Co., Ltd. undertook that the lock-up period of the shares purchased would be 12 months.	Strictly implemented
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XI. Appointment of Auditors

Resolution to review and approve the appointment of auditors of the Company for the years of 2010 and 2011 was passed at the 2010 Annual General Meeting of the Company held on 3 June 2011, according to which Baker Tilly China Certified Public Accountants Co., Ltd. was appointed as the domestic auditor of the Company for the year ending 31 December 2011, and KPMG was appointed as the international auditor of the Company for the year ending 31 December 2011.

Other Matters

XII. Other Significant Events

1. Over-allotment option was fully exercised by the joint bookrunners of the Global Offering of the Company's H Shares on 5 January 2011. In this regard, the Company issued 130,437,400 additional H shares, all of which were listed on the Main Board of the Hong Kong Stock Exchange on 13 January 2011.
2. On 14 February 2011, 744,886,762 A Shares of the Company, representing 12.7% of the total share capital, were released from lock-up restrictions and became tradable.
3. As approved at the first extraordinary meeting of the fourth session of Board of Directors of 2011 on 18 February 2011, an investment of RMB100 million were made for the establishment of a Hunan-based insurance company. On 22 July 2011, the application of establishment of 吉祥人壽保險股份有限公司, a Hunan-based insurance company, was approved by China Insurance Regulatory Commission (Bao Jian Fa Gai [2011] No.1164).
4. As approved at the third extraordinary meeting of the fourth session of Supervisory Committee on 3 June 2011, the Company will invest to establish China Zoomlion Eastern Industrial Park in Lingang Economic Development zone of Jiangyin City. Investment for the first phase is expected to be RMB2,600 million with a term of three years, which will mainly be used in constructing production base for crane machineries and excavators.
5. Certain customers of the Company financed their purchases of the products of the Company through bank loans. As at 30 June 2011, the bank loans of customers secured by the guarantee of the Company amounted to RMB8,398,011,800. During the Reporting Period, the Company made default payment of RMB38,453,800 to banks on behalf of its customers.
6. Starting from October 2010, certain of the Company's finance lease contracts with end-user customers are jointly provided by the leasing subsidiaries and a third-party leasing company. As of 30 June 2011, the maximum exposure to such guarantees was RMB2,030,397,000. As at 30 June 2011, there was no material default by any customer which required the Company to make guarantee payments to the third party leasing company.

The leasing subsidiaries of the Company pledged part of the finance leases receivables due from the customers to secure factoring borrowings from the banks. As at 30 June 2011, the total factoring borrowings from the banks secured by financial lease receivables of the Company amounted to RMB2,450,347,500.

7. The Company's board of directors does not recommend the payment of interim dividends for the six months ended 30 June 2011.

Other Matters

XIII. List of Researches, Interviews and Other Activities during the Reporting Period

Date of Reception	Place of Reception	Activity	Target Group	Contents Discussed and Information Provided
1 April 2011	Changsha	Meeting	Guotai Junan	A. Major Discussions: 1. Development trend of the engineering and machinery industry and the development trend of the Company in the second quarter of 2011; 2. the development, enterprise cultural, operations, export and strategic planning of the Company; 3. the competition and comparison of advantages of each segments within the industry; 4. other explanations; B. Information: 1. regular reports and provisional announcements of the Company; 2. product catalogue
7 April 2011		Meeting	China Galaxy Securities, Everbright Securities, Boshi Fund	
11 April 2011		Conference call	Broadpeak	
12 April 2011		Meeting	Wellington	
13 April 2011		Meeting	Moore Capital, Allianz Global, Investors	
18 April 2011		Meeting	Baring Asset	
19 April 2011		Meeting	UBS	
20 April 2011		Meeting	National Council for Social Security Fund	
5 May 2011		Conference call	Credit Suisse international investor, Tiger Asia	
6 May 2011		Conference call	HSBC, CLSA Securities	
9 May 2011	Meeting	Macquarie Securities		
11 May 2011	Meeting	Ziff Brother, More Capital, Lazards, Capital, Goldman Sachs Asset Management		
12 May 2011	Conference call	Morgan Stanley		
12 May 2011	Meeting	CLSA Securities, Runhui Investment(潤暉投資)		
13 May 2011	Meeting	Blackrock		
16 May 2011	Beijing	Strategy meeting	CLSA Securities	
18 May 2011	Changsha	Meeting	Daiwa Securities	
18 May 2011	Hong Kong	Strategy meeting	Shenyin Wanguo Securities	
19 May 2011	Changsha	Meeting	BOC International	
20 May 2011	Meeting	First Capital Securities, Penghua Fund, Harvest Fund, Artio		
24 May 2011	Meeting	Guosen Securities		
26 May 2011	Meeting	KGI Securities, Franklin Templeton Investment		
30 May 2011	Meeting	J.P. Morgan		
31 May 2011	Conference call	LBN Advisor		
1 June 2011	Beijing	Meeting	J.P. Morgan	
7 June 2011	Changsha	Meeting	Schroders plc, Chuo Mitsui Trust and Banking	
8 June 2011	Meeting	ICBC International		
9 June 2011	Conference call	Fair Capital Management Ltd.		
10 June 2011	Meeting	Fidelity International		
10 June 2011	Shanghai	Strategy meeting	Guosen Securities	
10 June 2011	Meeting	Huatai United		
13 June 2011	Changsha	Meeting	Harvest Fund	
16 June 2011	Conference call	Broad Peak		
17 June 2011	Guiyang	Meeting	Guotai Junan	
21 June 2011	Changsha	Conference call	LBN Advisor	
23 June 2011	Qingdao	Symposium	UBS	
24 June 2011	Shenzhen	Strategy meeting	China Galaxy Securities	
27 June 2011	Changsha	Meeting	Xinsheng Capital	
30 June 2011	Meeting	Fidelity Management & Research Company, Bank of America Merrill Lynch		

Notes: Details of research activities in the first quarter of 2011 are disclosed in the 2011 first quarterly report of the Company.

Other Matters

XIV. Index to Significant Announcements in the first half of 2011

Date	Announcement	Newspaper publishing the information	Website publishing the information
6 January 2011	Announcement on full exercise of over-allocation option relating to Overseas listed foreign invested shares	Page D005 of Securities Times	www.cninfo.com.cn (巨潮資訊網)
8 January 2011	Announcement on exercise of over-allotment option and reducing the shareholding of domestic shares	Page B012 of Securities Times	
13 January 2011	Announcement on Agreement of Tripartite Regulation on Proceeds	Page D009 of Securities Times	
17 January 2011	Announcement on H Shares stabilization and end of stabilization period	Page D004 of Securities Times	
9 February 2011	Reminder announcement on the listing and circulation of non-public issued shares subject to sales restriction	Page C005 of Securities Times	
21 February 2011	Announcement on resolutions passed at the first extraordinary meeting of the fourth session of Board of Directors in 2011 Reminder announcement on the proposed overseas investment	Page D003 of Securities Times	
29 March 2011	Announcement on resolutions passed at the second meeting of the fourth session of Board of Directors Announcement on resolutions passed at the second meeting of the fourth Supervisory Committee Announcement on appointment of Appointment of Auditors for the Financial Statements for the Year of 2011 Announcement on change of Company name and the corresponding amendments to the Article of Association of the Company Announcement on changes of the accounting policies Announcement on general mandate for issuance of new shares of the Company Summary of 2010 Annual Report	Page D097 and D098 of Securities Times	
7 April 2011	Results forecast announcement	Page D008 of Securities Times	
15 April 2011	Announcement on payment of interests on 2008 bonds of the Company in 2011	Page D029 of Securities Times	
18 April 2011	Notice on convening the Annual General Meeting and A shares Class Meeting of 2010	Page D004 of Securities Times	
27 April 2011	Announcement on Agreement of Tripartite Regulation on Proceeds	Page D025 of Securities Times	
29 April 2011	Announcement on timely return of proceeds of subscription used to replenish the working capital	Page D009 of Securities Times	
30 April 2011	2011 First Quarterly Report	Page B036 of Securities Times	
4 June 2011	Announcement on resolutions passed at Annual General Meeting, A Shares Class Meeting and H Shares Class Meeting of 2009 Announcement on resolutions passed at the third extraordinary meeting of 2011 of the fourth session of Board of Directors	Page B001 of Securities Times	

Independent review report



To the directors of Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd.
(Incorporated in The People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 32 to 60, which comprises the consolidated balance sheet of Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2011, the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim Financial Reporting", issued by the International Accounting Standards Board. The Company's directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards of Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

KPMG

Certified Public Accountants
8/F Prince's Building
10 Chater Road
Hong Kong, China

30 August 2011

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2011
(expressed in Renminbi)

	Note	For the six-month period ended 30 June	
		2011 RMB millions	2010 RMB millions
Turnover	3	24,148	16,089
Cost of sales and services		(16,291)	(11,438)
Gross profit		7,857	4,651
Other revenues and net income		66	6
Sales and marketing expenses		(1,230)	(986)
General and administrative expenses		(1,021)	(852)
Research and development expenses		(145)	(116)
Profit from operations		5,527	2,703
Gain on disposal of an associate		12	—
Net finance costs	4(a)	(108)	(150)
Share of profits less losses of associates		13	5
Profit before taxation	4	5,444	2,558
Income tax	5	(793)	(395)
Profit for the period		4,651	2,163
Other comprehensive income for the period (after tax)			
Change in fair value of available-for-sale equity securities		—	(2)
Others		—	10
Exchange differences on translation of financial statements of subsidiaries outside PRC		92	(183)
Total other comprehensive income for the period		92	(175)

The notes on pages 39 to 60 form part of the interim financial report.

Consolidated Statement of Comprehensive Income (Continued) (Unaudited)

For the six-month period ended 30 June 2011
(expressed in Renminbi)

	Note	For the six-month period ended 30 June	
		2011 RMB millions	2010 RMB millions
Total comprehensive income for the period		4,743	1,988
Profit attributable to:			
Equity shareholders of the Company		4,628	2,202
Non-controlling interests		23	(39)
Profit for the period		4,651	2,163
Total comprehensive income attributable to:			
Equity shareholders of the Company		4,713	1,996
Non-controlling interests		30	(8)
Total comprehensive income for the period		4,743	1,988
Basic and diluted earnings per share (RMB)	6	0.60	0.35

The notes on pages 39 to 60 form part of the interim financial report.

Consolidated Balance Sheet (Unaudited)

As at 30 June 2011
(expressed in Renminbi)

	Note	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Non-current assets			
Property, plant and equipment		4,519	4,135
Lease prepayments		1,196	1,119
Intangible assets		1,313	1,256
Goodwill	8	2,005	1,907
Interests in associates		92	86
Other financial assets		16	50
Trade and other receivables	10	729	585
Receivables under finance lease	11	10,984	9,775
Pledged bank deposits		485	185
Deferred tax assets		335	274
Total non-current assets		21,674	19,372
Current assets			
Inventories	9	10,405	8,678
Trade and other receivables	10	13,407	8,260
Receivables under finance lease	11	7,422	6,397
Pledged bank deposits		2,322	1,577
Cash and cash equivalents	12	19,968	18,758
Total current assets		53,524	43,670
Total assets		75,198	63,042
Current liabilities			
Loans and borrowings	13(a)	10,833	8,107
Trade and other payables	14	23,032	17,203
Income tax payable		803	757
Total current liabilities		34,668	26,067
Net current assets		18,856	17,603
Total assets less current liabilities		40,530	36,975

The notes on pages 39 to 60 form part of the interim financial report.

Consolidated Balance Sheet (Continued) (Unaudited)

As at 30 June 2011
(expressed in Renminbi)

	Note	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Non-current liabilities			
Loans and borrowings	13(b)	6,450	7,690
Other non-current liabilities		1,430	1,379
Deferred tax liabilities		483	471
Total non-current liabilities		8,363	9,540
NET ASSETS		32,167	27,435
CAPITAL AND RESERVES	15		
Share capital		5,928	5,797
Reserves		26,142	21,579
Total equity attributable to equity shareholders of the Company		32,070	27,376
Non-controlling interests		97	59
TOTAL EQUITY		32,167	27,435

Approved and authorised for issue by the board of directors on 30 August 2011.

Zhan Chunxin

Chairman and Chief Executive Officer

Hong Xiaoming

*Vice-president and the person
in-charge of financial affairs*

The notes on pages 39 to 60 form part of the interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2011
(expressed in Renminbi)

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity			
	Share capital	Capital reserve	Statutory		Fair value reserve	Retained earnings				RMB millions	RMB millions	RMB millions
			surplus reserve	Exchange reserve								
	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions			
Balance at 1 January 2010	1,673	24	769	29	1	4,932	7,428	124	7,552			
Appropriation	—	—	215	—	—	(215)	—	—	—			
Issuance of A Shares in Non-public offering	298	5,181	—	—	—	—	5,479	—	5,479			
Cash dividends	—	—	—	—	—	(492)	(492)	—	(492)			
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(10)	(10)			
Total comprehensive income for the period	—	10	—	(214)	(2)	2,202	1,996	(8)	1,988			
Balance at 30 June 2010	1,971	5,215	984	(185)	(1)	6,427	14,411	106	14,517			
Balance at 1 January 2011	5,797	15,063	1,212	(66)	(1)	5,371	27,376	59	27,435			
Over-allotment of H Shares in Global Offering (Note 15(a))	131	1,376	—	—	—	—	1,507	—	1,507			
Cash dividends (Note 15(b)(i))	—	—	—	—	—	(1,541)	(1,541)	—	(1,541)			
Acquisition of a subsidiary	—	—	—	—	—	—	—	34	34			
Acquisition of non-controlling interests	—	15	—	—	—	—	15	(15)	—			
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(11)	(11)			
Total comprehensive income for the period	—	—	—	85	—	4,628	4,713	30	4,743			
Balance at 30 June 2011	5,928	16,454	1,212	19	(1)	8,458	32,070	97	32,167			

The notes on pages 39 to 60 form part of the interim financial report.

Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2011
(expressed in Renminbi)

	For the six-month period ended 30 June	
	2011 RMB millions	2010 RMB millions
Operating activities		
Profit before taxation	5,444	2,558
Adjustments for:		
Depreciation of property, plant and equipment	178	172
Amortisation of lease prepayments	13	12
Amortisation of intangible assets	31	31
Share of profits less losses of associates	(13)	(5)
Interest income	(111)	(41)
Interest expense	321	386
Loss on disposal of property, plant and equipment	4	9
Impairment loss on property, plant and equipment	2	—
Gain on disposal of an associate	(12)	—
Gain on remeasurement of derivative financial instruments at fair value	(11)	—
	5,846	3,122
Increase in inventories	(1,640)	(902)
Increase in trade and other receivables	(5,162)	(3,227)
Increase in receivables under finance lease	(2,234)	(6,030)
Increase in trade and other payables	4,360	6,211
Cash generated from/(used in) operations	1,170	(826)
Income tax paid	(814)	(348)
Net cash generated from/(used in) operating activities carried forward	356	(1,174)

The notes on pages 39 to 60 form part of the interim financial report.

Consolidated Cash Flow Statement (Continued) (Unaudited)

For the six-month period ended 30 June 2011
(expressed in Renminbi)

	Note	For the six-month period ended 30 June	
		2011 RMB millions	2010 RMB millions
Net cash generated from/(used in) operating activities brought forward		356	(1,174)
Investing activities			
Payment for the purchase of property, plant and equipment		(613)	(417)
Lease prepayments		(52)	(195)
Payment for purchase of intangible assets		(16)	(13)
Payment for acquisition of investments in associates and equity investments		(7)	—
Proceeds from disposal of property, plant and equipment and intangible assets		20	23
Cash acquired in step acquisition	8	31	—
Interest received	20	111	41
Increase in pledged bank deposits		(1,045)	(1,433)
Net cash used in investing activities		(1,571)	(1,994)
Financing activities			
Proceeds from loans and borrowings		5,761	7,959
Repayments of loans and borrowings		(4,368)	(5,783)
Interest paid	20	(357)	(415)
Dividends paid		(55)	(428)
Net proceeds from over-allotment of H Shares in Global Offering		1,507	—
Net proceeds from issuance of A Shares in Non-public offering		—	5,479
Net cash generated from financing activities		2,488	6,812
Net increase in cash and cash equivalents		1,273	3,644
Cash and cash equivalents at beginning of period		18,758	3,439
Effect of foreign exchange rate changes		(63)	(42)
Cash and cash equivalents at end of period	12	19,968	7,041

The notes on pages 39 to 60 form part of the interim financial report.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2011

1 Principal activities of reporting entity

Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd. (the “Company”) and its subsidiaries (collectively, referred to as the “Group”) are principally engaged in the research, development, manufacturing and sale and leasing of concrete machinery, crane machinery, environmental and sanitation equipment, road construction and pile foundation machinery and other related heavy machinery and capital equipment in the People’s Republic of China (“PRC”), and manufacturing and sale of concrete machinery in Italy.

2 Basis of preparation

- (a) The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”).

The preparation of interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim financial report Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

- (b) The IASB has issued a number of new and revised IFRSs that are first effective for the current accounting period of the Group. The adoption of these new and revised IFRSs has had no significant effect on the interim financial statements and there have been no significant changes to the accounting policies applied in the preparation of the interim financial statements comparing to those adopted in the preparation of the 2010 annual financial statements.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2011

3 Turnover

	For the six-month period ended 30 June	
	2011 RMB millions	2010 RMB millions
Sales of		
Concrete machinery	11,134	7,037
Crane machinery	8,208	5,910
Environmental and sanitation machinery	1,264	710
Road construction and pile foundation machinery	1,006	539
Earth working machinery	673	450
Material handling machinery and systems	282	281
Other machinery products	832	808
Finance income under finance lease	749	354
	24,148	16,089

Notes to the Interim Financial Report

For the six-month period ended 30 June 2011

4 Profit before taxation

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

(a) Net finance costs:

	For the six-month period ended 30 June	
	2011 RMB millions	2010 RMB millions
Finance income:		
Interest income on bank deposits	(111)	(41)
Gain on remeasurement of derivative financial instruments at fair value	(11)	—
	(122)	(41)
Finance costs:		
Interest on loans and borrowings (note)	218	226
Net exchange losses/(gains)	12	(35)
	230	191
	108	150

Note:

Interest expense on factoring the Group's receivables under finance lease amounted to RMB103 million for the six-month period ended 30 June 2011 (the six-month period ended 30 June 2010: RMB147 million). They are included in cost of sales and services.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2011

4 Profit before taxation (continued)

(b) Staff costs:

	For the six-month period ended 30 June	
	2011 RMB millions	2010 RMB millions
Salaries, wages and other benefits	1,279	991
Contributions to retirement schemes	78	61
	1,357	1,052

(c) Other items:

	For the six-month period ended 30 June	
	2011 RMB millions	2010 RMB millions
Cost of inventories	16,139	11,292
Depreciation of property, plant and equipment	178	172
Amortisation of lease prepayments	13	12
Amortisation of intangible assets	31	31
Operating lease charges	56	49
Product warranty costs	71	64
Impairment losses — trade receivables	242	247

Notes to the Interim Financial Report

For the six-month period ended 30 June 2011

5 Income tax

Income tax in the consolidated statements of comprehensive income represents:

	For the six-month period ended 30 June	
	2011 RMB millions	2010 RMB millions
Current tax — PRC income tax	856	504
Current tax — Income tax in other tax jurisdictions	3	5
Deferred taxation	(66)	(114)
	793	395

Reconciliation between actual income tax expense and profit before taxation is as follows:

	For the six-month period ended 30 June	
	2011 RMB millions	2010 RMB millions
Profit before taxation	5,444	2,558
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (note (a))	1,361	640
Tax effect of non-deductible expenses	12	11
Tax effect of non-taxable income	(19)	(5)
Tax effect of tax concessions (note (b))	(488)	(234)
Additional deduction for qualified research and development expenses (note (c))	(73)	(17)
Actual income tax expense	793	395

Notes to the Interim Financial Report

For the six-month period ended 30 June 2011

5 Income tax (continued)

Notes:

- (a) The PRC statutory income tax rate is 25% (2010: 25%).

The Company's subsidiaries in Italy, CIFA and its subsidiaries, are subject to income tax at rates ranging from 27.5% to 31.4% (2010: 27.5% to 31.4%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2010: 16.5%). No income tax provision was made for certain Hong Kong subsidiaries, as these subsidiaries either derived no income subject to Hong Kong Profits Tax or sustained tax losses for Hong Kong Profits Tax purposes.

- (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%. In 2008, the Company and certain of its subsidiaries were recognised as high-technology enterprises and accordingly were subject to income tax at 15% for the years from 2008 to 2010. In 2009, another subsidiary of the Company was recognised as a high-technology enterprise for 2009 to 2011.

The 15% preferential tax rate applicable to high-technology enterprises is subject to renewal approval jointly by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations. The Company and the subsidiaries have begun the renewal approval process. It is probable that they are qualified as high-technology enterprises. Management therefore believes 15% represents the best estimate of the annual tax rate of these entities for the year ending 31 December 2011.

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

6 Basic and diluted earnings per share

For the purpose of calculating earnings per share, the number of ordinary shares used in the calculation has been retrospectively adjusted to reflect the stock split in the form of bonus shares issued in July 2011 (see Note 15) as if it had occurred at the beginning of the earliest period presented and such shares had been outstanding for the period.

The calculation of basic earnings per share for the six-month period ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company of RMB4,628 million (the six-month period ended 30 June 2010: RMB2,202 million), and the weighted average number of shares of 7,695 million during the six-month period ended 30 June 2011 (the six-month period ended 30 June 2010: 6,233 million) after adjusting for the stock split mentioned in the above paragraph.

There were no dilutive potential ordinary shares in issue as at 30 June 2011 (2010: Nil).

Notes to the Interim Financial Report

For the six-month period ended 30 June 2011

7 Segment reporting

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 six-month period ended 30 June 2011 is set out below.

	For the six-month period ended 30 June	
	2011 RMB millions	2010 RMB millions
Reportable segment revenue:		
Concrete machinery	11,134	7,037
Crane machinery	8,208	5,910
Environmental and sanitation machinery	1,264	710
Road construction and pile foundation machinery	1,006	539
Earth working machinery	673	450
Material handling machinery and systems	282	281
Finance lease services	749	354
Total reportable segment revenue	23,316	15,281
Revenue from all other segments	832	808
Total	24,148	16,089
Reportable segment profit:		
Concrete machinery	4,041	2,182
Crane machinery	2,159	1,634
Environmental and sanitation machinery	407	234
Road construction and pile foundation machinery	383	193
Earth working machinery	125	81
Material handling machinery and systems	34	17
Finance lease services	597	195
Total reportable segment profit	7,746	4,536
Profit from all other segments	111	115
Total	7,857	4,651

Notes to the Interim Financial Report

For the six-month period ended 30 June 2011

7 Segment reporting (continued)

Reconciliation of segment profit

	For the six-month period ended 30 June	
	2011 RMB millions	2010 RMB millions
Total segment profit	7,857	4,651
Other revenues and net income	66	6
Sales and marketing expenses	(1,230)	(986)
General and administrative expenses	(1,021)	(852)
Research and development expenses	(145)	(116)
Gain on disposal of an associate	12	—
Net finance costs	(108)	(150)
Share of profits less losses of associates	13	5
Consolidated profit before taxation	5,444	2,558

8 Goodwill and business combination

	2011 RMB millions	2010 RMB millions
Balance at 1 January	1,907	2,082
Effect of exchange rate difference	98	(175)
Balance at 30 June/31 December	2,005	1,907

In April 2011, the Company increased its equity interest in Changsha Zoomlion Fire Control Co., Ltd. from 49% to 65% with a cash consideration of RMB37 million.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2011

8 Goodwill and business combination (continued)

The step acquisition was accounted for under the acquisition method. The Company allocated the purchase price to identifiable assets acquired and liabilities assumed based on their estimated fair values. Management determined the fair values of the identifiable assets acquired and liabilities assumed based on valuation performed by an independent appraiser. The purpose of the business combination was to broaden the Group's product line.

The following table summarises the purchase price allocation of the fair value of the identifiable assets acquired and liabilities assumed in respect of the above acquisition at the acquisition date. No goodwill was resulted from this step acquisition.

	RMB millions
Property, plant and equipment	6
Lease prepayments	38
Inventories	50
Trade and other receivables	72
Cash and cash equivalents	31
Total assets acquired	197
Loans and borrowings	(40)
Trade and other payables	(62)
Income tax payable	(1)
Total liabilities assumed	(103)
Non-controlling interests	(34)
Net identifiable assets acquired	60
Cash consideration (paid in the year 2010)	(37)
Fair value of previously-held equity interest	(23)
Total cost of acquisition	(60)
Cash acquired	31
Net cash outflow	(6)

Notes to the Interim Financial Report

For the six-month period ended 30 June 2011

9 Inventories

	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Raw materials	3,932	3,706
Work in progress	2,572	2,122
Finished goods	3,901	2,850
	10,405	8,678

10 Trade and other receivables

	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Trade receivables	12,561	7,504
Less: allowance for doubtful debts (Note (b))	(784)	(557)
	11,777	6,947
Less: trade receivables due after one year	(729)	(585)
	11,048	6,362
Bills receivable	612	627
	11,660	6,989
Amounts due from related parties (Note 18(b))	15	27
Prepayments for purchase of raw materials	757	388
Prepaid expenses	160	178
VAT recoverable	278	179
Others	537	499
	13,407	8,260

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For the six-month period ended 30 June 2011

10 Trade and other receivables (continued)

(a) Ageing analysis of trade receivables

Ageing analysis of trade receivables (net of allowance for doubtful debts) as at the balance sheet dates is as follows:

	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Within 1 month	4,368	2,642
Over 1 month but less than 3 months	3,306	921
Over 3 months but less than 1 year	2,975	2,403
Over 1 year but less than 2 years	835	772
Over 2 years but less than 3 years	230	174
Over 3 years but less than 5 years	63	35
	11,777	6,947

(b) Impairment of trade receivables

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

	2011 RMB millions	2010 RMB millions
Balance at 1 January	(557)	(340)
Impairment losses recognised	(242)	(258)
Uncollectible amounts written off	15	41
Balance at 30 June/31 December	(784)	(557)

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For the six-month period ended 30 June 2011

11 Receivables under finance lease

	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Gross investment	20,534	17,841
Unearned finance income	(2,128)	(1,669)
	18,406	16,172
Less: Amounts due after one year	(10,984)	(9,775)
Amounts due within one year	7,422	6,397

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For the six-month period ended 30 June 2011

11 Receivables under finance lease (continued)

The minimum lease payments receivable at the balance sheet date is as follows:

	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Present value of the minimum lease payments		
Within 1 year	7,422	6,397
Over 1 year but less than 2 years	6,247	5,655
Over 2 years but less than 3 years	3,599	3,154
Over 3 years	1,138	966
	18,406	16,172
Unearned finance income		
Within 1 year	1,189	941
Over 1 year but less than 2 years	649	513
Over 2 years but less than 3 years	236	177
Over 3 years	54	38
	2,128	1,669
Gross investment		
Within 1 year	8,611	7,338
Over 1 year but less than 2 years	6,896	6,168
Over 2 years but less than 3 years	3,835	3,331
Over 3 years	1,192	1,004
	20,534	17,841

As at 30 June 2011, receivables under finance lease of RMB2,571 million (31 December 2010: RMB4,125 million) were factored to banks with recourse.

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For the six-month period ended 30 June 2011

11 Receivables under finance lease (continued)

During the six-month period ended 30 June 2011, receivables under finance lease of RMB4,565 million (the six-month period ended 30 June 2010: Nil) were factored to banks without recourse, and were therefore derecognised.

12 Cash and cash equivalents

	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Cash at bank and on hand		
– RMB denominated	19,119	12,601
– HKD denominated	39	5,362
– USD denominated	638	511
– EUR denominated	141	237
– Other currencies	31	47
	19,968	18,758

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For the six-month period ended 30 June 2011

13 Loans and borrowings

(a) Short-term loans and borrowings:

	Note	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Secured short-term bank loans			
– RMB denominated	(i)	50	20
– EUR denominated		6	3
Unsecured short-term bank loans			
– RMB denominated		370	31
– JPY denominated	(ii)	614	777
– EUR denominated		907	330
– USD denominated	(ii)	5,184	3,013
– HKD denominated		59	60
Current portion of long-term bank loans		3,643	3,873
		10,833	8,107

Notes:

- (i) The RMB denominated secured short-term bank loans as at 30 June 2011 were secured by certain properties with an aggregate carrying value of RMB66 million (31 December 2010: RMB28 million).
- (ii) As at 30 June 2011, JPY and USD denominated unsecured short-term bank loans of RMB211 million and RMB1,294 million respectively (31 December 2010: RMB214 million and RMB1,192 million, respectively), bore interest at LIBOR plus 2% to 3.5% per annum. Such loans are subjected to the fulfilment of certain financial covenants of the Group. As at 30 June 2011, the Group was in compliance with these financial covenants.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2011

13 Loans and borrowings (continued)

(b) Long-term loans and borrowings:

	Note	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Secured long-term bank loans			
– RMB denominated	(i)	2,450	3,949
– EUR denominated	(ii)	1,694	1,585
Unsecured long-term bank loans			
– RMB denominated	(iii)	560	849
– EUR denominated	(iv)	938	883
– USD denominated	(v)	3,359	3,206
Unsecured bond	(vi)	1,092	1,091
		10,093	11,563
Less: Current portion of long-term bank loans		(3,643)	(3,873)
		6,450	7,690

Notes:

- (i) The RMB denominated secured long-term bank loans as at 30 June 2011 were secured by certain receivables under finance lease with a carrying value of RMB2,571 million (31 December 2010: RMB4,125 million), and had maturities ranging from 1 month to 3 years from the balance sheet date.
- (ii) As at 30 June 2011, the EUR denominated secured long-term bank loans of RMB1,683 million (31 December 2010: RMB1,583 million) were secured by 100% equity interest of certain Company's subsidiaries in Italy. Such loans bear interest at EURIBOR plus 2.2% per annum and is repayable in full in June 2013.
- (iii) The RMB denominated unsecured long-term bank loans as at 30 June 2011 had maturities ranging from 3 months to 27 months from the balance sheet date. As at 30 June 2011, RMB230 million (31 December 2010: RMB230 million) of such long-term bank loan is subject to the fulfilment of certain annual financial covenants of the Group.
- (iv) As at 30 June 2011, the EUR denominated unsecured long-term bank loan of RMB933 million (31 December 2010: RMB877 million) bore interest at EURIBOR plus 2.0% per annum and are repayable in full in June 2013. The remaining unsecured long-term bank loans of RMB5 million (31 December 2010: RMB6 million) are repayable in quarterly instalments through 2014.

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For the six-month period ended 30 June 2011

13 Loans and borrowings (continued)

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

(v) As at 30 June 2011, the USD denominated unsecured long-term bank loan of RMB1,289 million (31 December 2010: RMB1,319 million) bore interest at LIBOR plus 0.9% per annum and is repayable in full in September 2011. This long-term bank loan is subject to the fulfilment of certain semi-annual and annual financial covenants of the Group. As at 30 June 2011, the Group was in compliance with these financial covenants.

As at 30 June 2011, the remaining USD denominated unsecured long-term bank loans of RMB2,070 million (31 December 2010: RMB1,887 million) bore interest at LIBOR plus 1.2% to 2.2% per annum and have maturities ranging from 8 months to 29 months from the balance sheet date.

(vi) In April 2008, the Company issued bonds with principal amount of RMB1,100 million to public and institutional investors. The bonds bear interest at a fixed rate of 6.5% per annum and mature in April 2016. The holders of the bonds have an option to redeem, in whole or in part, of the principal amount of the bond on the fifth anniversary date of the bond issuance date at par value.

(c) Except as disclosed in Note 13(a)(ii), 13(b)(iii) and 13(b)(v) above, none of the Group's loans and borrowings contains any financial covenants.

14 Trade and other payables

	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Trade creditors	7,310	6,841
Bills payable	8,320	5,441
Trade creditors and bills payable (note)	15,630	12,282
Amounts due to related parties (Note 18(b))	8	12
Receipts in advance	1,298	1,021
Payable for acquisition of property, plant and equipment	333	375
Accrued staff costs	442	642
VAT payable	661	722
Security deposits	1,151	608
Product warranty provision	112	113
Sundry taxes payable	332	325
Dividend payable	1,613	116
Others	1,452	987
	23,032	17,203

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For the six-month period ended 30 June 2011

14 Trade and other payables (continued)

Note:

Ageing analysis of trade creditors and bills payable as at the balance sheet dates is as follows:

	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Due within 1 month or on demand	5,589	4,640
Due after 1 month but within 3 months	4,598	3,567
Due after 3 months but within 6 months	4,534	3,067
Due after 6 months but within 12 months	909	1,008
	15,630	12,282

15 Capital and reserves

(a) Share capital

On 5 January 2011, the underwriters of the Global Offering exercised the over-allotment option in full. As a result, 130,437,400 H Shares with a par value of RMB1 per share were issued at a price of HKD14.98 per share, which raised gross proceeds of approximately HKD1,954 million (RMB equivalent 1,659 million) and net proceeds of RMB1,507 million. In this connection, Hunan SASAC and Hunan Development Group transferred a total of additional 13,043,740 A Shares to the NSSF, which were converted into H Shares on a one-for-one basis. Upon completion of the issuance of new H Shares and conversion of A Shares into H Shares, the share capital of the Company was increased to approximately RMB5,928 million, comprising 4,827,634,742 A Shares and 1,100,022,220 H Shares.

(b) Profit appropriations

(i) Cash dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 3 June 2011, a final cash dividend of RMB0.26 per share based on 5,928 million ordinary shares totalling RMB1,541 million in respect of the year ended 31 December 2010 was declared, and among which RMB1,113 million was paid in July 2011, and the remaining balance is expected to be paid by the end of 2011.

(ii) Bonus shares

Pursuant to the shareholders' approval at the Annual General Meeting held on 3 June 2011, the Company announced a stock split in the form of bonus shares on the basis of 0.3 share for every outstanding ordinary share on 15 July 2011. The total number of shares issued was 1,778 million. The par value of the ordinary shares issued of RMB1,778 million was charged to capital reserve in accordance with the Board of Directors' resolution as approved by the shareholders.

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For the six-month period ended 30 June 2011

16 Commitments

(a) Capital commitments

As at 30 June 2011, the Group had capital commitments as follows:

	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Authorised and contracted for		
– property, plant and equipment	155	164
– equity investments	100	–
– intangible assets	68	10
	323	174
Authorised but not contracted for		
– property, plant and equipment	904	388
– lease prepayments	1,520	–
	2,424	388

(b) Operating lease commitments

The Group leases business premises and equipment through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

As at 30 June 2011, the future minimum lease payments under operating lease are as follows:

	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Within 1 year	86	73
After 1 but within 2 years	24	32
After 2 but within 3 years	14	15
After 3 but within 4 years	8	9
After 4 but within 5 years	8	8
Thereafter	15	19
	155	156

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For the six-month period ended 30 June 2011

17 Contingent liabilities

(a) Financial guarantee issued

Certain customers of the Group from time to time may finance their purchase of the Group's machinery products through bank loans, and the Group provides guarantees to the banks for the amount drawn by customers. Under the guarantee arrangement, in the event of customer default, the Group is required to repossess the machinery collateralising the bank loans, and is entitled to sell the machinery and retain any net proceeds in excess of the guarantee payments made to the banks. As at 30 June 2011, the Group's maximum exposure to such guarantees was RMB8,398 million (31 December 2010: RMB5,950 million). The terms of these guarantees coincide with the tenure of bank loans which generally range from 2 to 4 years. The Group, when called upon by the banks to fulfil its guarantee obligations, has historically been able to sell the repossessed machinery for proceeds that are not significantly different from the amount of the guarantee payments. For the six-month period ended 30 June 2011, the Group made payments of RMB38 million (the six-month period ended 30 June 2010: RMB61 million) to the banks under the guarantee arrangement as a result of customer default.

Starting from October 2010, certain of the Group's finance lease contracts with end-user customers are jointly provided by the Group's leasing subsidiaries and a third-party leasing company. Under the joint leasing arrangement, the Group provides guarantee to the third-party leasing company that in the event of customer default, the Group is required make payment to the leasing company for its share of 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 company. As at 30 June 2011, the Group's maximum exposure to such guarantees was RMB2,030 million (31 December 2010: RMB1,334 million). The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 4 years. For the six-month period ended 30 June 2011, there was no material default of payments from end-user customers to third-party leasing company which required the Group to make guarantee payments to the third-party leasing company.

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For the six-month period ended 30 June 2011

17 Contingent liabilities (continued)

(b) Contingent liability in respect of legal claims

In March 2010, Italian tax authorities issued formal tax inspection assessment reports to Cifa Mixers S.r.l., a 59.32% owned subsidiary of the Company. The tax authorities have challenged the deductibility of certain costs incurred by this entity for income tax and value added tax purposes for tax years 2003 to 2007 and have sought for additional taxes of approximately EUR 10.7 million before interest and penalties, if any. In January 2011, the court ruled in favour of Cifa Mixers S.r.l. at the first degree of judgement and dismissed the claim for additional taxes from the tax authorities. However, the tax authorities may appeal to the second degree of judgement. Based on tax consultant's advice, the Group considers that it is more likely than not that the subsidiary's tax position can be substantiated. In addition, it is expected that any potential tax payments, interest and penalties, if any, will be sufficiently covered by indemnities and warranties provided by the former shareholders of Cifa Mixer S.r.l. and CIFA S.p.A.. Accordingly, no provision is made for the contingency as at 30 June 2011.

Apart from the above tax case, the Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group. No provision has therefore been recorded in respect of those lawsuits.

18 Related party transactions

(a) Transactions with related parties

	For the six-month period ended 30 June	
	2011	2010
	RMB	RMB
	millions	millions
Transactions with associates:		
Sales of products	(2)	(5)
Purchase of raw materials	31	11

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

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For the six-month period ended 30 June 2011

18 Related party transactions (continued)

(b) Outstanding balances with related parties

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

19 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	As at 30 June 2011 RMB millions	As at 31 December 2010 RMB millions
Total equity reported under PRC GAAP	32,207	27,475
— Acquisition-related costs incurred on prior year business combination	(40)	(40)
Total equity reported under IFRSs	32,167	27,435

(b) There is no material difference between total comprehensive income and consolidated cash flow of the Group reported under PRC GAAP and IFRSs.

20 Comparative figures

In the consolidated cash flow statement for the six-month period ended 30 June 2011, interest paid and interest received by the Group was presented as financing cash flows and investing cash flows respectively, representing costs of obtaining financial resources or returns on investments. As a result, related comparative figures in the consolidated cash flow statement have been reclassified to conform with the current period's presentation.

