

ZOOMLION

中聯重科股份有限公司

**ZOOMLION HEAVY INDUSTRY
SCIENCE AND TECHNOLOGY 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



2012
INTERIM REPORT

* For identification purpose only

Important Notice:

1. The Board of Directors, the Supervisory Board, directors, supervisors and senior management of the Company warrant that there are no misrepresentation, misleading statements or material omissions in this report and they, severally 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 of the Company 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 approved in the fifth 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 International Financial Reporting Standards), the Chinese version shall prevail. For the interim financial report prepared in accordance with 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” or “Zoomlion” refers to Zoomlion Heavy Industry Science and Technology Co., Ltd.

“The Reporting Period” refers to the six months ended 30 June 2012

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Company Profile

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

XII. 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)	87,633,472,554.95	71,581,771,679.19	22.42%
Shareholders' equity attributable to equity shareholders of the Company (RMB)	39,057,907,119.77	35,446,450,136.43	10.19%
Share capital (share)	7,705,954,050.00	7,705,954,050.00	0%
Net assets attributable to equity shareholders of the Company (RMB/share)	5.07	4.6	10.22%

	During the Reporting Period (January to June)	During the corresponding period last year	Change compared to the corresponding period last year
Operating income (RMB)	29,119,503,863.31	24,148,443,983.58	20.59%
Operating profit (RMB)	6,803,315,445.44	5,373,581,358.57	26.61%
Total profit (RMB)	6,698,462,163.11	5,444,562,888.13	23.03%
Net profit attributable to equity shareholders of the Company (RMB)	5,621,763,670.35	4,627,983,865.45	21.47%
Net profit attributable to equity shareholders of the Company after extraordinary gain and loss (RMB)	5,727,537,042.78	4,564,043,762.95	25.49%
Basic earnings per share (RMB/Share)	0.73	0.6	21.67%
Diluted earnings per share (RMB/Share)	0.73	0.6	21.67%
Weighted average net return on net assets	14.71%	14.92%	-0.21%
Weighted average net return on net assets after extraordinary gain and loss	14.97%	14.72%	0.25%
Net cash flow from operating activities (RMB)	585,754,062.84	467,329,422.51	25.34%
Net cash flow from operating activities per share (RMB)	0.08	0.08	0%

Company Profile

Extraordinary items:

<i>Unit: (RMB)</i>	
Extraordinary items	Amount
Loss on disposal of non-current assets	-12,946,587.88
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	51,089,911.97
Loss from debt restructuring	-3,492,266.25
Loss 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	-18,404,445.05
Non-operating income and expenses other than those set out above	-139,504,340.17
Tax effect	17,623,548.86
Minority interests	-139,193.91
Total	-105,773,372.43

Company Profile

XIII. 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 (%)
	2012 RMB million	2011 RMB million	
Turnover	29,120	24,148	20.59
Profit before taxation	6,699	5,444	23.05
Income tax expenses	(950)	(793)	19.80
Profit for the period	5,749	4,651	23.61
Profit for the period attributable to:			
Equity shareholders of the Company	5,622	4,628	21.48
Non-controlling interests	127	23	452.17
Basic and diluted earnings per share (RMB)	0.73	0.60	21.67

Items	As at	As at	Increase/ decrease from the end of the last year (%)
	30 June 2012 RMB million	31 December 2011 RMB million	
Non current assets	28,953	23,701	22.16
Current assets	58,640	47,842	22.57
Current liabilities	39,157	26,652	46.92
Net current assets	19,483	21,190	-8.06
Total assets less current liabilities	48,436	44,891	7.90
Non current liabilities	9,151	9,296	-1.56
Net assets	39,285	35,595	10.37
Total equity attributable to the shareholders of the Company	39,018	35,407	10.20
Non-controlling interests	267	188	42.02

Company Profile

XIV. Reconciliation of unaudited interim financial information prepared under PRC GAAP to IFRSs

Items	As at	As at
	30 June 2012	31 December 2011
	RMB million	RMB million
Total equity reported under PRC GAAP	39,325	35,635
Acquisition-related costs incurred on prior year business combination	(40)	(40)
Total equity reported under IFRSs	39,285	35,595

Other than the differences in the presentations and classifications of certain financial statements captions, 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

There has been no changes in the share capital of the Company during the Reporting Period.

During the Reporting Period, the Group has not purchased, sold or redeemed any of the securities of the Company.

(II) Particulars of the shareholders (As at 30 June 2012)

1. Shareholding of the top ten shareholders

Shareholding of the top ten shareholders						Units	
Total number of shareholders as at the end of the Reporting Period						407,571	
Name of shareholder	Nature of shareholder	Percentage of shareholding	Total number of shares held	Number of shares subject to sales restriction	Status	Number of shares pledged or charged	
							Number
HKSCC NOMINEES LIMITED	Overseas legal person	18.53%	1,427,766,205	0			
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	State-owned legal person	16.19%	1,247,379,996	0			
Changsha Hesheng Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	5.04%	388,059,949	0			
GOOD EXCEL GROUP LIMITED	Overseas legal person	4.72%	363,936,856	0			
Real Smart International Limited	Overseas legal person	2.36%	182,099,602	0			
Hony Capital Fund I (Tianjin), L.P.	Domestic non state-owned legal person	2.22%	171,047,500	0			
Changsha Yifang Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	2.12%	163,314,942	0			
China Jianyin Investment Co., Ltd.	State-owned legal person	1.96%	151,164,554	0			
Guangdong Hengjian Investment Holding Co., Ltd.	State-owned legal person	1.07%	82,696,250	0	Charged		25,000,000
Bank of China – Efunds Shenzhen Stock Exchange 100 index Open-ended Securities Investment Fund	Domestic non state-owned legal person	0.91%	70,426,336	0			
Remarks	The H shares were held by HKSCC Nominees Limited on behalf of various clients.						

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 and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	1,427,766,205	H share	1,427,766,205
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government	1,247,379,996	A share	1,247,379,996
Changsha Hesheng Science and Technology Investment Co., Ltd.	388,059,949	A share	388,059,949
GOOD EXCEL GROUP LIMITED	363,936,856	A share	363,936,856
Real Smart International Limited	182,099,602	A share	182,099,602
Hony Capital Fund I (Tianjin), L.P.	171,047,500	A share	171,047,500
Changsha Yifang Science and Technology Investment Co., Ltd.	163,314,942	A share	163,314,942
China Jianyin Investment Co., Ltd.	151,164,554	A share	151,164,554
Guangdong Hengjian Investment Holding Co., Ltd.	82,696,250	A share	82,696,250
Bank of China — Efund's Shenzhen Stock Exchange 100 index Open-ended Securities Investment Fund	70,426,336	A share	70,426,336

Description of the connected relationships between shareholders and 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 shareholders and the shareholders are not parties acting in concert within the meaning of the Administrative Measures for Information Disclosure on Change of Shareholdings of Listed Companies.

Changes in Share Capital and Substantial Shareholders

2. Changes of the largest shareholder

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”).

During the Reporting Period, there was no change of the largest shareholder of the Company.

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

As at 30 June 2012, 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 (%)
State-owned Assets Supervision and Administration Commission of Hunan Provincial People’s Government	Beneficial	A share	1,247,379,996	19.88	16.19
Good Excel Group Limited ^{(1) (2)}	Beneficial	A shares	363,936,856	5.08	4.72
Rise Honour Investments Limited ^{(1) (2)}	Interests of controlled corporation	A shares	546,036,458	8.70	7.09
Hony Capital II L.P. ^{(1) (2)}	Interests of controlled corporation	A shares	546,036,458	8.70	7.09
Hony Capital II GP Ltd. ^{(1) (2)}	Interests of controlled corporation	A shares	546,036,458	8.70	7.09
Right Lane Limited ^{(1) (2)}	Interests of controlled corporation	A shares	546,036,458	8.70	7.09
Legend Holdings Limited ^{(1) (2) (3)}	Interests of controlled corporation	A shares	717,083,958	11.43	9.31
Chinese Academy of Sciences Holdings Co, Ltd. ^{(1) (3) (4)}	Interests of controlled corporation	A shares	717,083,958	11.43	9.31
Chinese Academy of Sciences ^{(1) (3) (4)}	Interests of controlled corporation	A shares	717,083,958	11.43	9.31
Changsha Hesheng Science and Technology Investment Co., Ltd. ⁽⁵⁾	Beneficial	A share	388,059,949	6.18	5.04

Changes in Share Capital and Substantial Shareholders

Name	Nature of interest	Class of shares	Number of shares	Percentage of class of shares issued (%)	Percentage of total shares issued (%)
Blackrock, Inc. ^{(1), (6)}	Interests of controlled corporation	H share	130,050,066(L)	9.09(L)	1.69
			16,913,519(S)	1.18(S)	0.22
Morgan Stanley ^{(1), (7)}	Interests of controlled corporation	H share	157,806,469(L)	11.04(L)	2.05
			128,853,637(S)	9.01(S)	1.67
National Council for Social Security Fund ⁽¹⁾	Beneficial	H share	76,714,420(L)	5.36	1.00
JP Morgan Chase & Co. ^{(1), (8)}	Beneficial, interests of controlled corporation and custodian	H share	226,712,259(L)	15.85(L)	2.94
			10,389,768(S)	0.73(S)	0.13
			89,976,169(P)	6.29(P)	1.17
Artio Global Management LLC ⁽¹⁾	Beneficial and investment manager	H share	85,624,960(P)	5.99	1.11
			100,008,904(L)	6.99	1.30
UBS AG ^{(1), (9)}	Beneficial, having a security interest in shares and interests of controlled corporation	H share	77,852,500(L)	5.44(L)	1.01
			14,943,412(S)	1.04(S)	0.19
Citigroup Inc. ^{(1), (10)}	Beneficial, interests of controlled corporation and custodian	H share	77,688,167(L)	5.43(L)	1.01
			67,129,514(S)	4.69(S)	0.87
			21,513,555(P)	1.50(P)	0.28
Credit Suisse Group AG ^{(1), (11)}	Beneficial, having a security interest in shares and interests of controlled corporation	H share	73,918,304(L)	5.17(L)	0.96
			40,799,011(S)	2.85(S)	0.53
TIAA-CREF Investment Management, LLC ⁽¹⁾	Beneficial and investment manager	H Share	108,655,398(L)	7.60	1.41
FIL Limited ⁽¹⁾	Beneficial and investment manager	H Share	72,797,340(L)	5.09	0.94
Templeton Asset Management Ltd. ⁽¹⁾	Beneficial and investment manager	H Share	71,776,520(L)	5.02	0.93

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) The disclosure is based on the information available on the website of SEHK (www.hkexnews.com.hk).
- (2) Good Excel Group Limited and Real Smart International Limited are beneficially interested in 363,936,856 and 182,099,602 A shares respectively. Good Excel Group Limited and Real Smart International Limited are interested in an aggregate of 546,036,458 A shares. Each of Good Excel Group Limited and Real Smart International Limited is a 86.99% and 67.71% owned subsidiary of Rise Honour Investments Limited, respectively. Rise Honour Investments Limited is controlled by Hony Capital II L.P., which is controlled by Hony Capital II GP Ltd.. Hony Capital II GP 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 171,047,500 A shares held by Hony Capital Fund I (Tianjin), L.P.. Legend Holdings Limited is deemed to be interested in 717,083,958 A shares.
- (4) Chinese Academy of Sciences Holdings Co., Ltd. holds 36% interests of Legend Holdings Limited, while Chinese Academy of Sciences Holdings Co., Ltd. is wholly owned by Chinese Academy of Sciences.
- (5) Changsha Hesheng Science and Technology Investment Co., Ltd. is an investment entity controlled and owned by the management of the Group.
- (6) BlackRock, Inc. is deemed or considered to be interested in 130,050,066 H shares of the Company through the companies directly or indirectly owned by it, namely Trident Merger, LLC, BlackRock Investment Management, LLC., BlackRock Holdco 2 Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc., BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Advisors Holdings Inc., BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC., BlackRock Institutional Management Corporation, BlackRock Capital Management, Inc., BlackRock International Holdings Inc., BR Jersey International LP, BLK Isle of Man Holdings Limited, BlackRock (Isle of Man) Holdings Limited, BlackRock Cayco Ltd., BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Asset Management Japan Limited, BlackRock (Institutional) Canada Ltd, BlackRock Holdings Canada Limited, BlackRock Asset Management Canada Limited, BlackRock Investments Canada, Inc., BlackRock Australia Holdco Pty Ltd, BlackRock Investment Management (Australia) Limited, BlackRock Asset Management Australia Limited, BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited, Blackrock Advisors (UK) Limited, BlackRock (Netherlands) B.V., BlackRock Luxembourg Holdco S.a.r.l., BlackRock (Luxembourg) S.A., BlackRock Investment Management Ireland Holdings Ltd, BlackRock Asset Management Ireland Limited, BlackRock Investment Management (UK) Limited, BlackRock Fund Managers Limited, BlackRock International Limited and BlackRock Pensions Limited. BlackRock Inc. holds 16,913,519 H shares in short position.
- (7) Morgan Stanley is deemed or considered to be interested in 157,806,469 H shares of the Company through the 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 Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co. International plc., Morgan Stanley & Co, LLC, Morgan Stanley International Holdings Inc., Morgan Stanley Asia Pacific (Holdings) Limited, MSDW Offshore Equity Services Inc., MSDW Equity Finance Services 1 (Cayman) Limited, Morgan Stanley (Hong Kong) Holdings Limited, Morgan Stanley Asia Regional (Holdings) III LLC, Morgan Stanley (Singapore) Holdings Pte Ltd., Morgan Stanley Asia Regional (Holdings) IV Limited, Morgan Stanley Japan (Holdings) Ltd., MSDW-JL Holdings II Limited, MSJL Holdings 4682 Limited, MSJL Holdings Limited, MS CYM Preferred Ltd., MSJS Preferred YK, Mitsubishi UFJ Morgan Stanley Securities, MSDW Offshore Equity Services Inc. and Morgan Stanley Capital Services Inc.. Morgan Stanley holds 128,853,637 H shares in short position.

Changes in Share Capital and Substantial Shareholders

- (8) JP Morgan Chase & Co. is deemed or considered to be interested in 226,712,259 H shares of the Company through the 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, JF Asset Management Limited, JPMorgan Asset Management (Asia) Inc. and JPMorgan Asset Management Holdings Inc., JPMorgan Asset Management (Taiwan) Limited, JF International Management Inc., China International Fund Management Co Ltd, JPMorgan Asset Management (UK) Limited, JPMorgan Asset Management Holdings (UK) Limited, JPMorgan Asset Management International Limited, JPMorgan Asset Management (Singapore) Limited, JPMorgan Asset Management (Japan) Limited and J.P. Morgan Investment Management Inc.. JP Morgan Chase & Co. holds 10,389,768 H shares in short position.
- (9) UBS AG is deemed or considered to be interested in 77,852,500 H shares of the Company through the 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 and UBS Global Asset Management (Australia) Ltd. UBS AG holds 14,943,412 H shares in short position.
- (10) Citigroup Inc. is deemed or considered to be interested in 77,688,167 H shares of the Company through the companies directly or indirectly owned by it, namely Citigroup Global Markets Financial Products LLC, Citigroup Global Markets Limited, Citigroup Global Markets Holdings GmbH, Citigroup Global Markets Europe Limited, Citigroup Global Markets (International) Finance AG, Citigroup Global Markets Pacific Holding Company Inc., Citigroup Global Markets International LLC, Citigroup Financial Products Inc., Morgan Stanley Smith Barney Holdings LLC, Citigroup Global Markets Holdings Inc., Citibank N.A., Citicorp Holdings Inc., Citigroup Alternative Investments LLC, Citigroup Investments Inc., Automated Trading Desk Financial Services, LLC, Automated Trading Desk, LLC, Automated Trading Desk Holdings, Inc, Citigroup Acquisition LLC, Citigroup Trust — Delaware, National Association, Citicorp Trust, National Association, Citicorp Trust South Dakota, Citigroup Global Markets Asia Limited, Citigroup Global Markets Hong Kong Holdings Limited, Citigroup Global Markets Overseas Finance Limited and Citigroup Global Markets Switzerland Holding GmbH. Citigroup Inc. holds 67,129,514 H shares in short position.
- (11) Credit Suisse Group AG is deemed or considered to be interested in 73,918,304 H shares of the Company through the companies directly or indirectly owned by it, namely Credit Suisse AG, Citigroup Global Markets Limited, Credit Suisse International, Credit Suisse Holdings (USA), Inc., Credit Suisse (USA), Inc., Credit Suisse Securities (USA) LLC, Credit Suisse (Hong Kong) Limited, Credit Suisse Investments (UK), Credit Suisse Securities (Europe) Limited, Credit Suisse Asset Management International Holding Ltd, Credit Suisse Funds AG, Credit Suisse Holding Europe (Luxembourg) S.A. and Credit Suisse Fund Management Company (Ireland) Limited. Credit Suisse Group AG holds 40,799,011 H shares in short position.

Save as disclosed above, to the best knowledge of the Directors, Supervisors and chief executives of the Company, as at 30 June 2012, 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.

Directors, Supervisors and Senior Management

(I) Changes in Shareholdings of Directors, Supervisors and Senior Management during the Reporting Period

Name	Position	Sex	Age	Date of term of office commenced	Date of term of office ended	Number of Shares held in the beginning of the Reporting Period (share)	Number of Shares increased during the Reporting Period (share)	Number of Shares decreased during the Reporting Period (share)	Number of Shares held at the end of the Reporting Period (share)	Of which: number of restrictive shares held (share)	Number of share options held at the end of the Reporting Period (share)	Reason of changes	Whether received remuneration from shareholders or connected parties
Zhan Chunxin	Chairman and Chief Executive Officer	Male	57	22 July 2010	22 July 2013	263,120	0	0	263,120	197,340	0	—	No
Liu Quan	Executive Director	Male	49	22 July 2010	22 July 2013	189,117	0	0	189,117	141,836	0	—	No
Qiu Zhongwei	Non-executive Director	Male	44	22 July 2010	22 July 2013	0	0	0	0	0	0	—	Yes
Liu Changkun	Independent Non-executive Director	Male	69	22 July 2010	22 July 2013	0	0	0	0	0	0	—	No
Qian Shizheng	Independent Non-executive Director	Male	60	22 July 2010	22 July 2013	0	0	0	0	0	0	—	No
Wang Zhile	Independent Non-executive Director	Male	64	22 July 2010	22 July 2013	0	0	0	0	0	0	—	No
Lian Weizeng	Independent Non-executive Director	Male	66	22 July 2010	22 July 2013	0	0	0	0	0	0	—	No
Cao Yonggang	Chairman of Supervisory Board	Male	40	22 July 2010	22 July 2013	0	0	0	0	0	0	—	Yes
Liu Chi	Supervisor	Male	55	22 July 2010	22 July 2013	138,711	0	0	138,711	104,033	0	—	No
Luo Anping	Employee Supervisor	Male	51	22 July 2010	22 July 2013	138,355	0	0	138,355	103,766	0	—	No
Zhang Jianguo	Senior President	Male	53	22 July 2010	22 July 2013	186,443	0	0	186,443	139,831	0	—	No
Yin Zhengfu	Senior President	Male	56	22 July 2010	22 July 2013	178,750	0	0	178,750	134,062	0	—	No
He Jianming	Senior President	Male	49	22 July 2010	22 July 2013	164,451	0	0	164,451	123,338	0	—	No
Du Youqi	Senior President	Female	54	22 July 2010	22 July 2013	10,011	0	0	10,011	7,508	0	—	No
Fang Minghua	Senior President	Male	55	22 July 2010	22 July 2013	158,376	0	0	158,376	118,781	0	—	No
Wang Chunyang	Senior President	Male	57	22 July 2010	22 July 2013	158,014	0	0	158,014	118,510	0	—	No
Xu Wuquan	Senior President	Male	55	22 July 2010	22 July 2013	125,126	0	0	125,126	93,844	0	—	No
Xiong Yanming	Vice President	Male	48	22 July 2010	22 July 2013	96,525	0	0	96,525	72,393	0	—	No
Su Yongzhuan	Vice President	Male	40	22 July 2010	22 July 2013	114,400	0	0	114,400	85,800	0	—	No
Guo Xuehong	Vice President	Male	50	22 July 2010	22 July 2013	178,750	0	0	178,750	134,062	0	—	No
Sun Changjun	Vice President	Male	50	22 July 2010	22 July 2013	160,876	0	0	160,876	120,657	0	—	No
Li Jiangtao	Vice President	Male	49	22 July 2010	22 July 2013	153,010	0	0	153,010	114,757	0	—	No

Directors, Supervisors and Senior Management

Name	Position	Sex	Age	Date of term of office commenced	Date of term of office ended	Number of Shares			Number of Shares held at the end of the Reporting Period (share)	Of which: restrictive shares held (share)	Number of share options held at the end of the Reporting Period (share)	Reason of changes	Whether received remuneration from shareholders or connected parties
						beginning of the Reporting Period (share)	increased during the Reporting Period (share)	decreased during the Reporting Period (share)					
Hong Xiaoming	Vice President and the person in charge of financial affairs	Female	49	22 July 2010	22 July 2013	0	0	0	0	0	0	–	No
He Wenjin	Vice President	Male	42	22 July 2010	22 July 2013	0	0	0	0	0	0	–	No
Wan Jun	Vice President	Male	40	22 July 2010	22 July 2013	0	0	0	0	0	0	–	No
Chen Xiaofei	Vice President	Male	49	22 July 2010	22 July 2013	0	0	0	0	0	0	–	No
Chen Peiliang	Vice President	Male	40	22 July 2010	22 July 2013	71,500	0	0	71,500	53,625	0	–	No
Ajilore Akinola Odunayo	Vice President	Male	51	26 April 2012	22 July 2013	0	0	0	0	0	0	–	No
Wang Yukun	Chief Information Officer	Male	46	22 July 2010	22 July 2013	0	0	0	0	0	0	–	No
Shen Ke	Secretary to the Board of Directors	Male	41	18 February 2011	22 July 2013	0	0	0	0	0	0	–	No
Total	–	–	–	–	–	2,485,535			2,485,535	1,864,143		–	–

(II) Changes of Directors, Supervisors and Senior Management

Name	Position held	Changes	Date of changes	Reason of changes
Ajilore Akinola Odunayo	Vice President	Newly appointed	26 April 2012	According to a resolution approved during the second extraordinary meeting of the 4th session of the Board of Directors of the Company convened on 26 April 2012, Mr. Ajilore Akinola Odunayo was appointed as the Vice President of the Company, with a term from 26 April 2012 to the end of term of this session of the Board of Directors.

Save as disclosed above, there has been no changes of Directors, Supervisors and Senior Management of the Company during the Reporting Period.

Directors, Supervisors and Senior Management

(III) Directors, Supervisors and Chief Executive's Interests in Shares or Debentures of the Company

Each of the directors, supervisors and chief executives' interests in shares of the Company as at 30 June 2012 are set out in the section headed "Changes in Shareholdings of Directors, Supervisors and Senior Management during the Reporting Period".

As at 30 June 2012, the directors, supervisors and senior management of the Company 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 the Securities and Futures Ordinance (the "SFO")) which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or required to be disclosed to the Company and SEHK 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 of the same class (%)
Zhan Chunxin	Beneficiary owner	A Share	263,120	0.0042
Liu Quan	Beneficiary owner	A Share	189,117	0.0030
Liu Chi	Beneficiary owner	A Share	138,711	0.0022
Luo Anping	Beneficiary owner	A Share	138,355	0.0022

As at 30 June 2012, 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 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 2012, 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. Management Discussion and Analysis

(I) Discussion and analysis on the operating results

In the first half of 2012, given a prolonged downward trend in domestic economic growth in the PRC since last year, the growth of investment in fixed assets continued to slow down and credit funds continued to be tightened. The first half of 2012 was challenging for the construction machinery industry of the PRC. The decline in the growth of its production and sales of construction machinery was more substantial and lasted longer than expected.

During the Reporting Period, the Company closely monitored changes in market. In the pursuit of its two major goals of management reform and globalization, it adopted market-oriented and customer-focus approaches to strengthen internal management and explore external markets. As such, the Company's operating results were improved in spite of the unfavorable environment.

1. Improvement in operating results under adverse market environment

During the Reporting Period, the Company recorded turnover of RMB29,120 million, representing an increase of 20.59% as compared to the same period last year. Net profit attributable to equity shareholders of the Company amounted to RMB5,622 million, representing an increase of 21.47% as compared to the same period last year. The growth of the results of the Company under the adverse market environment was mainly due to: (1) balanced product mix. Currently, Zoomlion offers more than 700 products, covering 13 major categories and 86 product lines. In the first half of 2012, the growth of concrete machinery and certain crane machinery was stable. Its balanced product mix was effective in preventing the risks of its business segments; (2) the increasing market share of core products. The Company's products such as truck-mounted pumps and tower cranes were well received by the market and strengthened their leading market positions. With the steady increase in its market share, the Company had improved results during the Reporting Period; (3) effective control of costs and expenses. The Company carried out measures for reducing expenses, controlling cost and enhancing efficiency to optimize the use of product costs and fees for operation.

2. Steady progress of management reform

During the Reporting Period, the Company adjusted and optimized its organizational structure. With efficient resources integration and implementation of project management, the Company was able to promptly respond to market changes.

The Company implemented the three-dimensional matrix management model and accelerated the research and development reform of IPD to optimize new product development process, enhance its research and development quality and facilitate its technological achievements.

Report of the Board of Directors

The Company adopted a large-scale marketing model and integrated the marketing network resources of various divisions. It launched a national marketing platform for major regions and formulated 7S shop plan for the optimal management of these regions. Efforts were also made to expand the development of the market segments and enhance service coordination.

3. Significant progress in expansion to international markets

During the Reporting Period, the Company recorded rapid growth in overseas sales, representing a growth of 27.31% as compared to the same period last year. The Company's core segments achieved new breakthroughs in product sales. For its concrete machinery, the Company's truck-mounted concrete pumps entered the German market successfully. It is the first brand of self-owned truck-mounted concrete pumps in the PRC that has penetrated the German market. For its crane machinery, the export of Zoomlion's 800-ton crawler cranes to Iran set the record of the largest tonnage crawler crane exported from the PRC. Since its advanced technological cooperation with JOST of Germany last year, the Company's all major technical performance indicators have reached international advanced levels and satisfied the Standards of the European Federation of Materials Handling ("FEM"). The Company's tower cranes continued to rank top among all tower crane products of the same model in the world in terms of comprehensive performance. The newly-developed flat top tower crane, T320-16 was permitted to enter into Singapore's market. Moreover, the Company won the bid for extra-large tower crane purchase order of an overseas project in May this year, setting a new record in extra-large tower crane exports in the PRC.

The Company strengthened its overseas project management through adopting different marketing policies, pricing systems and product strategies based on regional differences of various product lines. It made further improvement in overseas dealer management system ("DMS") through launching and promoting overseas DMS and regulating market access for overseas dealers and dealership management. As a result, contribution from distribution channels increased significantly. The Company also focused on the development of overseas service network, which further enhanced the average coverage rate of overseas services and its capabilities to respond rapidly on a 24-hour basis.



Report of the Board of Directors

4. Remarkable enhancement of technological research capabilities

The Company is committed to independent technological innovation to develop advanced construction machinery products that meet market demands. It focused on patent applications and actively participated in the formulation and revision of industrial standards so as to consolidate its leading position and core competitiveness. During the Reporting Period, the Company's patent applications grew by 248% as compared to the same period last year, ranking first in the construction machinery industry and fifth among all the applicants of the Patent Cooperation Treaty ("PCT"). As the first ISO secretariat established in PRC, the Company is independently responsible for the secretariat work of the International Organization for Standardization/Technical Committee on Cranes (ISO/TC96), reflecting its leading position in the global crane industry. The Test Data Management ("TDM") system was first developed and operated by the Company which has filled the gap left in the domestic concrete machinery industry.

In the first half of the year, the Company made fruitful achievements in product research and development, primarily in the following areas:

- (1) The Company's self-developed truck-mounted pumps with 80-meter carbon fibre arms, which adopt the most advanced technologies in the global concrete machinery industry, were launched into the market and commenced operation. The product is able to pump C25 concrete to the 19th floor or above of a building, marking a world-record of highest pumping height of truck-mounted pumps;
- (2) The new generation of truck-mounted pump adopting 6-fold arm technology with 63-meter steel arm, which is the world's longest truck-mounted crane arm with 5 axles, was successfully launched;
- (3) The first dry-mixed mortar packaging machine with double buckets in the PRC was successfully launched, reflecting the capability of the Company to fully master the core technologies of manufacturing dry-mixed mortar equipment;
- (4) The Company's self-developed ZE1250E, a large-tonnage crawler hydraulic excavator, passed the test of relevant national authorities and has been delivered for use. Its tonnage is currently the largest among the domestic brands of crawler hydraulic excavators in use;

Report of the Board of Directors

- (5) A number of products were honored as the “TOP50 Products of the Year of China Construction Machinery for 2011” (“2011中國工程機械年度產品TOP50”大獎): ZLJ5530THBK 64X-6RZ truck-mounted concrete pump won the only Jury Prize; ZCC3200NP crawler crane was granted the Technological Innovation Golden Award; ZR360A rotary drilling rig and QY80VF532 truck crane were selected as the TOP50 Products of the Year.

5. Effective reinforcement of risk control

During the Reporting Period, the Company attached great importance to risk prevention and control. It strictly adopted the triple risk control concept of “complete control by staff, process and monitoring for closed-loop control” (全員控制、全流程控制及閉環控制). The Company had improved its management system for capital, foreign exchange, receivables, inventory, fixed assets and information, and risk warning system. In particular, it strengthened the management for receivables in accordance with the market situation. It also established the operation mechanism with “centralized management by the headquarters and reinforced cooperation between the headquarters and divisions to bring their respective advantages of supervision and administration into full play”. The implementation of these initiatives had facilitated the risk control of the Company. The Company was granted “Golden Shield Award for the Best Legal Risk Management of 2012”, being the only company specializing in construction machinery manufacturing in China to win the award for three consecutive years.

6. Further enhancement of brand image

The major awards received by the Company in the first half of 2012 are as follows:

The Company ranked 776th on the Forbes Global 2000 list in 2011, representing an advancement of 676 places from last year. It also ranked sixth among the global construction machinery enterprises and first among the construction machinery enterprises in China on the list.

The brand value of the Company was RMB17,258 million, ranking 74th among “China’s 500 Most Valuable Brands of 2012” released by World Brand Lab. The brand value of the Company grew nearly 40% over that of last year and its ranking rose by five places.

The Board was selected as the Most Outstanding Board of Directors during the eighth Golden Roundtable Award campaign for the fifth time, more than any other listed companies in Shenzhen and Shanghai. The Company was honored as one of the “Top 100 Golden Bull Listed Companies” (金牛上市公司百強) and received the awards of “Golden Bull Built-to-Last Company” (金牛基業長青公司) and “Investors’ Most Trusted Enterprise” (最受投資者信賴公司) in the fourteenth “Golden Bull Award Campaign” (金牛獎). The Company has been rated “excellent” in the assessment of the information disclosure and corporate governance of listed companies on the main board of the Shenzhen Stock Exchange for three consecutive years.



Report of the Board of Directors

II. Challenges and Difficulties of Operations

(I) Economy in the second half of the year:

In respect of the international market, as the European debt crisis aggravates and the growth of emerging markets is below expectation, the outlook of the global economy is full of uncertainty. Nevertheless, the moderate recovery of the U.S. economy, coupled with the relaxed monetary policies of emerging markets such as Russia, India and Brazil and increased infrastructure investment in the Middle East, Africa and Southeast Asia are expected to boost the export demand for construction machinery in the PRC. For the domestic market, the growth rate of construction machinery industry will slow down as the macro-economic policy will focus on economic transformation and structural adjustment. Given the unexpected slump of the domestic economy and slowed inflation in the first half of the year, there is room for a relaxed monetary policy in the second half of the year which can mitigate the decrease in fixed asset investment to a certain extent.

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

1. Market risks: the weak global economic recovery, slowdown of domestic economic growth and overcapacity of construction machinery manufacturing will lead to intensified competition and may affect the sales volume and profitability of the Company;
2. Credit risks: due to the large customer base of the Company, the credit status of different customers varies. It may affect the business expansion and future recovery of debt of the Company.

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

In the face of the complicated macro-economic environment at home and abroad, the Company will closely monitor the changes in market to adjust its marketing strategies promptly, prevent market risks and realize stable development of the Company.

1. Strengthening market expansion.

The Company will expand the marketing efforts targeting on segment markets, implement differentiated development strategies in terms of products, services and regions, and penetrate into Central China, Western China and tier-3 and tier-4 cities.

2. Strengthening cost control.

The Company will strengthen cost control over the supply chain, administrative expenditure and operating expenditure to enhance profitability. It will continue to promote effective production to raise production efficiency and reduce waste. Supply chain management will also be reinforced and existing resources will be integrated to capitalize on its economy of scale.

Report of the Board of Directors

3. Strengthening risk control.

The Company will focus on risk prevention by introducing management policies on risk control in major fields including the market, intelligent property and supply chain while expediting the establishment of comprehensive risk management system. The Company will improve the risk monitoring and prevention indicator system to realize quantitative management of risk alert and introduce risk monitoring project management to integrate risk management and other corporate management. It will continue to promote the establishment of internal control system to identify engineering and execution defects of key business procedures in an objective and comprehensive way. Risk control and rectification will be strengthened. Debt management related to operating risk of the Company and quality of lawsuit management will be enhanced.

III. Analysis of Financial Position

(I). Cash flow and capital expenditure

The Company financed its operations primarily through proceeds from sales of its products. As of 30 June 2012, the Company had RMB18,842 million in cash and cash equivalents, 89.18% of which were denominated in Renminbi. The Company's cash and cash equivalents primarily consist of cash and bank deposits.

1. Operating activities

Net cash generated from operating activities for the six months ended 30 June 2012 was RMB454 million, derived primarily by deducting from the profit before taxation of RMB6,699 million the following items: (1) an increase in inventories of RMB1,757 million; (2) an increase in trade and other receivables of RMB7,693 million; (3) an increase in receivables under finance lease of RMB2,572 million; (4) income tax payment of RMB1,417 million and then adding back an increase in trade and other payables of RMB6,650 million.

2. Investing activities

Net cash used in investing activities for the six months ended 30 June 2012 was RMB1,200 million, consisting primarily of: (1) payments for the purchase of property, plant and equipment of RMB701 million; and (2) an increase in pledged deposits of RMB360 million.

3. Financing activities

Net cash generated from financing activities for the six months ended 30 June 2012 was RMB3,593 million, consisting primarily of: (1) an increase in bank and other borrowings of RMB11,870 million, partially offset by repayment of bank and other borrowings of RMB7,786 million; and (2) interest payment of RMB432 million.



Report of the Board of Directors

4. Capital expenditures

The Company incurred capital expenditures of RMB1,020 million in the first half of 2012 (six months ended 30 June 2011: RMB582 million), for purchase of property, plant and equipment, intangible assets and lease prepayments. The Company funded its capital expenditures primarily with proceeds raised. There were no significant asset disposals or business acquisition in the first half of 2012.

5. Credit policies

Please refer to note 9 and 10 of the unaudited interim financial report for details of the Company's credit policies for the first half of 2012.

(II). Commitments and contingent liabilities

As of 30 June 2012, the Company's commitments consisted of capital commitments of RMB2,179 million and operating lease commitments of RMB286 million, of which RMB91 million was payable within one year.

Please refer to note 16 of the unaudited interim financial report for details of the Company's contingent liabilities as of 30 June 2012.

(III). Charge on assets

Please refer to note 12 of the unaudited interim financial report for details of the Company's charge on assets as of 30 June 2012.

IV. Employees

During the Reporting Period, there was no significant change to the number of employees, their salaries and remuneration policies of the Company as compared with the number disclosed in the annual report of 2011.

V. Other Disclosures

- (1) On 24 February 2012, the first extraordinary meeting of 2012 of the 4th session of the Board of Directors of the Company resolved to establish a wholly-owned subsidiary, Changsha Zoomlion Environmental and Sanitation Machinery Co., Ltd., with cash contribution of RMB2.1 billion. Upon the establishment of the subsidiary, the Company would transfer the assets of environmental and sanitation machinery business to it at the consideration of RMB1,943,280,000, which was equivalent to the carrying value of such assets as at 31 January 2012.

Report of the Board of Directors

- (2) On 15 March 2012, the fourth meeting of the 4th session of the Board of Directors of the Company resolved to sell 80% equity interests of Changsha Zoomlion Environmental and Sanitation Machinery Co., Ltd. by way of public tender on the Hunan United Assets and Equity Exchange. As at the date of this report, no applications were submitted to Hunan United Assets and Equity Exchange by any potential acquirer.
- (3) On 5 April 2012, the Company issued USD notes of US\$400 million with a term of 5 years through its overseas subsidiary. The USD note is listed on the Singapore Stock Exchange and will expire on 5 April 2017. During the term of the notes, the notes will bear interest at the rate of 6.875% per annum, payable semi-annually in arrears on 5 April and 5 October of each year, beginning on 5 October 2012.
- (4) Certain customers of the Company financed their purchases of the products of the Company through bank mortgages. As at 30 June 2012, the bank loans of customers secured by the guarantee of the Company amounted to RMB10,518,048,300. During the Reporting Period, the Company made default payment of RMB129,314,500 to banks on behalf of its customers.
- (5) Starting from October 2010, certain of the Company's finance lease contracts with end-user customers were jointly provided by the leasing subsidiaries and a third-party leasing company. As of 30 June 2012, the maximum exposure of the Company to such guarantees was RMB1,268,852,900. As at 30 June 2012, there was no default by any customer which required the Company to make guarantee payments.
- (6) Part of the receivables due from customers of the Company was pledged to banks to secure the factoring borrowings from the banks. As at 30 June 2012, the total factoring borrowings obtained by the Company from banks amounted to RMB26,776,000.
- (7) Save as disclosed in this report, there were no material acquisitions and disposals of the Company, its subsidiaries and associated companies during the Reporting Period.



Other Matters

I. Corporate Governance

The Company has established and improved the structure of its corporate governance to regulate its operation strictly in accordance with the Company Law, Securities Law, and the relevant regulations of the CSRC and The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The Company has improved 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 and Hong Kong Stock Exchange on listed companies. The Company will consolidate the efforts of the corporate governance 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. The Company also strictly implemented the management system for insider information and external information user (内幕信息知情人和外部信息使用人管理制度) formulated by the Board of Directors.

1. 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 2012, 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.

2. 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 2012. The Company was not aware of any non-compliance of the Model Code by any Directors or Supervisors.

Other Matters

3. 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 2012.

II. Implementation of Profit Distribution Plan in the Reporting Period

The Profit Distribution Plan for 2011 (2011年度利潤分配方案) was approved at the 2011 annual general meeting convened on 29 June 2012, pursuant to which the Company distributed RMB2.5 (tax included) for every 10 shares in cash to all shareholders based on the total share capital of the Company of 7,705,954,050 shares.

The A Shares under the Profit Distribution Plan for 2011 were registered on 2 August 2012. The ex-rights and ex-dividend date of A Shares was 3 August 2012. On 3 August 2012, the final dividend of H shares were paid to the H Share shareholders whose names appeared on the H share register of members of the Company at the close of business on 11 July 2012. The distribution of profits of A Shares and H Shares for 2011 was implemented on 3 August 2012 by the Company.

III. Material Litigations and Arbitrations during the Reporting Period

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 the 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 a 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 Mobile failed to pay the abovementioned amount after 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 by debiting RMB585,464.01 in aggregate from the two deposit accounts of Skyworth Mobile. The case is still in process of execution. At present, several companies express intentions to accept the transfer of the equity interests in Zoomlion Beidou from Skyworth Mobile. The negotiation between the shareholders of Zoomlion Beidou and potential transferees is in progress.

As the case did not arise from the ordinary course of business of the Company, and as the Company 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.

The Company 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 unfavourable outcomes 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 Company.

IV. No Material Acquisition, Disposal or Assets Reorganization was made by the Company during the Reporting Period

Other Matters

V. Shareholding of the Company in Other Listed Companies and its Associated Financial Enterprises

Stock code	Abbreviation	Initial investment amount (RMB)	Shareholding percentage (%)	Carrying value	Changes	Accounting item	Source of shares
				at the end of the Reporting Period (RMB)	Gain or loss during the Reporting Period (RMB)		
601328	BoCom	5,291,736.00	0%	3,846,959.92	101,939.41	Available-for-sale financial assets	Acquisition of assets
600820	Tunnel shares (隧道股份)	68,000.00	0%	495,872.40	-9,945.30	Available-for-sale financial assets	Acquisition of assets
Total		5,359,736.00	—	4,342,832.32	91,994.11	—	—

VI. The Company had No Material Connected Transactions during the Reporting Period

VII. Material Contracts and the Implementation

1. During the Reporting Period, no assets of other companies were held under trust, contract and lease by the Company.
2. Material guarantees during the Reporting Period

Unit: RMB ten thousand

Name of guaranteed party	Disclosure date of the announcement regarding the guarantee	Guarantee provided to subsidiaries by the Company				Type of guarantee	Period of guarantee	Discharged or not	Whether in favour of any related party (Yes or No)
		Guarantee limit	Actual date of event (Date of the agreement)	Actual amount of guarantee					
Zoomlion International Trading (H.K.) Co., Limited	2012-3-16	400,000	2012-5-15	31,624.50	Guarantee	1 year	No	No	
Zoomlion International Trading (H.K.) Co., Limited	2012-3-16	400,000	2012-6-21	33,743.34	Guarantee	2 years	No	No	
ZOOMLION H.K. S.P.V. CO., LTD	2012-3-29	252,996.00	2012-4-5	252,996.00	Guarantee	5 years	No	No	

Other Matters

VIII. Reception of Research Investigations, Communications and Interviews during the Reporting Period

Date of reception	Place of reception	Activity	Type of target group	Target Group	Particulars and information provided
2 May 2012	Changsha	Conference call	Institution	瑞合資產管理公司	I. Main content: <ol style="list-style-type: none"> The development trend of the construction machinery industry for 2012 in the PRC; The development of the Company in the second quarter of 2012, as well as the prospect in the second half of the year; The development history, corporate culture, operation condition, export environment and strategic plans of the Company; The competition and comparison of advantages of various product segments in the industry; Explanations to other enquiries. II. Information: <ol style="list-style-type: none"> Periodic reports and ad hoc announcements of the Company; Brochures of products.
3 May 2012	Hong Kong	Investors' forum	Institution	Merrill Lynch	
4 May 2012	Changsha	On-site research investigation	Institution	Shenyin Wanguo and Fuh Hwa Securities Investment Trust (台灣複華投信)	
7 May 2012	Changsha	On-site research investigation	Institution	Macquarie Securities	
7 May 2012	Changsha	On-site research investigation	Institution	Citibank, Aberdeen, UOBAM, Citi PB, Nomura Principle	
11 May 2012	Changsha	On-site research investigation	Institution	Citibank, Captail	
11 May 2012	Beijing	Strategic meeting (策略會)	Institution	BOCI	
15 May 2012	Beijing	Strategic meeting (策略會)	Institution	CLSA	
16 May 2012	Changsha	On-site research investigation	Institution	Korea Investment & Securities	
17 May 2012	Changsha	On-site research investigation	Institution	CLSA	
24 May 2012	Shenzhen	Strategic meeting (策略會)	Institution	Orient Securities and Citigroup Global	
24 May 2012	Xiamen	Listing companies' forum	Institution	Shenyin Wanguo	
24 May 2012	Changsha	On-site research investigation	Institution	Joho Capital	
29 May 2012	Changsha	On-site research investigation	Institution	Wellington Fund	
29 May 2012	Changsha	On-site research investigation	Institution	ICBCCS	
4 June 2012	Changsha	On-site research investigation	Institution	Deutsche Bank AG	
7 June 2012	Hangzhou	Strategic meeting (策略會)	Institution	Credit Suisse Securities	
7 June 2012	Changsha	On-site research investigation	Institution	Sinolink Securities and Ping An Asset Management	
12 June 2012	Changsha	Conference call	Institution	Joint Investigation of Guotai Junan	
12 June 2012	Beijing	Strategic meeting (策略會)	Institution	Essence Securities	
12 June 2012	Changsha	On-site research investigation	Institution	JP Morgan	
19 June 2012	Changsha	On-site research investigation	Institution	Goldman Sachs	
20 June 2012	Changsha	On-site research investigation	Institution	Citibank, Fidelity, Blackrock, Allianz, TT	
20 June 2012	Changsha	On-site research investigation	Institution	Deutsche Bank AG	

Other Matters

IX. Other Significant Events

Zoomlion entered into a joint venture agreement with ElectroMech Material Handling Systems (India) Pvt. Ltd. (“EM Ltd.”) in India on 21 August 2012, pursuant to which Zoomlion and EM Ltd. will jointly invest in the establishment of a factory in India (the “Joint Venture Project”), which will be mainly engaged in tower crane business. Zoomlion and EM Ltd. will own 70% and 30% interests in the Joint Venture Project respectively, with the investment amount pending confirmation.

EM Ltd. is the largest manufacturer of industrial gantry crane in India with a nationwide sales and service network. It boasts excellent marketing and manufacturing capabilities in India. The cooperation between Zoomlion and EM Ltd. facilitated the integration of their local, technological and management advantages with a view to turning their products into the leading brand of tower cranes in India.

X. Index to Information Disclosure

Subject	Name and page of newspaper	Date of publication	Website and URL of publication
Results forecast announcement	Page D025 of Securities Times	31 January 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on resolutions passed at the first extraordinary meeting of the fourth session of Board of Directors in 2012	Page B017 of Securities Times	25 February 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on the establishment of a wholly-owned subsidiary	Page D009 of Securities Times	25 February 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on resolutions passed at the fourth meeting of the fourth session of Board of Directors	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on resolutions passed at the fourth meeting of the fourth session of Supervisory Committee	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)
Summary of 2011 Annual Report	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on Appointment of Auditors for the Financial Statements for 2012	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on the provision of guarantees for holding companies	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)

Other Matters

Subject	Name and page of newspaper	Date of publication	Website and URL of publication
Announcement on change of business scope and the corresponding amendments to the Article of Association of the Company	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on changes of accounting assumptions	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on general mandate for issuance of new shares of the Company	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on change of company name and the corresponding amendments to the Article of Association of the Company	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on disposal of equity interest in a subsidiary and connected transaction	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on overseas bond issue	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on the change of certain investment projects	Page D061 and D062 of Securities Times	16 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on the disposal of equity interest in a subsidiary by tender	Page D048 of Securities Times	23 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on the progress of overseas bond issue	Page D017 of Securities Times	30 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on the provision of guarantee for USD bond issue by an overseas subsidiary	Page D017 of Securities Times	30 March 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on the publication of offering memorandum for overseas USD bonds issue	Page D005 of Securities Times	11 April 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on payment of interests on 2008 bonds of the Company for 2012	Page D008 of Securities Times	13 April 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on the progress of the disposal of equity interest in a subsidiary by tender	Page B065 of Securities Times	21 April 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on resolutions passed at the second extraordinary meeting of the fourth session of Board of Directors in 2012	Page D097 of Securities Times	27 April 2012	www.cninfo.com.cn (巨潮資訊網)
2012 First Quarterly Report	Page D097 of Securities Times	27 April 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on the progress of the disposal of equity interest in a subsidiary by tender	Page B068 of Securities Times	28 April 2012	www.cninfo.com.cn (巨潮資訊網)
Notice of Annual General Meeting of 2011	Page C012 of Securities Times	14 May 2012	www.cninfo.com.cn (巨潮資訊網)

Other Matters

Subject	Name and page of newspaper	Date of publication	Website and URL of publication
Announcement on resolutions passed at the third extraordinary meeting of the fourth session of Board of Directors in 2012	Page A012 of Securities Times	4 June 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on additional resolutions of the Annual General Meeting of 2011 and supplemental notice of the Annual General Meeting of 2011	Page A012 of Securities Times	4 June 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on the progress of the disposal of equity interest in a subsidiary by tender	Page D021 of Securities Times	27 June 2012	www.cninfo.com.cn (巨潮資訊網)
Announcement on resolutions passed at Annual General Meeting of 2011	Page B025 of Securities Times	30 June 2012	www.cninfo.com.cn (巨潮資訊網)

Independent Review Report



To the directors of Zoomlion Heavy Industry Science and Technology 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 34 to 64, which comprises the consolidated balance sheet of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2012, 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 2012 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 2012

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2012
(expressed in Renminbi)

	Note	For the six-month period ended 30 June	
		2012 RMB millions	2011 RMB millions
Turnover	3	29,120	24,148
Cost of sales and services		(19,208)	(16,291)
Gross profit		9,912	7,857
Other revenues and net (loss)/income		(87)	66
Sales and marketing expenses		(1,473)	(1,230)
General and administrative expenses		(1,207)	(1,021)
Research and development expenses		(251)	(145)
Profit from operations		6,894	5,527
Gain on disposal of an associate		—	12
Net finance costs	4(a)	(203)	(108)
Share of profits less losses of associates		8	13
Profit before taxation	4	6,699	5,444
Income tax	5	(950)	(793)
Profit for the period		5,749	4,651
Other comprehensive income for the period (after tax)			
Exchange differences on translation of financial statements of subsidiaries outside PRC		(17)	92
Total other comprehensive income for the period		(17)	92
Total comprehensive income for the period		5,732	4,743

The notes on pages 41 to 64 form part of the interim financial report.

Consolidated Statement of Comprehensive Income (Continued) (Unaudited)

For the six-month period ended 30 June 2012
(expressed in Renminbi)

	Note	For the six-month period ended 30 June	
		2012 RMB millions	2011 RMB millions
Profit attributable to:			
Equity shareholders of the Company		5,622	4,628
Non-controlling interests		127	23
Profit for the period		5,749	4,651
Total comprehensive income attributable to:			
Equity shareholders of the Company		5,606	4,713
Non-controlling interests		126	30
Total comprehensive income for the period		5,732	4,743
Basic and diluted earnings per share (RMB)	6	0.73	0.60

The notes on pages 41 to 64 form part of the interim financial report.

Consolidated Balance Sheet (Unaudited)

As at 30 June 2012

(expressed in Renminbi)

	Note	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Non-current assets			
Property, plant and equipment		5,556	4,886
Lease prepayments		1,446	1,390
Intangible assets		1,190	1,216
Goodwill		1,742	1,793
Interests in associates		166	103
Other financial assets		116	43
Trade and other receivables	9	3,355	912
Receivables under finance lease	10	14,368	12,780
Pledged bank deposits		626	261
Deferred tax assets		388	317
Total non-current assets		28,953	23,701
Current assets			
Inventories	8	11,413	9,656
Trade and other receivables	9	18,836	13,614
Receivables under finance lease	10	8,073	7,089
Pledged bank deposits		1,476	1,481
Cash and cash equivalents	11	18,842	16,002
Total current assets		58,640	47,842
Total assets		87,593	71,543
Current liabilities			
Loans and borrowings	12(a)	10,121	6,049
Trade and other payables	13	28,157	19,314
Income tax payable		879	1,289
Total current liabilities		39,157	26,652
Net current assets		19,483	21,190
Total assets less current liabilities		48,436	44,891

The notes on pages 41 to 64 form part of the interim financial report.

Consolidated Balance Sheet (Continued) (Unaudited)

As at 30 June 2012
(expressed in Renminbi)

	Note	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Non-current liabilities			
Loans and borrowings	12(b)	7,009	7,089
Other non-current liabilities		1,716	1,789
Deferred tax liabilities		426	418
Total non-current liabilities		9,151	9,296
NET ASSETS		39,285	35,595
CAPITAL AND RESERVES			
Share capital		7,706	7,706
Reserves		31,312	27,701
Total equity attributable to equity shareholders of the Company		39,018	35,407
Non-controlling interests		267	188
TOTAL EQUITY		39,285	35,595

Approved and authorised for issue by the board of directors on 30 August 2012.

Zhan Chunxin

Chairman and Chief Executive Officer

Hong Xiaoming

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

The notes on pages 41 to 64 form part of the interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2012
(expressed in Renminbi)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory		Fair value reserve	Retained earnings	Total		
			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 2011	5,797	15,063	1,212	(66)	(1)	5,371	27,376	59	27,435
Over-allotment of H Shares in Global Offering	131	1,376	—	—	—	—	1,507	—	1,507
Cash dividends	—	—	—	—	—	(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
Balance at 1 January 2012	7,706	14,676	1,963	(81)	(2)	11,145	35,407	188	35,595
Cash dividends (Note 14)	—	—	—	—	—	(1,926)	(1,926)	—	(1,926)
Contribution from non-controlling interests	—	—	—	—	—	—	—	1	1
Acquisition of non-controlling interests	—	(69)	—	—	—	—	(69)	(9)	(78)
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(39)	(39)
Total comprehensive income for the period	—	—	—	(16)	—	5,622	5,606	126	5,732
Balance at 30 June 2012	7,706	14,607	1,963	(97)	(2)	14,841	39,018	267	39,285

The notes on pages 41 to 64 form part of the interim financial report.

Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2012

(expressed in Renminbi)

	Note	For the six-month period ended 30 June	
		2012 RMB millions	2011 RMB million
Operating activities			
Profit before taxation		6,699	5,444
Adjustments for:			
Depreciation of property, plant and equipment		201	178
Amortisation of lease prepayments		15	13
Amortisation of intangible assets		31	31
Share of profits less losses of associates		(8)	(13)
Interest income		(132)	(111)
Interest expense		405	321
Loss on disposal of property, plant and equipment, and intangible assets		12	4
Impairment loss on property, plant and equipment		2	2
Gain on disposal of an associate		—	(12)
Loss/(gain) on remeasurement of derivative financial instruments at fair value		18	(11)
		7,243	5,846
Increase in inventories		(1,757)	(1,640)
Increase in trade and other receivables		(7,693)	(5,162)
Increase in receivables under finance lease		(2,572)	(2,234)
Increase in trade and other payables		6,650	4,360
Cash generated from operations		1,871	1,170
Income tax paid		(1,417)	(814)
Net cash generated from operating activities carried forward		454	356

The notes on pages 41 to 64 form part of the interim financial report.

Consolidated Cash Flow Statement (Continued) (Unaudited)

For the six-month period ended 30 June 2012

(expressed in Renminbi)

	Note	For the six-month period ended 30 June	
		2012 RMB millions	2011 RMB million
Net cash generated from operating activities brought forward		454	356
Investing activities			
Payment for the purchase of property, plant and equipment		(701)	(613)
Lease prepayments		(71)	(52)
Payment for purchase of intangible assets		(46)	(16)
Payment for acquisition of investments in associates and equity investments		(168)	(7)
Proceeds from disposal of property, plant and equipment, and intangible assets		14	20
Cash acquired in step acquisition		—	31
Interest received		132	111
Increase in pledged bank deposits		(360)	(1,045)
Net cash used in investing activities		(1,200)	(1,571)
Financing activities			
Proceeds from loans and borrowings		11,870	5,761
Repayments of loans and borrowings		(7,786)	(4,368)
Interest paid		(432)	(357)
Dividend paid		—	(55)
Dividends paid by subsidiaries to non-controlling shareholders		(18)	—
Payment for acquisition of non-controlling interests		(42)	—
Contribution from non-controlling shareholders		1	—
Net proceeds from over-allotment of H Shares in Global Offering		—	1,507
Net cash generated from financing activities		3,593	2,488
Net increase in cash and cash equivalents		2,847	1,273
Cash and cash equivalents at beginning of period		16,002	18,758
Effect of foreign exchange rate changes		(7)	(63)
Cash and cash equivalents at end of period	11	18,842	19,968

The notes on pages 41 to 64 form part of the interim financial report.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

1 Principal activities of reporting entity

Zoomlion Heavy Industry Science and Technology Co., Ltd. (the “Company”) and its subsidiaries (collectively, referred to as the “Group”) are principally engaged in the research, development, manufacturing and sale 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.

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 2011 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 certain 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 2011 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 2012

3 Turnover

	For the six-month period ended 30 June	
	2012 RMB millions	2011 RMB millions
Sales of		
Concrete machinery	16,906	11,134
Crane machinery	7,044	8,208
Environmental and sanitation machinery	1,201	1,264
Road construction and pile foundation machinery	779	1,006
Earth working machinery	1,324	673
Material handling machinery and systems	204	282
Other machinery products	879	832
Finance income under finance lease	783	749
	29,120	24,148

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

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	
	2012 RMB millions	2011 RMB millions
Finance income:		
Interest income on bank deposits	(132)	(111)
Loss/(gain) on remeasurement of derivative financial instruments at fair value	18	(11)
	(114)	(122)
Finance costs:		
Interest on loans and borrowings (note)	381	218
Net exchange (gains)/losses	(64)	12
	317	230
	203	108

Note:

Interest expense on factoring the Group's receivables under finance lease with recourse amounted to RMB24 million for the six-month period ended 30 June 2012 (six-month period ended 30 June 2011: RMB103 million), and was included in cost of sales and services.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

4 Profit before taxation (continued)

(b) Staff costs:

	For the six-month period ended 30 June	
	2012 RMB millions	2011 RMB millions
Salaries, wages and other benefits	1,529	1,279
Contributions to retirement schemes	107	78
	1,636	1,357

(c) Other items:

	For the six-month period ended 30 June	
	2012 RMB millions	2011 RMB millions
Cost of inventories	19,183	16,139
Depreciation of property, plant and equipment	201	178
Amortisation of lease prepayments	15	13
Amortisation of intangible assets	31	31
Operating lease charges	80	56
Product warranty costs	82	71
Impairment losses		
— trade receivables	195	242
— receivables under finance lease	67	—
— inventories	40	24

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

5 Income tax

Income tax in the consolidated statements of comprehensive income represents:

	For the six-month period ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Current tax — PRC income tax	1,005	856
Current tax — Income tax in other tax jurisdictions	2	3
Deferred taxation	(57)	(66)
	950	793

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

	For the six-month period ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Profit before taxation	6,699	5,444
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (note (a))	1,675	1,361
Tax effect of non-deductible expenses	14	12
Tax effect of non-taxable income	(6)	(19)
Tax effect of tax concessions (note (b))	(676)	(488)
Additional deduction for qualified research and development expenses (note (c))	(57)	(73)
Actual income tax expense	950	793

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

5 Income tax (continued)

Notes:

- (a) The PRC statutory income tax rate is 25% (2011: 25%).
The Company's subsidiaries in Italy are subject to income tax at rates ranging from 27.5% to 31.4% (2011: 27.5% to 31.4%).
The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2011: 16.5%).
- (b) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The Company and certain of its subsidiaries obtained the renewal approval of high-technology enterprises in 2011 and accordingly were subject to income tax at 15% for the years from 2011 to 2013.
- (c) Under the 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

Pursuant to the shareholders' approval at the Annual General Meeting held on 3 June 2011, the Company executed 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. For the purpose of calculating earnings per share for the six-month period ended 30 June 2011, the number of ordinary shares used in the calculation has been retrospectively adjusted to reflect the above-mentioned stock split 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 2012 is based on the profit attributable to equity shareholders of the Company of RMB5,622 million (six-month period ended 30 June 2011: RMB4,628 million), and the weighted average number of shares of 7,706 million during the six-month period ended 30 June 2012 (six-month period ended 30 June 2011: 7,695 million shares after adjusting for the stock split mentioned in the above paragraph).

There were no dilutive potential ordinary shares in issue as at 30 June 2012 (30 June 2011: Nil).

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

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 2012 is set out below.

	For the six-month period ended 30 June	
	2012 RMB millions	2011 RMB millions
Reportable segment revenue:		
Concrete machinery	16,906	11,134
Crane machinery	7,044	8,208
Environmental and sanitation machinery	1,201	1,264
Road construction and pile foundation machinery	779	1,006
Earth working machinery	1,324	673
Material handling machinery and systems	204	282
Finance lease services	783	749
Total reportable segment revenue	28,241	23,316
Revenue from all other segments	879	832
Total	29,120	24,148
Reportable segment profit:		
Concrete machinery	6,123	4,041
Crane machinery	1,927	2,159
Environmental and sanitation machinery	333	407
Road construction and pile foundation machinery	326	383
Earth working machinery	335	125
Material handling machinery and systems	20	34
Finance lease services	759	597
Total reportable segment profit	9,823	7,746
Profit from all other segments	89	111
Total	9,912	7,857

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

7 Segment reporting (continued)

Reconciliation of segment profit

	For the six-month period ended 30 June	
	2012 RMB millions	2011 RMB millions
Total segment profit	9,912	7,857
Other revenues and net (loss)/income	(87)	66
Sales and marketing expenses	(1,473)	(1,230)
General and administrative expenses	(1,207)	(1,021)
Research and development expenses	(251)	(145)
Gain on disposal of an associate	—	12
Net finance costs	(203)	(108)
Share of profits less losses of associates	8	13
Consolidated profit before taxation	6,699	5,444

8 Inventories

	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
	Raw materials	5,332
Work in progress	2,161	1,691
Finished goods	3,920	3,203
	11,413	9,656

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

9 Trade and other receivables

	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Trade receivables	19,609	12,096
Less: provision for impairment (Note (b))	(722)	(533)
	18,887	11,563
Less: trade receivables due after one year	(3,355)	(912)
	15,532	10,651
Bills receivable (Note(c))	1,020	1,138
	16,552	11,789
Amounts due from related parties (Note 17(b))	332	99
Prepayments for purchase of raw materials	682	508
Prepaid expenses	366	310
VAT recoverable	253	247
Deposits	138	118
Others	513	543
	18,836	13,614

During the six-month period ended 30 June 2012, trade receivables of RMB2,063 million (six-month period ended 30 June 2011: nil) were factored to banks and other financial institutions without recourse, and were therefore derecognised.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

9 Trade and other receivables (continued)

(a) Ageing analysis of trade receivables

Ageing analysis of trade receivables based on the date of billing (net of provision for impairment) as at the balance sheet date is as follows:

	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Within 1 month	6,873	4,547
Over 1 month but less than 3 months	5,785	2,362
Over 3 months but less than 1 year	4,671	3,401
Over 1 year but less than 2 years	1,118	932
Over 2 years but less than 3 years	287	249
Over 3 years but less than 5 years	153	72
	18,887	11,563

Trade receivables under credit sales arrangement are generally due within 1 to 3 months from the date of billing, and customers are required to make an upfront payment ranging from 10% to 30% of the product price. For sales under instalment payment method that has instalment payment period generally ranging from 3 to 36 months, customers are required to make an upfront payment ranging from 10% to 40% of the product price.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

9 Trade and other receivables (continued)

(b) Impairment of trade receivables

The movement in the provision for impairment during the period, including both specific and collective loss components, is as follows:

	2012 RMB millions	2011 RMB millions
Balance at 1 January	(533)	(557)
Impairment losses recognised	(195)	3
Uncollectible amounts written off	6	21
Balance at 30 June/31 December	(722)	(533)

- (c) Bills receivable primarily represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 1 to 6 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

10 Receivables under finance lease

	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Gross investment	24,889	22,135
Unearned finance income	(2,241)	(2,126)
	22,648	20,009
Less: provision for impairment (Note(c))	(207)	(140)
	22,441	19,869
Less: receivables under finance lease due after one year	(14,368)	(12,780)
Receivables under finance lease due within one year	8,073	7,089

As at 30 June 2012, receivables under finance lease of RMB8 million (31 December 2011: RMB586 million) were factored to banks with recourse.

During the six-month period ended 30 June 2012, receivables under finance lease of RMB8,043 million (six-month period ended 30 June 2011: RMB4,565 million) were factored to banks without recourse, and were therefore derecognised.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

10 Receivables under finance lease (continued)

(a) Ageing analysis of receivables under finance lease

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

	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Present value of the minimum lease payments		
Within 1 year	8,178	7,139
Over 1 year but less than 2 years	7,008	6,300
Over 2 years but less than 3 years	4,436	4,178
Over 3 years	3,026	2,392
	22,648	20,009
Unearned finance income		
Within 1 year	1,112	1,024
Over 1 year but less than 2 years	689	671
Over 2 years but less than 3 years	298	318
Over 3 years	142	113
	2,241	2,126
Gross investment		
Within 1 year	9,290	8,163
Over 1 year but less than 2 years	7,697	6,971
Over 2 years but less than 3 years	4,734	4,496
Over 3 years	3,168	2,505
	24,889	22,135

Generally, sales under finance lease arrangement has lease periods ranging from two to five years, customers are required to make an upfront payment ranging from 5% to 20% of the product price and pay a security deposit ranging from 1% to 7% of the product price.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

10 Receivables under finance lease (continued)

(b) Overdue analysis

Overdue analysis of receivables under finance lease at the balance sheet date is as follows:

	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Not yet due	23,571	21,671
Less than 1 month past due	387	123
1 to 3 months past due	424	117
3 to 12 months past due	453	175
More than 12 months past due	54	49
Total past due	1,318	464
Gross investment	24,889	22,135

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

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For the six-month period ended 30 June 2012

10 Receivables under finance lease (continued)

(c) Impairment of receivables under finance lease

The movement in the provision for impairment during the period, is as follows:

	2012	2011
	RMB	RMB
	millions	millions
Balance at 1 January	140	—
Impairment losses recognised	67	140
Balance at 30 June/31 December	207	140

11 Cash and cash equivalents

	As at	As at
	30 June	31 December
	2012	2011
	RMB	RMB
	millions	millions
Cash at bank and on hand		
– RMB denominated	16,803	15,351
– USD denominated	1,599	345
– EUR denominated	352	202
– HKD denominated	8	29
– Other currencies	80	75
	18,842	16,002

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

12 Loans and borrowings

(a) Short-term loans and borrowings:

	Note	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Secured short-term bank loans			
– RMB denominated	(i)	20	304
– EUR denominated		9	5
Unsecured short-term bank loans			
– RMB denominated		125	265
– JPY denominated		133	50
– EUR denominated		215	132
– USD denominated	(ii)	5,995	3,986
– HKD denominated		—	57
Current portion of long-term bank loans	12(b)	3,624	1,250
		10,121	6,049

Notes:

- (i) The RMB denominated secured short-term bank loans as at 30 June 2012 were secured by fixed assets and receivables with an aggregate carrying value of RMB40 million (31 December 2011: RMB339 million).
- (ii) As at 30 June 2012, USD denominated unsecured short-term bank loans of RMB1,138 million (31 December 2011: RMB1,197 million), bore interest at LIBOR plus 2% to 3.9% per annum. Such loans were subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2012, the Group was in compliance with these financial covenants. The remaining USD denominated unsecured short-term bank loans bore interest at LIBOR plus 2% to 5.5% per annum.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

12 Loans and borrowings (continued)

(b) Long-term loans and borrowings:

	Note	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Secured long-term bank loans			
— RMB denominated	(i)	8	560
— EUR denominated	(ii)	1,416	1,476
Unsecured long-term bank loans			
— RMB denominated	(iii)	430	460
— EUR denominated	(iv)	790	819
— USD denominated	(v)	4,419	3,931
Unsecured bond	(vi)	1,093	1,093
Guaranteed senior notes	(vii)	2,477	—
		10,633	8,339
Less: Current portion of long-term bank loans	12(a)	(3,624)	(1,250)
		7,009	7,089

Notes:

- (i) The RMB denominated secured long-term bank loans as at 30 June 2012 were secured by certain receivables under finance lease with a carrying value of RMB8 million (31 December 2011: RMB586 million), and will be repayable in full in September 2012.
- (ii) As at 30 June 2012, the EUR denominated secured long-term bank loan of RMB1,416 million (31 December 2011: RMB1,468 million) were secured by 100% equity interest of the Company's certain subsidiaries in Italy. Such loan bore interest at EURIBOR plus 2.2% per annum and will be repayable in full in June 2013.
- (iii) As at 30 June 2012, the RMB denominated unsecured long-term bank loan of RMB230 million (31 December 2011: RMB230 million) bore interest at 3.5% per annum and will be repayable in full in September 2012.
The remaining RMB denominated unsecured long-term loan of RMB200 million (31 December 2011: nil) bore 90% of PBOC rate per annum and will be repayable in full in March 2015.
- (iv) As at 30 June 2012, the EUR denominated unsecured long-term bank loan of RMB786 million (31 December 2011: RMB814 million) bore interest at EURIBOR plus 2.0% per annum and will be repayable in full in June 2013. The remaining unsecured long-term bank loans of RMB4 million (31 December 2011: RMB5 million) will be repayable in quarterly instalments through 2014.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

12 Loans and borrowings (continued)

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

- (v) As at 30 June 2012, the USD denominated unsecured long-term bank loan of RMB968 million (31 December 2011: RMB964 million) bore interest at LIBOR plus 4.5% per annum and had maturity of 27 months from the balance sheet date. Such loan is subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2012, the Group was in compliance with these financial covenants.
As at 30 June 2012, the USD denominated unsecured long-term bank loan of RMB632 million (31 December 2011: nil) bore interest at LIBOR plus 3.6% per annum and had maturities ranging from 17 months to 35 months from the balance sheet date. Such loan is subject to the fulfilment of certain annual financial covenants of the Group.
As at 30 June 2012, the USD denominated unsecured long-term bank loans of RMB2,598 million (31 December 2011: RMB2,746 million) bore interest at LIBOR plus 1.6% to 5% per annum and had maturities ranging from 5 months to 35 months from the balance sheet date.
The remaining USD denominated unsecured long-term bank loans of RMB221 million (31 December 2011: RMB221 million) bore interest at 3.9% to 4.2% per annum and had maturities of 11 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 will 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.
- (vii) In April 2012, Zoomlion H.K. SPV Co., Limited, a wholly-owned subsidiary of the Company issued 5-year senior notes with principal amount of USD400 million (RMB equivalent 2,521 million). The senior notes are guaranteed by the Company, bear interest at a fixed rate of 6.875% per annum and will mature in April 2017. Interest on the notes will be payable semi-annually in arrears in April and October of each year.

- (c) Except as disclosed in Note 12(a)(ii) and 12(b)(v) above, none of the Group's loans and borrowings contains any financial covenants.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

13 Trade and other payables

	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Trade creditors	10,508	7,136
Bills payable	6,907	4,967
Trade creditors and bills payable (note)	17,415	12,103
Amounts due to related parties (Note 17(b))	84	13
Receipts in advance from customers	1,618	1,166
Payable for acquisition of property, plant and equipment	637	403
Accrued staff costs	701	940
VAT payable	572	1,224
Security deposits	1,122	864
Product warranty provision	122	131
Sundry taxes payable	345	546
Payables for factoring discount	1,167	687
Dividend payable (Note 14)	1,926	—
Cash collected on behalf of banks	1,282	168
Others	1,166	1,069
	28,157	19,314

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

13 Trade and other payables (continued)

Note:

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

	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Due within 1 month or on demand	5,389	4,974
Due after 1 month but within 3 months	6,899	3,938
Due after 3 months but within 6 months	4,259	2,496
Due after 6 months but within 12 months	868	695
	17,415	12,103

14 Profit appropriation and dividend payable

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2012, a final cash dividend of RMB0.25 per share based on 7,706 million ordinary shares totalling RMB1,926 million in respect of the year ended 31 December 2011 was declared, and among which RMB1,614 million was paid in August 2012, and the remaining balance is expected to be paid by the end of 2012.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

15 Commitments

(a) Capital commitments

As at 30 June 2012, the Group had capital commitments as follows:

	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Authorised and contracted for		
– property, plant and equipment	462	434
– equity investments	–	100
– intangible assets	32	51
– lease prepayments	10	31
	504	616
Authorised but not contracted for		
– property, plant and equipment	299	303
– lease prepayments	1,880	1,880
	2,179	2,183

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

15 Commitments (continued)

(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 2012, the future minimum lease payments under operating lease are as follows:

	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Within 1 year	91	95
After 1 but within 2 years	54	43
After 2 but within 3 years	45	27
After 3 but within 4 years	40	15
After 4 but within 5 years	27	5
Thereafter	29	4
	286	189

16 Contingent liabilities

(a) Financial guarantees 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 2012, the Group's maximum exposure to such guarantees was RMB10,518 million (31 December 2011: RMB9,092 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 2012, the Group made payments of RMB129 million (six-month period ended 30 June 2011: RMB38 million) to the banks under the guarantee arrangement as a result of customer default.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

16 Contingent liabilities (continued)

(a) Financial guarantees issued (continued)

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 to 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 2012, the Group's maximum exposure to such guarantees was RMB1,269 million (31 December 2011: RMB1,634 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 2012, there was no material default of payments from end-user customers which required the Group to make guarantee payments to the third-party leasing company.

(b) Contingent liability in respect of legal claims

The Group is a defendant in certain lawsuits as well as the named party in certain proceedings arising in the ordinary course of business. Management has assessed the likelihood of any 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.

17 Related party transactions

(a) Transactions with related parties

	For the six-month period ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Transactions with associates:		
Sales of products	285	2
Purchase of raw materials	136	31

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.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2012

17 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.

18 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	As at 30 June 2012 RMB millions	As at 31 December 2011 RMB millions
Total equity reported under PRC GAAP	39,325	35,635
— Acquisition-related costs incurred on prior year business combination	(40)	(40)
Total equity reported under IFRSs	39,285	35,595

- (b) Other than the differences in the presentations and classifications of certain financial statements captions, there is no material difference between total comprehensive income and consolidated cash flow of the Group reported under PRC GAAP and IFRSs.



