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

2013 Annual Report

* For identification purpose only

Important notice

- The Board of Directors and the Supervisory Board of the Company and its directors, supervisors and senior management warrant that there are no misrepresentation, misleading statements or material omissions in this report and they shall, individually and jointly, accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report.
- Dr. Zhan Chunxin, Chairman of the Board, Ms. Hong Xiaoming, Vice-president and the person in charge of financial affairs, and Ms. Du Yigang, head of accounting department, warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.
- All directors attended the Board meeting at which this report was reviewed.
- This report contains certain forward-looking statements with respect to the financial position, operating results and business development of the Company. Such looking-forward statements do not constitute any substantive commitment of the Company to investors, so undue reliance shall not be placed on such statements and you should pay attention to investment risks.
- The Company hereby publicly invites enquiries about the matters of this report from investors. Investors shall send relevant questions, together with identification, certificate document of shareholdings and contacts, to the Company by fax (+86) 731-85651157 or email (157@zoomlion.com) from 23 April to 30 April 2014. To facilitate filing, telephone enquiries will not be accepted. The Company will make an consolidated announcement as a reply to the enquiries about the matters of this report before 9 May 2014.
- Definition

  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.*

  "Listing Rules" or "Listing Rules of Hong Kong" refers to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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Zoomlion Heavy Industry Science and Technology Co., Ltd.
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Company Profile

I. Company Information

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

Legal representative of the Company: Zhan Chunxin

Secretary of the Board of Directors/Company Secretary: Shen Ke
Representative of securities affairs: Guo Tao
Contact address: No. 361 Yinpen South Road, Changsha, Hunan Province
Telephone: (86 731) 88923908
Fax: (86 731) 88923904
E-mail: 157@zoomlion.com

Registered address and place of business of the Company: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC
Postal code: 410013
Company website: http://www.zoomlion.com/
E-mail: 157@zoomlion.com

Authorized representatives: Zhan Chunxin, Shen Ke
Address: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC

Newspapers for disclosure of the Company's information: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website publishing the A share announcement: http://www.cninfo.com.cn
Website publishing the H share announcement: http://www.hkexnews.hk

Listing information: A Shares
Shenzhen Stock Exchange of China ("SZSE")
Name: ZOOMLION
Stock Code: 000157
Corporate Bonds Name: 2008 Zoomlion Bonds (08中聯債)
Corporate Bonds Code: 112002
H Shares
The Stock Exchange of Hong Kong Limited ("SEHK")
Stock Name: ZOOMLION
Stock Code: 1157

Company Profile

II. Other relevant information

H Share Registrar: Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Legal Advisors
As to PRC law: Beijing Hairun Law Firm
15/F, No. 1 Building, No. 59 Gaoliangqiao Road, Haidian District, Beijing, PRC
As to Hong Kong law: Norton Rose Fulbright Hong Kong
38/F, Jardine House, 1 Connaught Place, Central, Hong Kong

Auditors
Domestic auditors: Baker Tilly China Certified Public Accountants ("Baker Tilly China")
Room 208, Block B, Huatong Building, B 19 Chegongzhuang West Road, Haidian District, Beijing, PRC
International auditors: KPMG
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

Company Profile

Significant events of Zoomlion in 2013

- 8 January, ZLJ5169ZYSDE4, the nation's first no leak compression-type garbage truck with 16 tons independently developed and produced by the Company, was successfully released, which is the largest tonnage no leak compression-type garbage truck in China.

- 29 March, ZLJ5530THBK63X-6RZ truck-mounted concrete pumps, QAY2000 wheeled crane and D1250-80 tower cranes were awarded "Top 50 Products of China Construction Machinery 2013" (中國工程機械年度產品 TOP50).

- 2 April, the "National Engineering Labortary of Highway Maintainance Technologies" (公路養護技術國家工程實驗室) sponsored by Zoomlion was formally established.

- 18 April, Zoomlion ranked 779th on the Forbes Global 800 list in 2013, making it the sixth among global players and the first among local players in the industry of construction machinery.

- 21 April, a technically revolutionary product in the history of concrete production equipment, the world's first continuously-graded concrete batching plant newly developed by Zoomlion was built and put into operation in Guiyang City.

- 7 May, Zoomlion introduced the world's tallest 113-meter aerial platform fire engine.

- 12 May, the "National Key Laboratory on Key Technologies for Construction Machinery" (建設機械關鍵技術國家重點實驗室), the only one in the domestic construction industry which was established by private enterprise and constructed by Zoomlion was approved by the Ministry of Science and Technology of the PRC.

- 15 July, Zoomlion successfully developed JS8000, the world's largest hydraulic concrete batching machinery.

- 28 July, Zoomlion's 101-meter arms truck-mounted pumps with carbon fiber concrete placing boom, which entered into the Guinness World Records as the longest truck-mounted pumps, was first used in the construction of Wuhan Center.

- 28 September, Zoomlion successfully developed the first international super crane boom technology.

- 17 October, Zoomlion was approved by National Development and Reform Commission of the PRC to establish a "state and local government joint research center for mobile crane technology" (流動式起重機技術國家地方聯合工程研究中心), the first national innovational platform built jointly by the state and the local government in the construction machinery industry.

Company Profile

- 24 October, QAY2000, Zoomlion's world class wheeled crane with the highest lifting power, broke the world record with its successful lifting of 6,000 tons for 1 m distance in a trial test.

- 6 December, Zoomlion introduced the "integrated solution of machine-made sand and dry-mixed mortar", representing the highest technological level in the concrete industry of the PRC.

- 16 December, Zoomlion was presented with the nomination award in the Chinese government's first presentation of award to enterprises with outstanding quality.

- 20 December, Zoomlion acquired m-tec, a world renowned German brand of dry-mixed mortar equipment.

- 28 December, Zoomlion signed an agreement with Bishan County of Chongqing, pursuant to which Zoomlion Agricultural Machinery Industry Park would start operation in Baishan Industry Area.

Chairman
Zhan Chunxin

Chairman's Statement

Dear Shareholders:

In 2013, the growth of the construction machinery industry in the PRC remained slow. Despite the challenging situation, Zoomlion overcame many difficulties with your support. Looking back, it was the tough experience that strengthed our will and consolidated our commitment. We achieved strategic breakthroughs and entered the stage of international market through modification and transformation, stringent risk control and focusing on operation quality. On behalf of the board of directors of Zoomlion, I am pleased to present the operating results and annual report of the Company for the year ended 31 December 2013 and expresses my heartfelt gratitude to our shareholders for their support and care.

While the late 20 years was the golden decades of the development of the construction machinery industry in the PRC, the industry is now confronted with phenomenal challenges. Due to the transformation of the macro economy, over straining of the industry market and the intensifying competition, the construction machinery industry faced unprecedented challenges. However, as difficulties have always been the best touchstone, we went through ups and downs and moved forward hand-in-hand while maintaining our vitality. During the reporting period, our revenue totalled RMB38,542 million. Net profit attributable to equity shareholders of the parent company amounted to RMB3,844 million. The Company recorded net cash flow generated from operating activities of RMB43 million.

Zoomlion is well aware of the responsibility of being a corporate citizen and the mission of being a leading corporation in the industry and formulates the most stringent rules and the highest standard to discipline itself. Rather than adapting to the change of the market and the competition, Zoomlion sticks to its belief and testifies the importance of core value in the ever changing world. The Company has timely adjusted its operating strategy by deeply promoting share simulation system reform, implementing effective cost reduction and efficiency enhancement, and increasing efforts in self-innovation and product development, thereby strengthened the quality of its operation. We looked at the whole picture instead of focusing only on one spot; emphasized on long term planning instead of limiting ourselves to upfront issues. By adapting new strategies,

Chairman's Statement

we explored new dimensions, accomplished the setting up of the development blueprint of 5 major business segments including construction machinery, environmental industries, agricultural machinery, trucks as well as financial services. What we are offering to our investors is a Zoomlion that is rich in cash resources, healthy in financial indexes and steadily developing. As for the society, Zoomlion is a company that is proactive and up and coming, transparent and rule complying as well as infused with positive energy.

While China's economy is under transformation, global economy is growing along a green path and construction machinery industry is entering an era in which efficiency and quality are the king. Only enterprises possessing all-rounded advanced technology, brand name, management and capital would be able to survive the ruthless market elimination process while enterprise possessing the ability of sustainable development will have the last laugh. We will promote reforms, establish an operational system with equal rights and responsibilities so that the management and control system, organizational structure and operational process will be close to the market trend. We will continue to globalize, speed up product internationalization and market domestication so as to enhance the growth of overseas businesses. We will achieve the enhancement of quality and promote the stable growth of existing construction machinery business sector through innovation and structural adjustment, which is essence and base of the strategic transformation of Zoomlion. We will exploit our current advantages in the 5 major segments to explore and expand new industrial space, and to materialize the cross over to new segments. We are confident that, after its successful transformation, Zoomlion will have a complete new look and its business will enter a brand new stage.

At last, I would like to extend my gratitude to all shareholders, the community, customers and all the hardworking employees for the year for their contribution and support for the development of the Company.

Chairman
Zhan Chunxin

29 March 2014

Principal Financial Data and Indicators

I. Major Financial Data prepared in accordance with China Accounting Standards ("PRC GAAP")

(1) Major financial data and indicators

Unit: RMB

	2013	2012	Change (%)	2011
Operating income	**38,541,775,254.36**	48,071,173,508.14	-19.82%	46,322,580,713.20
Net profit attributable to shareholders of the Company	**3,838,972,797.15**	7,330,048,993.92	-47.63%	8,065,640,596.14
Net profit attributable to equity shareholders of the Company after extraordinary items	**3,715,833,541.57**	7,139,793,408.29	-47.96%	7,987,824,892.10
Net cash flow from operating activities	**736,769,778.08**	2,960,289,862.91	-75.11%	2,093,234,777.59
Basic earnings per share	**0.5**	0.95	-47.37%	1.05
Diluted earnings per share	**0.5**	0.95	-47.37%	1.05
Return on net assets (%)	**9.21%**	19.07%	-9.86%	25.16%

	End of 2013	End of 2012	Change (%)	End of 2011
Total assets	**89,537,157,719.77**	88,974,464,566.71	0.63%	71,581,771,679.19
Net assets attributable to shareholders of the Company (shareholders' equity attributable to equity shareholders of the Company)	**41,619,087,301.05**	40,802,141,704.02	2%	35,446,450,136.43

ZOOMLION

Principal Financial Data and Indicators

(2) Extraordinary items and amounts

Unit: RMB

Item	**2013**	2012	2011
Loss on disposal of non-current assets (including written off of provision for impairment of assets)	**-21,579,314.51**	-19,224,024.44	-4,913,327.31
Government grants recorded in current profit and loss, except government grants of fixed amount or quantity closely related to business operations of the Company and entitled pursuant to government unified policy	**110,668,309.33**	212,062,991.73	86,879,411.04
(Loss)/gain from debt restructuring	**-8,857,820.57**	-5,606,189.78	-17,415,970.53
Change in fair value of financial assets and liabilities held for trading and gain from disposal of financial assets and liabilities held for trading and financial assets held for sale other than financial assets and liabilities held under hedging arrangement in relation to normal business	**3,423,993.72**	-17,782,644.09	18,816,657.97
Non-operating income and expenses other than those set out above	**59,229,910.54**	60,368,147.14	23,554,025.55
Less: income tax effect	**19,128,092.71**	39,093,317.70	20,349,741.57
minority interests after tax	**617,730.22**	469,377.23	8,755,351.11
Total	**123,139,255.58**	190,255,585.63	77,815,704.04

Principal Financial Data and Indicators

II. Major Financial Data of the Company of the Past Five Years prepared in accordance with International Financial Reporting Standards ("IFRSs")

Unit: RMB million

Turnover and profits	2013	2012	2011	2010	2009
Turnover	**38,542**	48,071	46,323	32,193	20,762
Profit before taxation	**4,527**	8,858	9,602	5,416	2,828
Income tax	**(570)**	(1,329)	(1,429)	(828)	(409)
Profit for the year	**3,957**	7,529	8,173	4,588	2,419
Profit for the year attributable to:					
Equity shareholders of the Company	**3,844**	7,330	8,066	4,666	2,447
Non-controlling shareholders	**113**	199	107	(78)	(28)
Basic and diluted earnings per share (RMB)	**0.50**	0.95	1.05	0.74	0.45
Gearing ratio (%) (Note)	**53.06%**	53.73%	50.25%	56.49%	77.71%

Note: Gearing ratio is calculated based on the total liabilities divided by total assets at the end of the respective reporting period.

Unit: RMB million

Assets and liabilities	2013	2012	2011	2010	2009
Non-current assets	**24,549**	25,691	23,701	19,372	13,861
Current assets	**64,948**	63,243	47,842	43,670	20,014
Current liabilities	**32,725**	34,109	26,652	26,067	19,468
Net current assets	**32,223**	29,134	21,190	17,603	546
Total assets less current liabilities	**56,772**	54,825	44,891	36,975	14,407
Non-current liabilities	**14,760**	13,676	9,296	9,540	6,855
Net assets	**42,012**	41,149	35,595	27,435	7,552
Total equity attributable to equity shareholders of the Company	**41,579**	40,762	35,407	27,376	7,428
Non-controlling interests	**433**	387	188	59	124

Principal Financial Data and Indicators

III. Reconciliation of Financial Data under PRC GAAP and IFRSs

Unit: RMB

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	Current year	Last year	Carried forward	Brought forward
Under PRC GAAP	3,838,972,797.15	7,330,048,993.92	41,619,087,301.05	40,802,141,704.02
Items and amounts adjusted under IAS				
Acquisition related costs incurred on prior year business combination(1)			-40,000,000.00	-40,000,000.00
Special reserve for production safety(2)	5,388,353.45			
Under IFRSs	3,844,361,150.60	7,330,048,993.92	41,579,087,301.05	40,762,141,704.02

(1) Since acquisition cost of RMB40 million incurred in 2008 was recognized in investment cost in accordance with PRC GAAP while recognized in profit or loss in accordance with IFRSs, this results in the difference between the net assets attributable to equity shareholders of the Company under those two accounting standards;

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

Report of the Board of Directors

The Board of Directors of the Company is pleased to announce the Report of the Board of Directors for the year ended 31 December 2013 together with the audited financial statements of the Company and the Group.

I. Overview

In 2013, the recovery of economies of developed countries was sluggish and the growth of the economies of emerging countries diverged. Affected by the insufficient external demand, the declining growth of domestic investments and overcapacity of the manufacturing industry, the recovery and growth of China's macro-economy slowed down. During the reporting period, due to the weak demand of the Chinese construction machinery industry, the problem of overcapacity has not been solved fundamentally and the industrial competition remained intensive.

Against the backdrop of the challenging global operating environment, the Company has timely adjusted its overall operating strategy and development approach by sticking to its operation philosophy of "achieving quality growth", deeply promoting share simulation system reform, stringent control on operational risks, implementing effective cost reduction and efficiency enhancement, thereby strengthened the quality of its operation.

1. Operating results gradually stabilized and market share remained stable

During the reporting period, our turnover was approximately RMB38,542 million and net profit attributable to equity shareholders of the parent company amounted to approximately RMB3,844 million. Net cash flow generated from operating activities was approximately RMB43 million. Although turnover and net profit generated from our primary businesses decreased during the reporting period, the narrowing decline is an indication of our operation recovery.

In 2013, market share of the major products of the Company remained stable. As for the concrete machinery, domestic market share of its truck-mounted pumps, mixing trucks, truck-mounted line pumps and mixing plants were ranked top in the industry. As for the crane machinery, domestic market share of its tower cranes continued to rank top among all industrial players in China and that of truck cranes remained stable. As for the environmental and sanitation machinery, domestic market shares of road washers and road sweepers were ranked top in the industry.

2. Strict control over operation risk and continuous improvement in the quality of operation

(1) Strengthen risk control over our sales business. The Company reviewed the sales business process for improvement, standardized management and enhanced its ability in preventing risks, and also adopted its multi-dimensional risk control, including tightening of credit policy, much stringent assessment on customers' assets and imposing staff responsibility for collection of overdue payment. Simultaneously, the Company actively developed its re-manufacturing and re-sale business of second hand equipment for the realization of closed-loop operation in our sales business.

Report of the Board of Directors

(2) Strengthened inventory management and process control. The Company strengthened the linkage between production and sales, and improved its planning management. In addition, with an optimization of inventory control mode, a stringent control over its monthly material procurement and acceleration of inventory stock turnover, the Company recorded a significant year-on-year drop in inventory by the end of the reporting period.

(3) Strengthened budgetary control. The Company took full advantage of as well as practiced strict economy on all sectors, including product design, supply chain, manufacturing and operation management. It monitored closely all expenses by establishment of a long term effective control mechanism, which may achieve cost reduction and efficiency enhancement, and also track and supervise the effectiveness of cost control according to its monthly budget.

3. Strengthened innovation efforts and leading industry to technological innovation

In 2013, the goal of our R&D was the building up of competitiveness with emphasis on technology. With this goal in mind, our R&D strength has been enhanced through technological innovation and technology management. During the reporting period, the Company, after completion of 144 major research projects and 1,699 patent applications, has further consolidated its leading position in technology among industrial players. Our project in relation to key technology and application of super tower crane has been awarded the National Science and Technology Advancement Second Prize. Simultaneously, the Company, after the establishment of the National Key Laboratory on Key Technologies for Construction Machinery, the National Engineering Technology Research and Development Center for Concrete Machinery, State-Certified Enterprise Technology Center, research institute for municipal public facilities and National Post-Doctoral Research Workshop, has also completed the approved construction of a state and local joint research center for mobile crane technology and hence forming a new and leading technology platform featuring an unique "six-in-one" function. With this, technology reform and advancement in the industry were further sustained.

- As for the concrete machinery, the Company's 101-meter arms truck-mounted pumps with carbon fiber concrete placing boom, which entered into the Guinness World Records as the longest truck-mounted pumps, was first used in the construction of Wuhan Center, the PRC's third tallest building. In addition, the Company has successfully developed JS8000, the world's largest hydraulic concrete machinery, and its pioneer movable, extended and vibration reduction booms. Besides, a production line for flexible welding of pump trucks representing the world's highest standard has commenced production in our Changsha Lugu Industrial Park;

- As for the crane machinery, QAY2000, the world class wheeled crane with the highest lifting power, broke the world record with its successful lifting of 6,000 tons for 1 m distance in a trial test. In addition, the Company has developed the first international and super crane boom technology. The Company has become the first enterprise granted license for manufacturing of crawler cranes of more than 3,000 tons;

Report of the Board of Directors

- As for other aspects, ZLJ5169ZYSDE4, the nation's first no leak compression-type garbage truck with the greatest tonnage independently developed by the Company, has been successfully released. In addition, the Company introduced its 113-meter firefighting platform, the one reaching the highest level in the world.

4. Active integration of national resources and continual expansion of overseas business

With its advanced technological cooperation with JOST, the Company successfully transformed some of its tower cranes models. The transformed models satisfied the testing and certification conducted by TUV of Germany and have been awarded a CE certificate and authenticated by MOM, Singapore. These are critically important to market development of such products in Singapore and Germany. In addition, the Company explored business opportunities in financial sectors of Germany, Brazil, Thailand and the United Arab Emirates, and commenced its overseas operation in Brazil and India. With the completion of transfer of equity interest in Zoomlion CIFA (Hong Kong) Holdings Limited ("Hong Kong CIFA Company") between the Company and other shareholders of Hong Kong CIFA Company, Compagnia Italiana Forme Acciaio S.p.A., CIFA, Italy, has become the Company's wholly owned subsidiary. Moreover, the Company has executed an agreement in relation to its intention to acquire m-tec, a well-known brand of dry-mixed mortar equipment in the world, with an aim to become a global leader in this sector.

During the reporting period, our overseas sales was approximately RMB2,787 million. The increase generated from concrete machinery and crane machinery greatly surpassed the growth rate in the industry. It became the highlight of our overseas business in 2013.

- As for concrete machinery, our concrete pumps were sold to Japan market for participating in the reconstruction of Fukushima and over 100 concrete mixing trucks have been exported to Russia, successfully completed an order amounted to over ten millions of US dollars. In addition, with the sales of our mixing trucks to Malaysia, the United Arab Emirates and some other regions, we made a significant breakthrough in the Pan-Pacific region and the Middle East. The Company also successfully secured its largest sales orders for placing booms, respectively, from markets in Australia and India;

- As for crane machinery, there was a significant year-on-year increase in our overseas sales of tower cranes. Through our technology cooperation with JOST, our newly designed and developed tower cranes launched its sales in various countries and regions, including Germany, Singapore and Hong Kong, and recognized progressively by high-end market customers. Meanwhile, our year-on-year increase in overseas sales of wheeled cranes exceeded 480%, according to data provided by customs.

Report of the Board of Directors

5. Comprehensive implementation of management reform and enhancement in corporate transformation

   Following the change in macro-economic development, construction machinery has returned to normal operation gradually and most industrial players recorded a stable growth in the year. The Company actively addressed to external environmental changes and proactively conduct reforms with a view to improve operation through progressive transformation.

   (1) Strategic transformation. For the purpose of exploring opportunities for future development, the Company planned ahead and launched strategic planning in its five main segments: construction machinery, environmental industry, agricultural machinery, heavy duty trucks and financial services. During the reporting period, the environmental sector has completed its site reallocation and the problem of capacity constraints is expected to be mitigated accordingly. In respect of agricultural sector, Bishan County of Chongqing has been selected for business park construction project and the progress therein is substantive. Our project for trucks has made steady progress as planned.

   (2) Management transformation. During the reporting period, the Company strived to implement the "simulating joint-stock system" and decentralized the autonomy of management to each business section through reform on management models on the basis of existing business operation models. This facilitated and accelerated our adaptation to market demand and enhanced our vitality. Under the Company's guidance, the goal of each business sector has been changed from optimization of capacity to improvement in quality and effectiveness. We strived to leverage on all employees' commitments by offering incentive bonus.

6. Innovative media marketing and effective image enhancement

   (1) Resources integration and image enhancement. With an effective integration by taking advantage on global resources, our brands extended its market coverage internationally. The Company actively and strategically cooperated with media to develop more marketing channels for our brands. Under the combined effect of our marketing campaigns and critical event reporting, our interactive and comprehensive marketing strategy has commenced.

   (2) Addressing crisis and reputation maintenance. In 2013, the Company's reputation has been tremendously damaged by the attack of media. To restore the truth, protect the legal rights of our shareholders and our reputation, the Company initiated legal actions for upholding our rights. The outcome was satisfactory and our defense was justified.

Report of the Board of Directors

(3) During the reporting period, the major achievements of the Company were as follows:

- The Company ranked 779th on the Forbes Global 800 list in 2013, which was the sixth among global players and the first among local players in the industry of construction machinery;

- The Company, was ranked 210 among "Asia's 500 Most Influential Brands" at the 8th World Brand Laboratory Award and we are the only Chinese construction machinery enterprise receiving this honor;

- The Company was ranked 50th among Hong Kong listed companies in the "Top 100 Hong Kong Stocks 2013";

- The Company was presented with the nomination award in the Chinese government's first presentation of award to enterprises with outstanding quality;

- In an after-sale service awards organized jointly by China Commercial Association and Chinese Foundation for Consumers Protection, the Company won the award of "National Meritorious Enterprise of After-sale Service";

- Our project in relation to key technology and application of super tower crane has been awarded the National Science and Technology Advancement Second Prize.

II. Analysis of Financial position

Details of the financial position of the Company are set out in "Management Discussion and Analysis".

Report of the Board of Directors

III. Analysis of core competitiveness

1. Capabilities to formulate strategies with foresight and implement strategies effectively ensured the long-term and healthy development of the Company

   The Company stressed on the study of the development trend of the industry worldwide in formulating its global strategy. The Company focused on its development in the international market and strengthened the foresight of its strategic directions to ensure making development on the right track.

   Proactive strategies demonstrated the foresight and insight of the management of a company. The Company employed the development strategy of division and agglomeration pursuant to the principle of professionalism, securitization and internationalization. The Company strengthened its business divisions through division strategy and expanded its major businesses through agglomeration strategy. The transparent governance structure, system and procedures allowed effective implementation of its strategies and procured sustainable, healthy and rapid development of the Company.

2. Successful mergers and acquisitions made the Company a pioneer and leader in the industry for integrating domestic and overseas resources

   The Company has merged and acquired dozens of domestic and foreign enterprises since 2001, which represents a new practice in PRC construction machinery industry to integrate overseas resources. The Company acquired CIFA, an enterprise based in Italy, in 2008. This acquisition was an important step for Zoomlion to introduce the most advanced technology, making the Company a pioneer in the internationalization of the industry and maintained a leading position in the industry. The management team acquired extensive experience through numerous mergers and acquisitions. With the success of the merger and acquisition, the Company has developed the five basic principles of merger and acquisition, namely “leniency, sharing, accountability, regulation and synergy” from its experience. The acquired enterprises were integrated into the Company successfully with thanks to its corporate culture. In addition, the Company employed talents with extensive experiences through acquisitions, and the management problems raised after merger and acquisition were solved.

Report of the Board of Directors

3. The Company formulated standards for the industry with products and technologies leading the development of the industry

The predecessor of Zoomlion was Changsha Construction Machinery Research Institute under the former Ministry of Construction. With more than 50 years of experiences in machinery technology, it can be regarded as the origin of construction machinery technologies in the PRC. Zoomlion participated in the formulation of standards of the construction machinery industry in the PRC and formulated and revised over 300 national and industrial standards. It is also the only enterprise participated in the formulation and revision of International Organization for Standardization (ISO) standards as a representative from the construction machinery industry in PRC. As the first ISO secretariat established in the PRC, the Company enhanced the influence of PRC construction machinery in accessing international market for the benefit of the whole industry.

The Company has a national technology research center, the only National Key Laboratory on Key Technologies for Construction Machinery and the only National Engineering Technology Research Center for Concrete Machinery in the PRC. The Company possessed core technologies for construction machinery and obtained various National Science and Technology Advancement Awards, leading the technology development of the industry. The Company focused on solving potential and basic technological R&D difficulties for the industry, launching an average of more than 300 new technologies and products annually, accounting for over 60% of the annual turnover of the Company. The number of patents granted to the Company increased over the years. In 2013, the Company made applications for 1,699 patents, securing a leading position in the industry.

4. Transparent corporate governance safeguarded interests and returns of the shareholders

Zoomlion has maintained a healthy and balanced equity structure to realize and maximize the interests of all shareholders of the Company. The Board of the Company consists of seven Directors, four of which are Independent Directors, exceeding half of the total number of members of the Board. These four Independent Directors are experts in strategy, management, finance and human resources. The Board has established four committees, each of which mainly consists of Independent Directors. Such governance structure ensures the independence and professionalism of the Board, providing effective and rational decisions for the Company. Moreover, Zoomlion has been listed in 2008 with a completely transparent financial disclosure system. The Company no longer has a parent company. All transactions will be entered into in accordance with market practises in order to preclude any potential transmission of benefits. Such arrangements carry through the principle of transparency, fairness and justice, safeguarding the interests of both domestic and overseas shareholders, especially the minority shareholders, and establishing a solid foundation for the long term and stable growth of the Company.

Report of the Board of Directors

5. Excellent resource allocation and high operation efficiency promoted steady development of the Company

   Zoomlion has excellent resource allocation and high operation efficiency. For personnel allocation, the efficiency per capita is higher than the average level in the industry due to the reasonable scale and structure of its human resources. For asset allocation, the Company has adopted a prudent approach in investments in fixed assets, resulting in higher economic benefits from fixed assets per unit as compared with the average level in the industry. As the development of the industry slowed down, higher operation efficiency and lower fixed costs will promote steady growth of the Company.

IV. Analysis of Investment Portfolio

1. External investments on equity

(1) Equity held in financial enterprises

Name	Category of the company	Initial investment cost (RMB)	Number of shares held at the beginning of the period (shares)	Percentage of shareholding in the company at the beginning of the period (%)	Number of shares held at the end of the period (shares)	Percentage of shareholding in the company at the end of the period (%)	Book value at the end of the period (RMB)	Gain/loss for the reporting period (RMB)	Accounting item	Source of shares
Bank of Communication Co., Ltd.	Commercial bank	5,291,736	847,348	0%	847,348	0%	3,253,816.32	0.00	Available-for-sale financial assets	Acquisition of assets
Jixiang Life Insurance Company Limited	Insurance company	100,000,000	100,000,000	8.7%	100,000,000	8.7%	100,000,000.00	0.00	Long Term Investment on equity	Investment
Total		105,291,736	100,847,348	–	100,847,348	–	103,253,816.32	0.00	–	–

(2) Security Investment

Statement of Equity held in other listing companies

Name	Category of the company	Initial investment cost (RMB)	Number of shares held at the beginning of the period (shares)	Percentage of shareholding in the company at the beginning of the period (%)	Number of shares held at the end of the period (shares)	Percentage of shareholding in the company at the end of the period (%)	Book value at the end of the period (RMB)	Gain/loss for the reporting period (RMB)	Accounting item
Shanghai Tunnel Engineering Co., Ltd.	Other	68,000.00	55,716.00	0.00	55,716.00	0.00	505,344.12		Available-for-sale financial assets
Total		68,000.00	55,716.00		55,716.00		505,344.12		

2. Analysis on Principal Subsidiaries and Associates

   Information of Principal Subsidiaries and Associates

   Please refer to notes 15 and 33 of the financial statements prepared under IFRSs for more information.

Report of the Board of Directors

V. Information of Special Purpose Entities Controlled by the Company

Zoomlion H.K. SPV Co., Limited ("Zoomlion H.K.") , a wholly-owned overseas subsidiary of the Company, was incorporated on 7 September 2011 in Hong Kong with issued share capital of USD25 million, the Directors of which are Mr. Xiong Yanming and Mr. Shen Ke. It is mainly engaged in investment holding and the purpose of its establishment is solely for the Company's issuance of USD bonds overseas. Currently, the bonds issued by Zoomlion H.K. has amounted to USD1 billion.

VI. Outlook for 2014

(I) Industry development trend and market outlook

1. International market

The International Monetary Fund predicts the global economic growth rate in 2014 will be 3.7%, representing an increase of 0.7 percentage point as compared with 2013. It is expected that there will be limited growth potential as Europe and America will experience slow economic recovery and construction machinery market will reach its saturation point. Investment growth in infrastructure construction in emerging economies and African markets, such as Russia, Brazil, India, Vietnam and Thailand, will push the demand in the global construction machinery market. Enterprises with overseas bases and perfect network coverage, strong technological innovations and strongly influential brands will excel in the face of keen competition.

2. Domestic market

In view of demand for high quality products under transformation of the macro-economy, accelerated downward movement in fixed asset investment and an over-supply in construction machinery market, it is expected that the construction machinery industry will still undergo periods of adjustment with dim prospect in 2014. However, potential opportunities exist in certain sub-divided segments. Under the backdrop of land reform and new urbanization, it is likely that, following municipal and economically planned construction at increasing speed, investment in the construction of social security housing, railways, transportation in cities and towns, airports and key water conservancy projects will be accelerated; hence increasing demand for construction machinery products. For construction of "beautiful China", the nation has exerted greater effort in environmental administration. Market demand for LNG mixing trucks, environmental mixing plants, machineries for road washing and sweeping and waste transfer equipment will increase rapidly as the general public in cities and towns has raised their requirement on environmental health condition. Enterprises with renowned brand image, reliable product quality, excellent after-sale service and consolidated strength will secure development opportunities among market competitors.

Report of the Board of Directors

(II) Major business objectives and action initiatives in 2014

In 2014, the work focus of the Company is to adjust and optimize the management and control mode, organizational structure and operational process of the Company through thorough promotion of the simulating joint-stock system reform, establish an operational system with equal rights and responsibilities, follow the trend of the market closely to better respond to the changes and finally achieve the sustainable development of the Company.

1. To actively transform the development

(1) Thoroughly promoting simulating joint-stock system reform: to initiate the reform of the functional departments, adjust the organizational structure, fully devolute the power without losing control, and focus the functions of the headquarters on the overall strategic planning and risk control; to deepen the reform of business departments and grant more self-operation rights and distribution rights to the business departments in order to enhance the ability of the business departments to adapt to and rapidly respond to the changes of the market and to establish a mechanism of "scaling down the headquarters and strengthening the business departments".

(2) Fully accomplishing the strategic layout of five segments: to achieve high quality and stable growth in construction machinery; leverage on its advantage to accelerate the development of the environmental industry, agricultural machinery, heavy duty trucks and financial services.

2. To continuously promote internationalization

To optimize the layout of overseas platform, intensify the sharing of information and the integration of resources and accelerate the construction of manufacturing base in Russia; to establish the system of overseas trade platform, supply system of spare parts and logistics system gradually, accelerate the establishment of service network and setting up of construction service teams and enhance the capacity and efficiency of overseas service points; to accelerate the integration of resources to produce synergy effects as soon as possible after the completion of the m-tec transaction.

3. To continually maintain healthy development

The Company will uphold the principle of taking quality and performance as priority and inputing resources into development of products with high efficiency, and maintaining low risk and low energy consumption; commence the enhancement work related to the reliability of products, promote the modularization and universalization design of products and accelerate the layout of energy conservation, environmental protection and intelligent technology; continue to strengthen the control of risks and costs, put more efforts in calling in loans, speed up the turnover of inventories and boost the remanufacturing and reselling of used equipment; improve the operating performance of the Company and achieve sustainable and healthy development.

Report of the Board of Directors

(III) Overall Objectives for 2014

The Company aims to achieve a turnover of RMB38.5 billion in 2014.

VII. Profit Distribution and Bonus Dividend of the Company

At the fourth extraordinary meeting in 2012 of the fourth session of the Board of Directors held on 13 July 2012, the Company considered and approved "Resolution regarding the Amendments to the Articles of Association". Profit distribution policies, especially cash dividend policy, are defined specifically in the Articles of Association. The resolution was considered and approved by the first extraordinary general meeting in 2012 held on 30 August 2012. The Company has emphasized on shareholders' returns and strictly complied with the relevant requirements of regulatory authorities. Since its listing in 2000, the Company has distributed cash dividend in every year. As at 31 December 2013, the accumulative cash dividend distributed by Zoomlion amounted to RMB6,392,970,110 and issued 3,761,030,000 bonus shares and allotted 2,496,947,000 additional shares.

According to the profit distribution plan for 2013 of the Company, based on the total share capital of 7,705,954,050 shares, the Company will pay cash dividend of RMB0.15 (tax inclusive) for every share and will not issue bonus shares by capitalization of the capital reserve.

According to the Law on Corporate Income Tax of the People's Republic of China and its implementing rules which came into effect on 1 January 2008 and other relevant rules, the Company is required to withhold 10% corporate income tax before distributing the 2013 dividend to non-resident enterprise shareholders as appearing on the H Share register of members of the Company. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax. Cash dividend payable to H Share non-resident enterprises after the deduction of the said corporate income tax is RMB0.135 per share (for reference only). Cash dividend payable to the shareholder of H Shares will be paid in Hong Kong dollars. The Company assumes no responsibility and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any dispute over the mechanism of withholding. Shareholders are recommended to consult their taxation advisors regarding their holding and disposing of H shares of the Company for the PRC, Hong Kong and other tax effects involved.

According to the profit distribution plan for 2012 of the Company, based on the total share capital of 7,705,954,050 shares, the Company will pay cash dividend of RMB0.2 (tax inclusive) for every share and will not issue bonus shares by capitalization of the capital reserve.

According to the profit distribution plan for 2011 of the Company, based on the total share capital of 7,705,954,050 shares, the Company will pay cash dividend of RMB0.25 (tax inclusive) for every share and will not issue bonus shares by capitalization of the capital reserve.

Report of the Board of Directors

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
4 November 2013	Changsha	Meeting	Institution	Merrill Lynch Joint Research (美林聯合調研)	Main content: 1. The development of the industry in the fourth quarter of 2013, as well as the prospect of the industry; 2. The development history, corporate culture, historical operation condition and strategic plans of the Company; 3. The competition and comparison of advantages of various product segments in the industry; 4. Explanations to other enquiries. II. Information 1. Periodic reports and ad hoc announcements of the Company 2. Brochures of products
5 November 2013	Hong Kong	Strategic meeting	Institution	Goldman Sachs Securities	
6 November 2013	Beijing	Strategic meeting	Institution	Merrill Lynch Securities	
11 November 2013	Hong Kong	Asia-Pacific industrial annual meeting	Institution	Macquarie Securities	
19 November 2013	Hong Kong	Strategic meeting	Institution	Daiwa Securities	
20 November 2013	Japan	Strategic meeting	Institution	BNP	
2 December 2013	Beijing	Strategic meeting	Institution	CICC	
6 December 2013	Shanghai	Strategic meeting	Institution	Sinolink Securities	
18 December 2013	Shenzhen	Strategic meeting	Institution	Essence Securities	
20 December 2013	Beijing	Strategic meeting	Institution	Galaxy Securities	

IX. Pre-emptive Rights

The Articles of Associations and laws of China do not contain any pre-emptive provision requiring the Company to issue new shares to existing shareholders on a pro-rata basis according to their existing shareholdings.

X. Property and Equipment

Movements of the property and equipment of the Company during the reporting period are set out in note 12 to the financial statements prepared under IFRSs.

Report of the Board of Directors

XI. Major suppliers and customers

Total purchases by the Company from the top five suppliers amounted to RMB4,089,477,414, accounting for 18.26% of the aggregate annual purchase of the Company and total purchases by the Company from the largest supplier accounted for 6.03% of the aggregate annual purchase of the Company. To the best knowledge of the Directors, during the reporting period, none of the directors, supervisors, their associates or shareholders holding more than 5% of the Company's share capital in issue had an interest in the top five suppliers of the Company.

Total sales to the top five customers of the Company amounted to RMB1,148,408,431, accounting for 2.98% of the aggregate annual sales of the Company and the total sales to the largest customer of the Company accounted for 0.69% of the aggregate annual sales of the Company. To the best knowledge of the Directors, during the reporting period, none of the directors, supervisors, their associates or shareholders holding more than 5% of the Company's share capital in issue had an interest in the top five customers of the Company.

XII. Donations

During the reporting period, the charity donations and other donations of the Company amounted to approximately RMB6.7 million in aggregate.

XIII. Human Resources

As at 31 December 2013, the Company had employed a total of 27,028 employees. Details of the Company's staff costs and employee benefit plans for 2013 are disclosed in notes 5(b) and 24 to the financial statements prepared under IFRSs respectively.

XIV. Charge on Assets

Details of the Company's charge on assets are set out in note 21 to the financial statements prepared under IFRSs.

XV. Material investments and capital assets

On 28 December 2012, the sixth extraordinary meeting of 2012 of the 4th session of the Board of the Company resolved to purchase 40.68% equity interest in Hong Kong CIFA Company directly or indirectly held by Goldman Sachs, Hony Capital, Madarin Capital Partners and CIFA Management at a consideration of US$235,800,000. Upon the purchase, CIFA would be held as to 100% by the Company. The transaction was completed on 9 September 2013.

Management Discussion and Analysis

The following management discussion and analysis is based on IFRS financial statements data.

Overview

We are a leading China-based construction machinery manufacturer providing comprehensive and diversified products and value-added services and have experienced significant growth in the last decade benefiting from China's ongoing urbanization and significant growth in the infrastructure sector. Our product lines include: (i) concrete machinery, (ii) crane machinery, (iii) environmental and sanitation machinery, (iv) road construction and pile foundation machinery, (v) earth working machinery, and (vi) finance lease services.

Management Discussion and Analysis

Results of Operations

The following table sets forth a summary of our consolidated results of operations for 2013. Each item has also been expressed as a percentage of our consolidated turnover.

	Year Ended 31 December			
	2013		2012	
	RMB	**%**	RMB	%
	(in millions, except for percentages)			
Turnover	**38,542**	**100**	48,071	100
Cost of sales and services	**(27,300)**	**(70.83)**	(32,546)	(67.70)
Gross profit	**11,242**	**29.17**	15,525	32.30
Other revenues and net income	**(49)**	**(0.13)**	(101)	(0.21)
Sales and marketing expenses	**(3,631)**	**(9.42)**	(3,376)	(7.02)
General and administrative expenses	**(2,701)**	**(7.01)**	(2,368)	(4.93)
Research and development expenses	**(570)**	**(1.48)**	(584)	(1.21)
Profit from operations	**4,291**	**11.13**	9,096	18.93
Net finance costs	**195**	**0.51**	(274)	(0.57)
Share of profits less losses of associates	**41**	**0.11**	36	0.07
Profit before taxation	**4,527**	**11.75**	8,858	18.43
Income tax expenses	**(570)**	**(1.48)**	(1,329)	(2.76)
Profit for the year	**3,957**	**10.27**	7,529	15.67
Attributable to:				
Equity shareholders of the Company	**3,844**	**9.97**	7,330	15.25
Non-controlling interests	**113**	**0.30**	199	0.42

Management Discussion and Analysis

Turnover

We generate turnover primarily from the following operating segments:

Concrete machinery;

Crane machinery;

Environmental and sanitation machinery;

Road construction and pile foundation machinery;

Earth working machinery; and

Finance lease services.

The following table sets forth the breakdown of our consolidated turnover by our operating segments, and each expressed as a percentage of our consolidated turnover, for 2013:

	Year Ended 31 December			
	2013		2012	
	RMB	**%**	RMB	%
	(in millions, except for percentages)			
Concrete machinery	**17,191**	**44.60**	23,596	49.09
Crane machinery	**12,479**	**32.38**	14,132	29.40
Environmental and sanitation machinery	**3,282**	**8.52**	3,034	6.31
Road construction and pile foundation machinery	**1,731**	**4.49**	1,558	3.24
Earth working machinery	**772**	**2.00**	2,269	4.72
Finance lease services	**1,461**	**3.79**	1,600	3.33
Total of reportable segments	**36,916**	**95.78**	46,189	96.09
All other segments	**1,626**	**4.22**	1,882	3.91
Total	**38,542**	**100**	48,071	100

Management Discussion and Analysis

Our turnover decreased by 19.82% from RMB48,071 million for the year ended 31 December 2012 to RMB38,542 million for the year ended 31 December 2013. In 2013, China's macro-economy saw a sluggish recovery while economic growth remained lackluster. Due to weak market demand, increasing overproduction and intensifying competition, the Chinese construction machinery industry fell into stagnation. The Company has timely adjusted its overall operating strategy and development approach by simulating joint-stock system reform, maintaining stringent control on operational risks and implementing effective cost reduction and efficiency enhancement, thereby strengthening its operation. In particular, our turnover from sales of concrete machinery decreased by 27.14% from RMB23,596 million for 2012 to RMB17,191 million for 2013, primarily due to shrinking market demand and intensifying competition. Our turnover from sales of crane machinery fell by 11.7% from RMB14,132 million for 2012 to RMB12,479 million for 2013 primarily due to an overall decrease in market demand for cranes. Turnover from sales of earth working machinery dropped by 65.98% from RMB2,269 million for 2012 to RMB772 million for 2013 primarily due to several large orders recorded in 2012 and a weak market in 2013.

The following table sets forth the breakdown of our turnover by geographic sales location, and each expressed as a percentage of our consolidated turnover, for 2013:

	Year Ended 31 December			
	2013		2012	
	RMB	**%**	RMB	%
	(in millions, except for percentages)			
PRC	**35,755**	**92.77**	45,300	94.24
Outside PRC	**2,787**	**7.23**	2,771	5.76
Total	**38,542**	**100**	48,071	100

The following table sets forth the breakdown of our turnover by the end-users' geographic location, and each expressed as a percentage of our consolidated turnover, for 2013:

	Year Ended 31 December			
	2013		2012	
	RMB	**%**	RMB	%
	(in millions, except for percentages)			
PRC	**34,806**	**90.31**	44,575	92.73
Outside PRC	**3,736**	**9.69**	3,496	7.27
Total	**38,542**	**100**	48,071	100

Management Discussion and Analysis


Cost of sales and services

Our cost of sales and services primarily consists of:

Raw materials, i.e., costs of raw materials, parts and components, including steel, branded chassis, hydraulic parts and components, engines, tires and electric controls, and a variety of other raw materials and fabricated or manufactured components;

Staff costs, including salaries and benefits for personnel directly involved in manufacturing activities;

Depreciation and amortization of property, plant and equipment used for manufacturing purposes;

Costs of finance lease services, including fees, other surcharges and interest related to factoring of receivables under finance lease; and

Others, including manufacturing overhead, such as maintenance of production equipment and utility costs, including electricity, steam and water and costs associated with waste treatment.

Management Discussion and Analysis

The following table sets forth the major components of our cost of sales and services both in absolute terms and as a percentage of total cost of sales and services for 2013:

	Year Ended 31 December			
	2013		2012	
	RMB	**%**	RMB	%
	(in millions, except for percentages)			
Raw materials	**25,614**	**93.82**	30,624	94.09
Staff costs	**1,021**	**3.74**	1,182	3.63
Depreciation and amortization	**305**	**1.12**	272	0.84
Costs of finance lease services	**5**	**0.02**	109	0.33
Others	**355**	**1.30**	359	1.10
Total cost of sales and services	**27,300**	**100**	32,546	100

Costs of raw materials, parts and components account for the majority of our cost of sales and services.

Management Discussion and Analysis

The following table sets forth the breakdown of our cost of sales and services by our operating segments and each expressed as a percentage of total cost of sales and services for 2013:

	Year Ended 31 December			
	2013		2012	
	RMB	%	RMB	%
	(in millions, except for percentages)			
Concrete machinery	**12,623**	**46.24**	15,589	47.90
Crane machinery	**9,118**	**33.40**	10,330	31.74
Environmental and sanitation machinery	**2,335**	**8.55**	2,174	6.68
Road construction and pile foundation machinery	**1,169**	**4.28**	906	2.78
Earth working machinery	**758**	**2.78**	1,766	5.43
Finance lease services	**5**	**0.02**	109	0.33
Total cost of sales and services of reportable segments	**26,008**	**95.27**	30,874	94.86
Other operating segments	**1,292**	**4.73**	1,672	5.14
Total cost of sales and services	**27,300**	**100**	32,546	100

Cost of Sales and Services

Due to the decrease in the volume of the Company's sales, our cost of sales and services reduced by 16.12% from RMB32,546 million for the year ended 31 December 2012 to RMB27,300 million for the year ended 31 December 2013, which was basically in line with the decrease in our sales and production volume.

Management Discussion and Analysis

Gross profit

The following table sets forth the gross profit and gross profit margin breakdown by operating segments, for the periods indicated:

	Year Ended 31 December			
	2013		2012	
	RMB	%	RMB	%
	(in millions, except for percentages)			
Concrete machinery	**4,568**	**40.64**	8,007	51.58
Crane machinery	**3,361**	**29.90**	3,802	24.49
Environmental and sanitation machinery	**947**	**8.42**	860	5.54
Road construction and pile foundation machinery	**562**	**5.00**	652	4.20
Earth working machinery	**14**	**0.12**	503	3.24
Finance lease services	**1,456**	**12.95**	1,491	9.60
Total gross profits of reportable segments	**10,908**	**97.03**	15,315	98.65
Other non-reportable segments	**334**	**2.97**	210	1.35
Total gross profits	**11,242**	**100**	15,525	100

Our gross profit decreased by 27.59% from RMB15,525 million for the year ended 31 December 2012 to RMB11,242 million for the year ended 31 December 2013. Our gross profit margin decreased from 32.30% for the year ended 31 December 2012 to 29.17% for the year ended 31 December 2013.

Other revenues and net gain

Our other revenues and net gain decreased from the net loss of RMB101 million for the year ended 31 December 2012 to a net loss of RMB49 million for the year ended 31 December 2013 primarily attributable to a drop in the discount of the non-recourse factoring of our trade receivables caused by a decrease in the factored amount and the decrease in government subsidies.

Sales and marketing expenses

Our sales and marketing expenses increased by 7.55% from RMB3,376 million for the year ended 31 December 2012 to RMB3,631 million for the year ended 31 December 2013. Sales and marketing expenses as a percentage of our consolidated turnover increased from 7.02% for the year ended 31 December 2012 to 9.42% for the year ended 31 December 2013 primarily due to the fact that the Company was unable to achieve its sales target set at the beginning of the year and hence the allocation of the sales resources were not commensurate with the expected target.

Management Discussion and Analysis

General and administrative expenses

Our general and administrative expenses increased by 14.06% from RMB2,368 million for the year ended 31 December 2012 to RMB2,701 million for the year ended 31 December 2013. General and administrative expenses as a percentage of our consolidated turnover increased from 4.93% for the year ended 31 December 2012 to 7.01% for the year ended 31 December 2013 primarily due to an increase in the provisions for receivables during the period.

Research and development expenses

Our research and development expenses decreased by 2.40% from RMB584 million for the year ended 31 December 2012 to RMB570 million for the year ended 31 December 2013.

Profit from operations

As a result of the foregoing, our profit from operations dropped by 52.83% from RMB9,096 million for the year ended 31 December 2012 to RMB4,291 million for the year ended 31 December 2013. Our operating margin fell from 18.92% for the year ended 31 December 2012 to 11.13% for the year ended 31 December 2013.

Net finance costs

Due to the increase of exchange gains in 2013, we had net financial gains of RMB195 million for the year ended 31 December 2013.

Income tax expenses

Our income tax expenses dropped by 57.11% from RMB1,329 million for the year ended 31 December 2012 to RMB570 million for the year ended 31 December 2013 primarily due to a drop in sales and thus a decrease in our taxable income. Our effective income tax rate decreased from 15.00% for the year ended 31 December 2012 to 12.59% for the year ended 31 December 2013, which was mainly attributable to the fact that more favourable tax preferences were provided by the government.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 47.44% from RMB7,529 million for the year ended 31 December 2012 to RMB3,957 million for the year ended 31 December 2013. Our net profit margin dropped from 15.66% for the year ended 31 December 2012 to 10.27% for the year ended 31 December 2013.

Profit attributable to equity shareholders of the Company

As a result of the foregoing, our profit attributable to equity shareholders of the Company decreased by 47.56% from RMB7,330 million for 2012 to RMB3,844 million for 2013.

Management Discussion and Analysis

Cash Flow and Capital Expenditure

During 2013, we financed our operations primarily through cash proceeds from our operations, proceeds from loans and borrowings, including bank borrowings and factored trade receivables, proceeds from non-public offering of A share and global offering of H shares and proceeds from the first and second issuances of guaranteed USD denominated bonds in 2012. As of 31 December 2013, we had RMB16,657 million in cash and cash equivalents, most of which were denominated in Renminbi. Our cash and cash equivalents primarily consist of cash and demand deposits.

The following table sets forth a summary of our consolidated cash flows for 2013:

	Year Ended 31 December	
	2013	2012
	RMB	RMB
	(million)	
Net cash generated from operating activities	**43**	2,.611
Net cash used in investing activities	**(692)**	(3,050)
Net cash (used in)/generated from financing activities	**(2,754)**	4,512
Net (decrease)/increase in cash and cash equivalents	**(3,403)**	4,073
Effect of foreign exchange rate changes	**(24)**	9
Cash and cash equivalents at the beginning of the period	**20,084**	16,002
Cash and cash equivalents at the end of the period	**16,657**	20,084

Operating activities

In 2013, net cash generated from operating activities was RMB43 million derived primarily from the profit before taxation of RMB4,527 million, adjusted to reflect the interest expenses of RMB970 million and depreciation and amortization of RMB562 million, after deducting the following items: (i) the increase in trade and other receivables of RMB8,086 million; (ii) the decrease in trade and other payables of RMB720 million; and (iii) the income tax payment of RMB1,379 million, and then adding back the decrease in receivables under finance lease of RMB2,543 million and the decrease in inventories of RMB3,041 million.

Investing activities

In 2013, net cash used in investing activities was RMB692 million, consisting primarily of: (i) payments for the purchases of property, plant and equipment of RMB853 million; and (ii) an increase in pledged bank deposits of RMB292 million. The property, plant and equipment were purchased for the construction of our industrial parks, manufacturing facility upgrades and renovation projects in 2013. The balance of pledged bank deposits increased due to an increase in various deposits of the Company.

Management Discussion and Analysis

Financing activities

In 2013, net cash used in financing activities was RMB2,754 million, consisting primarily of the proceeds from loans and borrowings of RMB12,175 million, offset by repayments of loans and borrowings of RMB10,924 million, dividends paid to equity shareholders of RMB1,540 million and interest payments of RMB956 million, and payment on the acquisition of minority interest of RMB1,469 million.

Capital Expenditures

For the year ended 31 December 2013, our capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB1,587 million.

Commitments and Contingent Liabilities

As at 31 December 2013, our commitments consisted of capital commitments that have been authorized and contracted for in the amount of RMB711 million, capital commitments that have been authorized but not contracted for in the amount of RMB94 million and operating lease commitments of RMB400 million, of which RMB133 million was payable within one year.

As at 31 December 2013, we had contingent liabilities of RMB15,044 million in connection with our financial guarantees provided for bank loans obtained by certain of our customers to finance their purchases of our products. Under the guarantee contracts, if the customers defaulted, we are entitled to repossess the products purchased by the customers which were held as collaterals. For the year ended 31 December 2013, due to our customers' default, we paid RMB447 million to the banks under our guarantees.

Certain of finance lease contracts between us and our end-user customers are jointly arranged by our leasing subsidiaries and a third-party leasing company. Under the joint leasing arrangement, we provide guarantees to the third-party leasing company so that if the customers defaulted, we may be called upon to repay the leasing company for its share of the outstanding lease payments due from the respective customers. At the same time, we will be entitled to repossess and resell the leased machinery, and retain any excess of the sale proceeds over the guaranteed amount that we paid the leasing company. As at 31 December 2013, our maximum exposure to such guarantees was RMB142 million. The term of the guarantees is generally in line with the term of the leasing contracts, ranging from two to five years. For the year ended 31 December 2013, we paid RMB64 million to the third-party leasing company for repossession of machinery under the guarantee arrangement as a result of customer default.

Starting from 1 January 2013, certain customers of the Group finance their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, the Group provides guarantee to the third-party leasing companies that in the event of customer default, the Group is required to make payment to the leasing companies for the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery,

Management Discussion and Analysis

and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 31 December 2013, the Group's maximum exposure to such guarantees was RMB2,526 million. The term of these guarantees coincides with the tenure of the lease contracts which generally range from 2 to 5 years. For the year ended 31 December 2013, there was no payment made for repossession of machinery incurred under the guarantee arrangement as a result of customer default.

Working Capital and Indebtedness

The table below sets forth the details of our current assets and liabilities as of 31 December 2013:

	31 December	
	2013	2012
	RMB	RMB
	(million)	
Current Assets		
Inventories	**8,747**	11,733
Other current assets	**306**	231
Trade and other receivables	**26,569**	19,939
Receivables under finance lease	**10,228**	9,194
Pledged bank deposits	**2,441**	2,062
Cash and cash equivalents	**16,657**	20,084
Total current assets	**64,948**	63,243
Current liabilities		
Trade and other payables	**23,891**	23,387
Bank and other borrowings	**8,397**	9,639
Income tax payable	**437**	1,083
Total current liabilities	**32,725**	34,109
Total current assets	**32,223**	29,134

Our net current assets increased from RMB29,134 million as at 31 December 2012 to RMB32,223 million as at 31 December 2013 primarily attributable to the increase of trade and other receivables.

Management Discussion and Analysis

Our outstanding short-term loans and other borrowings, including long-term bank and other borrowings due within one year, reduced by 12.89% from RMB9,639 million as at 31 December 2012 to RMB8,397 million as at 31 December 2013 primarily attributable to the decrease in long-term borrowings due within one year. The following table sets forth our short-term and long-term bank and other borrowings as of 31 December 2013:

	As of 31 December	
	2013	2012
	RMB	RMB
	(million)	
Current		
Secured short-term bank loans	**832**	143
Unsecured short-term bank loans	**5,208**	4,205
Current portion of long-term bank loans	**2,357**	5,291
Total	**8,397**	9,639
Non-current		
Secured long-term bank loans	**–**	2,426
Unsecured long-term bank loans	**7,998**	6,260
Unsecured bond	**1,096**	1,094
Guaranteed US dollar senior notes	**6,013**	6,185
Less: Long-term bank loans due within one year	**(2,357)**	(5,291)
Total	**12,750**	10,674

As at 31 December 2013, our US dollar unsecured short-term and long-term loans with aggregate outstanding principal amounts of RMB2,134 million and RMB3,097 million, respectively, were subject to certain restrictive financial covenants. As of 31 December 2013, we did not breach any of these restrictive financial covenants. If we were unable to comply with such restrictive financial covenants and were not exempted by the lending banks, we might be ordered to repay the bank loans immediately, and our liquidity will be adversely affected.

The Company regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Company monitors its capital structure on the basis of adjusted debt-to-equity ratio. As of 31 December 2013, our adjusted debt-to-equity ratio was 49% (2012: 47%). Please refer to note 27 of the financial statements prepared under IFRSs for the calculation basis of such ratio.

Management Discussion and Analysis

As at 31 December 2013, our credit facilities from 35 domestic and overseas financial institutions amounted to approximately RMB78,100 million have not been utilized. In addition, 8 domestic financial institutions have granted facilities in an aggregate amount of RMB26,000 million to us under non-recourse factoring arrangements.

Liquidity Risk

Exposure to liquidity risk arises in the normal course of the Company's business. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The following table sets out the remaining contractual maturities of the financial liabilities as of 31 December 2013, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current prevailing rates as of 31 December 2013) and the earliest date the Company would be required to repay:

	As of 31 December 2013					
	Carrying Amount	Total Contractual Undiscounted Cash Flow	Within 1 Year or on Demand	More than 1 Year but Less than 2 Years	More than 2 Years but Less than 5 Years	More than 5 Years
	RMB (in millions)					
Bank and other borrowings	21,147	24,464	6,668	919	12,162	4,715
Trade and other payables	23,891	23,891	23,891	–	–	–
Other long-term liabilities	1,542	1,572	–	862	632	78
	46,580	49,927	30,559	1,781	12,794	4,793
Maximum amount of financial guarantee issued		17,712	17,712			

Management Discussion and Analysis

	As of 31 December 2012					
	Carrying Amount	Total Contractual Undiscounted Cash Flow	Within 1 Year or on Demand	More than 1 Year but Less than 2 Years	More than 2 Years but Less than 5 Years	More than 5 Years
	RMB (in millions)					
Bank and other borrowings	20,313	24,034	9,325	3,602	6,237	4,870
Trade and other payables	23,387	23,387	23,387	–	–	–
Other long-term liabilities	2,562	2,635	–	1,405	1,060	170
	46,262	50,056	32,712	5,007	7,297	5,040
Maximum amount of financial guarantee issued		13,277	13,277			

The Company's directors confirmed that the current cash and cash equivalents, anticipated cash flow from operations and undrawn committed credit facilities will be sufficient to meet the anticipated cash needs, including its working capital and capital expenditure requirements for at least the next 12 months following the balance sheet date.

Credit Risk

Credit risk is primarily attributable to bank deposits, trade and other receivables, receivables under finance lease, financial guarantees and endorsed bills with full recourse which were derecognized by the Group. The maximum exposure to credit risk is represented by the carrying amount of these financial assets and guarantee obligations.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Collaterals, such as properties, machinery or third party guarantees, are generally required for customers with lower credit ratings. In addition, credit insurance coverage is required for overseas sales. Certain customers are required to pay by letters of credit. Debtors overdue by three months or more are handled by risk management department which is responsible for recovering debts through legal and other actions. In respect of receivables under finance lease, a risk control committee is responsible for the establishment of credit risk management policies, the supervision on the implementation of such policies and determination of the key terms of the lease contracts. Credit review department, legal department, finance department and information technology department are collectively responsible for credit risk management and monitoring of settlement of receivables under finance lease. Bank deposits are placed with financial institutions that have high credit ratings. Given their credit ratings, management does not expect any counterparty to fail to meet its obligations.

Management Discussion and Analysis

Please refer to notes 17, 18 and 28 of the financial statements prepared under IFRSs for more quantitative information about the Company's credit risk.

Interest Rate Risk

Interest rate risk exposure arises primarily from bank deposits, receivables under finance lease, short-term and long-term bank and other borrowings. These financial instruments bearing interest at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk, respectively.

Please refer to note 28 of the financial statements prepared under IFRSs for more quantitative information about the Company's interest rate risk.

Currency Risk

The Company is exposed to currency risk primarily through deposits, sales, purchases and borrowings which give rise to receivables, payables, loans and borrowings and cash balances that are denominated in a foreign currency, that is, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US dollars, HK dollars, Japanese Yen and Euro.

Please refer to note 28 of the financial statements prepared under IFRSs for more quantitative information about the Company's currency risk.

Significant Events

I. Material Guarantees during the Reporting Period

Unit: RMB ten thousand

Guarantee provided to subsidiaries by the Company								
Name of guarantee party	Disclosure date of the announcement regarding the guarantee	Guarantee limit	Actual date of event	Actual amount of guarantee	Type of Guarantee	Period of guarantee	Discharged or not	Whether in favour of any related party (Yes or No)
ZOOMLION H.K. S.P.V. CO., LTD	29 March 2012	243,876.00	5 April 2012	243,876.00	General guarantee	5 years	No	No
ZOOMLION H.K. S.P.V. CO., LTD	14 December 2012	365,814.00	20 December 2012	365,814.00	General guarantee	10 years	No	No
Zoomlion International Trading (H.K.) Co., Limited	16 March 2012	400,000.00	21 June 2012	60,969.00	General guarantee	2 years	No	No
Zoomlion International Trading (H.K.) Co., Limited	29 March 2013	350,000.00	19 April 2013	30,484.50	General guarantee	1 year	No	No
Zoomlion International Trading (H.K.) Co., Limited	29 March 2013	350,000.00	23 July 2013	30,484.50	General guarantee	1 year	No	No
Zoomlion International Trading (H.K.) Co., Limited	29 March 2013	350,000.00	13 August 2013	60,969.00	General guarantee	1 year	No	No

II. Material Connected Transactions of the Company during the Year

(I) The Company had no material related party transactions according to the relevant domestic regulations.

(II) Under the Listing Rules of Hong Kong, the continuing connected transactions of the Company during 2013 were as follows:

Framework sales agreement with Dongfeng Motor Corporation

Dongfeng Motor Corporation holds 11.14% of the equity interest in Hunan Zoomlion Axle Co., Ltd., a subsidiary of the Company, and is therefore a substantial shareholder of Hunan Zoomlion Axle Co., Ltd. and a connected person of the Company. Dongfeng Motor Corporation was established in 1969 and is currently one of the top three automakers in China. Its main businesses include production and sale of passenger vehicles, commercial vehicles, engine, auto parts and components, and equipment in the PRC. To regulate the sales and purchase arrangement between the Company and Dongfeng Group after the Listing, the Company has entered into a framework sales agreement (the "Dongfeng Framework Sales Agreement") dated 6 December 2010 with Dongfeng Motor Corporation and such agreement was expired on 23 December 2013. The Company entered into the Dongfeng Sales Renewal Agreement dated 13 August 2013 to renew the terms and conditions set out in the Dongfeng Framework Sales Agreement. Such agreement has taken effect from 1 January 2013 and has a term of three years. Pursuant to the Dongfeng Framework Sales Agreement, Dongfeng Group will purchase axles and other auto components produced by the Company from time to time. In 2013, total sales of the Company to Dongfeng Group amounted to approximately RMB534 million (excluding value-added tax).

Significant Events

Dongfeng Purchase Renewal Agreement with Dongfeng Motor Corporation

The Company entered into a framework purchase agreement (the "Dongfeng Framework Purchase Agreement") dated 6 December 2010 with Dongfeng Motor and such agreement was expired on 23 December 2012. On 13 August 2013, the Company entered into the Dongfeng Purchase Renewal Agreement to renew the terms and conditions set out in the Dongfeng Framework Purchase Agreement. The Dongfeng Purchase Renewal Agreement has taken effect from 1 January 2013 and has a term of three years. Pursuant to the Dongfeng Purchase Renewal Agreement, the Company will purchase steel springs, chassis, engines and other auto components from the Dongfeng Group from time to time. In 2013, the total purchases from the Dongfeng Group amounted to approximately RMB429 million (excluding VAT).

The Independent Non-executive Directors unanimously confirmed that the continuing connected transactions of the Company for the year 2013 were:

(1) in the ordinary course of business of the Company;

(2) entered into on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties;

(3) conducted according to the terms of the relevant agreements governing the transactions, and the terms of the transactions were fair and reasonable and in the interests of the shareholders of the Company as a whole; and

Each of the annual value for the continuing connected transactions did not exceed the annual caps approved by the Board dated 13 August 2013.

The international auditor of the Company has reviewed those connected transactions and confirmed with the Board of the Company that:

(1) those connected transactions were approved by the Board;

(2) those connected transactions were conducted according to the pricing policy of the Company;

(3) those connected transactions were conducted according to the terms of relevant agreements governing the transactions;

(4) the value of those connected transactions did not exceed the respective annual caps approved by the Board dated 13 August 2013.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules of Hong Kong.

Significant Events

III. The Company had no Equity Incentive Plan During the Reporting Period

IV. The Status of Corporate Bonds Issued by the Company

1. The Company issued corporate bonds in par value of RMB100 from 21 April to 25 April 2008, with total proceeds of RMB1,100 million. On 9 May 2008, the corporate bonds ("2008 Changsha Zoomlion Bonds") were approved to be listed and traded on the SZSE under the stock code "112002" for a period of eight years (the holders of the bonds have an option to redeem in whole or in part, of the bonds held by them on the interest payment date of the fifth anniversary of the effective term of bonds at par value). The bonds bear interest at a rate of 6.5%.

2. On 5 April 2012, the Company issued 5-year US dollar denominated bonds of US$400,000,000 through an overseas subsidiary. The US dollar denominated bonds are listed on the SGX-ST and will mature on 5 April 2017. The bonds bear interest at the rate of 6.875% per annum, payable semiannually in arrears on 5 April and 5 October of each year, beginning from 5 October 2012.

3. On 20 December 2012, the Company issued 10-year US dollar denominated bonds of US$600,000,000 through an overseas subsidiary. The US dollar denominated bonds are listed on the SGX-ST and will be mature on 20 December 2022. The bonds bear interest at the rate of 6.125% per annum, payable semi-annually in arrears on 20 June and 20 December of each year, beginning from 20 June 2013.

V. Other Significant Events

1. Hunan SASAC increased its shareholding in the Company of 5,934,880 shares, or 0.07% of the total share capital of the Company, through purchases on Shenzhen Stock Exchange on 2 April 2013. After the increase of shareholdings, Hunan SASAC holds 1,253,314,876 shares in the Company, or 16.26% of the total share capital of the Company.

2. Some directors, supervisors, senior management and key management personnel of the Company purchased with their own funds 19,379,251 shares in the Company in aggregate at prevailing market price in secondary market during the period between 30 May 2013 and 4 June 2013. After the increase of shareholdings, such persons hold 21,700,335 shares in Company, or 0.2816% of the total share capital of the Company.

Changes in Share Capital and Shareholders

I. Changes in Share Capital (As at 31 December 2013)

	Before this change		Increase (+)/Decrease (-) in this change					After this change	
	Number	Percentage (%)	New shares	Bonus issue	Bonus shares from capital reserve	Others	Sub-total	Number	Percentage (%)
I. Shares subject to sales restriction	1,864,143	0.02%	0	0	0	12,571,903	12,571,903	14,436,046	0.19%
1. State-owned shares	0	0%	0	0	0	0	0	0	0%
2. Shares held by state-owned legal persons	0	0%	0	0	0	0	0	0	0%
3. Other domestic shares	0	0%	0	0	0	0	0	0	0%
Including: shares held by domestic legal persons	0	0%	0	0	0	0	0	0	0%
shares held by domestic natural persons	0	0%	0	0	0	0	0	0	0%
4. Foreign invested shares	0	0%	0	0	0	0	0	0	0%
Including: shares held by overseas legal persons	0	0%	0	0	0	0	0	0	0%
shares held by overseas natural persons	0	0%	0	0	0	0	0	0	0%
5. Shares held by senior management	1,864,143	0.02%	0	0	0	12,571,903	12,571,903	14,436,046	0.19%
II. Shares not subject to sales restriction	7,704,089,907	99.98%	0	0	0	-12,571,903	-12,571,903	7,691,518,004	99.81%
1. Ordinary shares denominated in RMB (A Shares)	6,274,061,021	81.42%	0	0	0	-12,571,903	-12,571,903	6,261,489,118	81.26%
2. Domestically listed foreign invested shares	0	0%	0	0	0	0	0	0	0%
3. Overseas listed foreign invested shares	1,430,028,886	18.56%	0	0	0	0	0	1,430,028,886	18.56%
4. Others	0	0%	0	0	0	0	0	0	0%
III. Total number of shares	7,705,954,050	100%	0	0	0	0	0	7,705,954,050	100%

Reasons for changes in share capital

During the period between 30 May 2013 and 4 June 2013, some directors, supervisors, senior management and key personnel of the Company purchased with their own funds 19,379,251 shares of Company in aggregate based on market price in secondary market, including 16,803,651 shares purchased by directors, supervisors and senior management, 75% of which are subject to trading restriction.

Changes in Share Capital and Shareholders

II. Issuance and listing of securities

1. Issuance of securities in three years immediately prior to the end of the reporting year

Name of share and its derivative	Issue date	Issue price (or interest rate)	Number of securities issued	Listing date	Number of securities approved for listing and trading	Closing date of trading
Non-public offering of A Shares	28 January 2010	RMB18.7	297,954,705	12 February 2010	297,954,705	
IPO of H Shares	16 December 2010	HK$14.98	869,582,800	23 December 2010	869,582,800	
Over-allotment of H Shares	5 January 2011	HK$14.98	130,437,400	13 January 2011	130,437,400	

Issuance of securities in the past three years

1. As approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2010] No. 97), the Company issued 297,954,705 ordinary shares denominated in RMB (A Shares) to nine selected investors at an issue price of RMB18.70 per share on 28 January 2010. Total proceeds from such issue amounted to RMB5,571,752,983.50. Upon the listing of the shares issued under such non public offering on the Shenzhen Stock Exchange on 12 February 2010, the total share capital of the Company was changed to 1,971,054,705 shares.

2. As approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2010] No. 1654) and SEHK, after 869,582,800 H Shares were listed on the Main Board of SEHK on 23 December 2010, 130,437,400 H shares, of which the over-allotment option was exercised in full on 5 January 2011, were listed and traded on the Main Board of SEHK on 13 January 2011. A total of 1,000,020,200 H shares were issued in the initial public offering, with total proceeds of HK$14,980,302,596. Upon the completion of the H Share offering, the total share capital of the Company was changed to 5,927,656,962 shares.

III. Purchase, sale or redemption of shares by the Company and its subsidiaries

For the year ended 31 December 2013, there was no purchase, sale or redemption of any securities of the Company by the Company or any of its subsidiaries under the Listing Rules of Hong Kong.

Changes in Share Capital and Shareholders

IV. Shareholders

1. Number of shareholders of the Company and shareholdings

Total number of shareholders as at the end of the Reporting Period: 444,277

Unit: share(s)

Shareholders holding more than 5% of shareholding						
Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Total number of share held as at the end of the reporting period	Changes during the reporting period	Number of shares subject to sales restriction	Number of shares not subject to sales restriction
HKSCC NOMINEES LIMITED	Overseas legal person	18.53%	1,427,786,323	+29,218	0	1,427,786,323
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	State-owned legal person	16.26%	1,253,314,876	+5,934,880	0	1,253,314,876
Changsha Hesheng Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	5.02%	386,517,443	0	0	386,517,443
GOOD EXCEL GROUP LIMITED	Overseas legal person	4.72%	363,936,856	0	0	363,936,856
Real Smart International Limited	Overseas legal person	2.19%	168,635,602	0	0	168,635,602
Changsha Yifang Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	2.12%	163,364,942	+50,000	0	163,364,942
Hony Capital Fund I (Tianjin), L.P.	Domestic non state-owned legal person	2.07%	159,428,548	0	0	159,428,548
China Jianyin Investment Co., Ltd.	State-owned legal person	1.8%	138,814,554	-12,350,000	0	138,814,554
Anhui Investment Group Holdings Co., Ltd.	State-owned legal person	0.73%	56,180,563	0	0	56,180,563
Guangdong Hengjian Investment Holding Co. Ltd.	State-owned legal person	0.67%	51,955,855	0	0	51,955,855

The Company has complied with the minimum public float requirement under Rule 8.08 of the Listing Rules of Hong Kong.

Changes in Share Capital and Shareholders

Top ten holders of shares not subject to sales restriction			
		Class of shares	
Name of shareholder	Number of shares held not subject to sales restriction at the end of the year	Class of shares	Number of share
HKSCC NOMINEES LIMITED	1,427,786,323	Overseas listed foreign invested shares	1,427,786,323
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	1,253,314,876	Ordinary shares denominated in RMB	1,253,314,876
Changsha Hesheng Science and Technology Investment Co., Ltd.	386,517,443	Ordinary shares denominated in RMB	386,517,443
GOOD EXCEL GROUP LIMITED	363,936,856	Ordinary shares denominated in RMB	363,936,856
Real Smart International Limited	168,635,602	Ordinary shares denominated in RMB	168,635,602
Changsha Yifang Science and Technology Investment Co., Ltd.	163,364,942	Ordinary shares denominated in RMB	163,364,942
Hony Capital Fund I (Tianjin), L.P.	159,428,548	Ordinary shares denominated in RMB	159,428,548
China Jianyin Investment Co., Ltd.	138,814,554	Ordinary shares denominated in RMB	138,814,554
Anhui Investment Group Holdings Co., Ltd.	56,180,563	Ordinary shares denominated in RMB	56,180,563
Guangdong Hengjian Investment Holding Co. Ltd.	51,955,855	Ordinary shares denominated in RMB	51,955,855
Description of the connected relationships between top ten holders of shares not subject to sales restriction, and between top ten holders of shares not subject to sales restriction and top ten shareholders who are parties acting in concert	Saved for Good Excel Group Limited and Real Smart International Limited which are parties acting in concert, and Changsha Hesheng Science and Technology Investment Co., Ltd. and Changsha Yifang Science and Technology Investment Co., Ltd. which are parties acting in concert, the Company was not aware of any connected relationships among the other shareholders and the shareholders are not parties acting in concert within the meaning of the Administrative Measures for Information Disclosure on Change of the Shareholdings of Listed Companies.		
Description of shareholders participating in securities financing (if any)	N/A		

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

Changes in Share Capital and Shareholders

2. Substantial Shareholders' interests in the shares and underlying shares of the Company

As at 31 December 2013, 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 ("SFO"), or required to be recorded in the register to be kept by the Company pursuant to Section 336 of SFO:

Name	Nature of interest	Class of shares	Number of shares	Percentage of class of shares issued (%)	Percentage of total issued share capital (%)
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government	Beneficial	A share	1,253,314,876	19.97	16.26
Good Excel Group Limited(2)	Beneficial	A shares	363,936,856	5.80	4.72
Rise Honour Investments Limited(2)	Interests of controlled corporation	A shares	532,572,458	8.49	6.91
Hony Capital II L.P.(2)	Interests of controlled corporation	A shares	532,572,458	8.49	6.91
Hony Capital II GP Ltd.(2)	Interests of controlled corporation	A shares	532,572,458	8.49	6.91
Right Lane Limited(2)	Interests of controlled corporation	A shares	532,572,458	8.49	6.91
Legend Holdings Corporation(2)(3)	Interests of controlled corporation	A shares	692,001,006	11.03	8.98
Chinese Academy of Sciences Holdings Co, Ltd.(3)(4)	Interests of controlled corporation	A shares	692,001,006	11.03	8.98
Chinese Academy of Sciences(3)(4)	Interests of controlled corporation	A shares	692,001,006	11.03	8.98
Changsha Hesheng Science and Technology Investment Co., Ltd.(5)	Beneficial	A share	386,517,443	6.16	5.02
JP Morgan Chase & Co.(1)(6)	Beneficial, investment manager and custodian corporation/approved lending agent	H share	178,499,301(L) 8,844,800(S) 147,165,249(P)	12.48 0.62 10.29	2.31 0.11 1.91
BlackRock, Inc.(1)(7)	Interests of controlled corporation	H share	119,876,905(L) 86,000(S)	8.38 0.00	1.56 0.00
Credit Suisse Group AG(1)(8)	Interests of controlled corporation	H share	84,525,791(L) 31,985,098(S)	5.91 2.24	1.10 0.42

Changes in Share Capital and Shareholders

Name	Nature of interest	Class of shares	Number of shares	Percentage of class of shares issued (%)	Percentage of total issued share capital (%)
Bank of America Corporation[(1)(9)]	Interests of controlled corporation	H share	83,276,497(L)	5.82	1.08
			75,805,823(S)	5.30	0.98
National Council for Social Security Fund[(1)]	Beneficial	H share	76,714,420(L)	5.36	1.00
T. Rowe Price Associates, Inc. And Its Affiliates[(1)(10)]	Beneficial	H share	71,864,400(L)	5.03	0.93
Temasek Holdings (Private) Limited[(1)(11)]	Interests of controlled corporation	H share	71,110,700 (L)	4.97	0.92
Schroders Plc[(1)(12)]	Investment Manager	H share	71,050,600(L)	4.96	0.92
The Goldman Sachs Group, Inc.[(1)(13)]	Interests of controlled corporation	H share	67,453,360(L)	4.71	0.88
			69,032,167(S)	4.82	0.90
Morgan Stanley[(1)(14)]	Interests of controlled corporation	H share	67,228,614(L)	4.70	0.87
			58,519,070(S)	4.09	0.76
Citigroup Inc.[(1)(15)]	Secured interests in shares, interests of controlled corporation and custodian corporation/ approved lending agent	H share	44,887,916(L)	3.13	0.58
			34,883,686(S)	2.43	0.45
			17,625,742(P)	1.23	0.23

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 168,635,602 A shares respectively. Good Excel Group Limited and Real Smart International Limited are interested in an aggregate of 532,572,458 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 Corporation.

(3) Legend Holdings Corporation is deemed to be interested in 159,428,548 A shares held by Hony Capital Fund I (Tianjin), L.P. Legend Holdings Corporation is deemed to be interested in 692,001,006 A shares.

(4) Chinese Academy of Sciences Holdings Co., Ltd. holds 36% interests of Legend Holdings Corporation, 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.

Changes in Share Capital and Shareholders

(6) As stated in the form of disclosure of shareholder's interests submitted by JPMorgan Chase & Co. on 13 December 2013 (the date of the relevant event set out in the form was 10 December 2013), these shares were held via JPMorgan Chase & Co. and its affiliates.

(7) As stated in the form of disclosure of shareholder's interests submitted by BlackRock, Inc. on 31 December 2013 (the date of the relevant event set out in the form was 27 December 2013), these shares were held via BlackRock, Inc. and its affiliates.

(8) As stated in the form of disclosure of shareholder's interests submitted by Credit Suisse Group AG on 16 December 2013 (the date of the relevant event set out in the form was 11 December 2013), these shares were held via Credit Suisse Group AG and its affiliates.

(9) As stated in the form of disclosure of shareholder's interests submitted by Bank of America Corporation on 17 December 2013 (the date of the relevant event set out in the form was 12 December 2013), these shares were held via Bank of America Corporation and its affiliates.

(10) As stated in the form of disclosure of shareholder's interests submitted by T. Rowe Price Associates, Inc. and Its Affiliates on 6 December 2013 (the date of the relevant event set out in the form was 4 December 2013).

(11) As stated in the form of disclosure of shareholder's interests submitted by Temasek Holdings (Private) Limited on 23 July 2013 (the date of the relevant event set out in the form was 22 July 2013), these shares were held via Temasek Holdings (Private) Limited and its affiliates.

(12) As stated in the form of disclosure of shareholder's interests submitted by SchrodersPlc on 18 October 2013 (the date of the relevant event set out in the form was 17 October 2013), these shares were held via SchrodersPlc and its affiliates.

(13) As stated in the form of disclosure of shareholder's interests submitted by The Goldman Sachs Group, Inc. on 26 August 2013 (the date of the relevant event set out in the form was 21 August 2013), these shares were held via The Goldman Sachs Group, Inc. and its affiliates.

(14) As stated in the form of disclosure of shareholder's interests submitted by Morgan Stanley on 19 December 2013 (the date of the relevant event set out in the form was 17 December 2013), these shares were held via Morgan Stanley and its affiliates.

(15) As stated in the form of disclosure of shareholder's interests submitted by Citigroup Inc. on 18 November 2013 (the date of the relevant event set out in the form was 13 November 2013), these shares were held via Citigroup Inc. and its affiliates.

Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Employment Status	Gender	Age	Date of term of office commenced	Date of term of office ended	Number of Shares held at 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)
Zhan Chunxin	Chairman and Chief Executive Officer	Incumbent	male	58	22 July 2010		263,120	4,888,916	0	5,152,036
Liu Quan	Executive Director	Incumbent	male	50	22 July 2010		189,117	878,935	0	1,068,052
Qiu Zhongwei	Non-executive Director	Incumbent	male	45	22 July 2010		0	0	0	0
Liu Changkun	Independent Non-executive Director	Incumbent	male	70	22 July 2010		0	0	0	0
Qian Shizheng	Independent Non-executive Director	Incumbent	male	61	22 July 2010		0	0	0	0
Wang Zhile	Independent Non-executive Director	Incumbent	male	65	22 July 2010		0	0	0	0
Lian Weizeng	Independent Non-executive Director	Incumbent	male	67	22 July 2010		0	0	0	0
Cao Yongang	Chairman of Supervisory Board	Incumbent	male	41	22 July 2010		0	0	0	0
Liu Chi	Supervisor	Incumbent	male	56	22 July 2010		138,711	240,500	0	379,211
Luo Anping	Employee Supervisor	Incumbent	male	52	22 July 2010		138,355	311,700	0	450,055
Zhang Jianguo	Senior President	Incumbent	male	54	22 July 2010		186,443	1,017,500	0	1,203,943
Yin Zhengfu	Senior President	Incumbent	male	57	22 July 2010		178,750	664,000	0	842,750
He Jianming	Senior President	Incumbent	male	50	22 July 2010		123,338	0	0	123,338
Du Youqi	Senior President	Incumbent	female	55	22 July 2010		10,011	566,500	0	576,511
Fang Minghua	Senior President	Incumbent	male	56	22 July 2010		158,376	512,400	0	670,776
Wang Chunyang	Senior President	Incumbent	male	58	22 July 2010		158,014	452,800	0	610,814
Xu Wuquan	Senior President	Incumbent	male	56	22 July 2010		125,126	665,300	0	790,426
Xiong Yanming	Vice President	Incumbent	male	49	22 July 2010		96,525	800,000	0	896,525
Su Yongzhuan	Vice President	Incumbent	male	41	22 July 2010		114,400	664,500	0	778,900
Guo Xuehong	Vice President	Incumbent	male	51	22 July 2010		178,750	558,900	0	737,650
Sun Changjun	Vice President	Incumbent	male	51	22 July 2010		160,876	593,200	0	754,076
Li Jiangtao	Vice President	Incumbent	male	50	22 July 2010		153,010	608,700	0	761,710
Hong Xiaoming	Vice President and the person in charge of financial affairs	Incumbent	female	50	22 July 2010		0	495,300	0	495,300
He Wenjin	Vice President	Incumbent	male	43	22 July 2010		0	706,900	0	706,900
Chen Xiaofei	Vice President	Incumbent	male	50	22 July 2010		0	594,400	0	594,400
Chen Peiliang	Vice President	Incumbent	male	41	22 July 2010		71,500	423,700	0	495,200
Ajilore Akinola Odunayo	Vice President	resigned	male	52	26 April 2012	29 August 2013	0	0	0	0
Wang Yukun	Chief Information Officer	Incumbent	male	47	22 July 2010		0	709,500	0	709,500
Shen Ke	Secretary to the Board of Directors	Incumbent	male	42	22 July 2010		0	450,000	0	450,000
Total	–	–	–	–	–	–	2,444,422	16,803,651	0	19,248,073

Directors, Supervisors, Senior Management and Employees

(II) Biography of directors, supervisors and senior management

1. Directors

Dr. Zhan Chunxin (詹純新), male, born in 1955, is the Chairman and Chief Executive Officer of our Company. Dr. Zhan has been appointed as a director of our Company since the establishment of our Company in 1999, and as the Chairman since 2001. Currently, Dr. Zhan also serves as the chairman of various subsidiaries of our Company, including Zoomlion Powermole Limited, Hunan Teli Hydraulic Co., Ltd. and Hunan Zhongchen Rolled Steel Manufacturing Engineering Co., Ltd., and as the director of various subsidiaries of our Company, including Zoomlion H.K. Holding Co., Ltd., Zoomlion International Trading (H.K.) Co., Limited, and Zoomlion Capital (H.K.) Co., Limited. Dr. Zhan became an expert entitled to special government subsidy granted by the State Council since January 1994, a senior engineer as recognised by the Ministry of Construction in 1995 and a researcher-level senior engineer specialized in management and engineering as recognised by the Ministry of Construction in September 1997. Dr. Zhan has previously served various senior positions in Construction Machinery Research Institute of Changsha, the Ministry of Construction ("Research Institute"), including the deputy head of Research Institute from February 1992 to July 1996 and head of Research Institute from July 1996 to December 2008. Dr. Zhan has been serving various public functions. He was appointed as a representative at the 16th National Congress of the Communist Party of China in 2002, the 10th National People's Congress in 2003, the 17th National Congress of the Communist Party of China in 2007 and the 10th National Congress of the Communist Party of China in Hunan Province in 2011, a member of the 10th session of CPC Hunan Provincial Committee in 2011 and a representative at the 12th National People's Congress in 2013. Dr. Zhan has also served as the deputy chairman of China Entrepreneurs Association and China Enterprise Confederation since September 2008. Dr. Zhan has received various titles and awards, including 1994–1995 Annual Outstanding Leading Cadre of the Ministry of Construction awarded in March 1996, the Young and Middle-Aged Experts in Science, Technology and Management with Outstanding Contribution awarded by the Ministry of Construction in 1995, the National Advanced Worker awarded in April 2000, the winner of the First National Outstanding Entrepreneur in Construction Machinery Industry Award in 2002, the 2003 Top 10 News Figures of China awarded in December 2003, winner of the Third National Outstanding Pioneering Entrepreneur Award in March 2004, the National Star Entrepreneur in Construction Machinery Industry in December 2004, the 2008 China's Most-recognised Entrepreneur awarded in January 2009, and the Yuan Baohua Enterprises Management Gold Award awarded in May 2010 which is the most distinguished award for corporate executives in China, the 2010 Leonardo Award in Italy awarded in January 2011, the 2011 CCTV Chinese Economic Annual Figure awarded in December 2011 and the Most Outstanding Person Award awarded in January 2013. Dr. Zhan graduated from Northwestern Polytechnical University in 1978 and obtained a master's degree in aeronautical engineering from Northwestern Polytechnical University in 2000 and a doctorate degree in system engineering from Northwestern Polytechnical University in December 2005.

Directors, Supervisors, Senior Management and Employees

Mr. Liu Quan (劉權), male, born in 1963, is an executive director of our Company. Mr. Liu has been appointed as a director of our Company since August 1999. Currently, Mr. Liu is deputy general manager of the heavy-truck business division of the Company, a director of Zoomlion Financing and Leasing (Beijing) Co., Ltd., a director of Changde Zoomlion Hydraulic Co., Ltd. and a supervisor of Hunan Zoomlion Crawling Crane Ltd.. Mr. Liu has become an expert entitled to special government subsidy granted by the State Council since April 1999. Mr. Liu has previously served various senior positions in Research Institute and our Group, including the head of the concrete machinery research institute of Research Institute from 1993 to 1995, deputy general manager of the concrete machinery branch of our Company from 1999 to 2001, and chief engineer and chief researcher of our Company from 2002 to 2005. Mr. Liu has received various titles and awards, including Changsha City Science and Technology Advancement Award (Grade I) awarded in December 1996, the Science and Technology Advancement Award of Hunan Province Grade I awarded in October 1997 and Grade III awarded in December 2001, the Outstanding Young and Middle-Aged Experts of Hunan Province awarded in January 1998, the National Science and Technology Advancement Award (Grade III) awarded in December 1998, the Outstanding Youth for the Science and Technology Innovation of Hunan Province in December 2001, the Outstanding Inventor with Great Contribution to the Invention of Patents of Hunan Province awarded in December 2002, the National Labor Day Medallion awarded in April 2003, the Advanced Worker of Hunan Province awarded in April 2003, the Hunan Province Technology Innovation Advanced Individuals in June 2004, the Top 10 Talented Youths with Scientific Innovation in Changsha City awarded in July 2005, the 2005 Huaxia Construction, Science and Technology Award (Grade II) awarded in January 2006, the Outstanding Leader in Quality Group Activities of Hunan Province awarded in August 2006, and the Outstanding Leader in National Quality Management Group Activities awarded in September 2006. Mr. Liu received his bachelor's degree in construction machinery from Harbin University of Civil Engineering and Architecture in 1984 and attended the EMBA program of Business School of Hunan University from 2005 to 2008.

Mr. Qiu Zhongwei (邱中偉), male, born in 1968, is a non-executive director of our Company. Mr. Qiu has been appointed as a non-executive director of our Company since July 2006. Mr. Qiu is currently the managing director of Hony Investment. Mr. Qiu was the section chief of China Huaneng Group, a diversified energy conglomerate listed on the New York Stock Exchange, from 1990 to 2000 and vice president of Goldpark China Limited (stock code: GKC.H), a subsidiary of China Huaneng Group and listed on the Toronto Stock Exchange, from 1999 to 2000. Mr. Qiu was the vice president of China Yintai Holdings from 2000 to 2004, chairman of the board of directors and CEO of Metro Land Corporation Ltd. (stock code: 600683), a company listed on the Shanghai Stock Exchange, from 2003 to 2004. Mr. Qiu was also a non-executive director of Digital China Holdings Ltd. (stock code: 861), a company listed on the SEHK, from February 2009 to September 2010. Mr. Qiu received a bachelor's degree in technology economics from Xi'an Jiaotong University in 1990, a master's degree in business administration jointly awarded by the Kellogg School of Management at Northwestern University and the Hong Kong University of Science and Technology in April 2003.

Directors, Supervisors, Senior Management and Employees

Mr. Liu Changkun (劉長琨), male, born in 1943, is an independent non-executive director of the Company. Mr. Liu has been appointed as an independent non-executive director of our Company since July 2006. Mr. Liu was the assistant to the Minister of Finance from 1996 to 1998, special inspector appointed by the State Council from 1998 to 2000, and chairman of the supervisory boards of various major state-owned large-scaled enterprises from 2000 to 2004. He has been acting as the chairman of the China Association of Chief Financial Officers since December 2007. Mr. Liu graduated from the branch of Beijing Normal College in 1965, and studied a master's degree in comparative studies on Chinese and foreign cultures of Renmin University of China through the correspondence course from 1986 to 1989.

Dr. Qian Shizheng (錢世政), male, born in 1952, is an independent non-executive director of the Company. Dr. Qian has been appointed as an independent non-executive director of our Company since November 2007. Dr. Qian has been an associate professor at Fudan University specialized in accounting since 1995. Dr. Qian joined Shanghai Industrial Investment (Holdings) Co., Ltd. in January 1998 and has served as its vice president since January 2002. Dr. Qian was executive director and deputy chief executive officer of Shanghai Industrial Holdings Limited (stock code: 363) from January 2002 to April 2012, a company listed on SEHK and deputy chairman of the board of directors of Haitong Securities Company Limited (stock code: 600837), a company listed on the Shanghai Stock Exchange, from July 2007 to March 2013. Dr Qian was also an executive director of Shanghai Industrial Urban Development Group Limited (stock code: 563), a company listed on SEHK, from July 2010 to April 2012 and an independent non-executive director of Lonking Holdings Limited (stock code: 3339), a company listed on SEHK, since February 2005. Dr. Qian received a bachelor's degree in accounting from Shanghai University of Finance and Economics in 1983, and obtained a doctorate degree in management science and engineering from Fudan University in July 2001.

Mr. Lian Weizeng (連維增), male, born in 1946, is an independent non-executive director of our Company. Mr. Lian has been appointed as an independent non-executive director of our Company since May 2009. Since April 2009, Mr. Lian has served as an external director of China National Machinery Industry Corporation, a state-owned enterprise. Mr. Lian has become an economist as recognised by the Personnel Bureau of the State Economic Commission since 1988. Mr. Lian was the vice-director and director of the coordination office of the Personnel Bureau of the State Economic Commission from December 1982 to May 1988, director of office of cadres directly subordinated to the Personnel Bureau of the State Planning Commission from May 1988 to May 1991, deputy head of Personnel Bureau of the State Planning Commission from May 1991 to March 1994, deputy head and head of Personnel Bureau of the State Economic and Trade Commission from March 1994 to March 2003, and head of Personnel Bureau of SASAC from May 2003 to January 2007. Mr. Lian acted as an external director of China Railway Engineering Group Co., Ltd. from January 2007 to February 2008. Mr. Lian received a diploma in economics and management from Beijing Committee Party School in January 1988 and received a bachelor's degree in economics and management from Party School of the Central Committee of CPC in 1997.

Directors, Supervisors, Senior Management and Employees

Mr. Wang Zhile (王志樂), male, born in 1948, is an independent non-executive director of our Company. Mr. Wang has been appointed as an independent non-executive director of our Company since May 2009. Mr. Wang has become an expert entitled to special government subsidy granted by the State Council since October 1995. Mr. Wang was the lecturer and associate professor of the history department of Renmin University of China from 1982 to 1995, researcher and head of Research Centre on Transnational Corporations of Chinese Academy of International Trade and Economic Cooperation from 1992 to March 2008. Mr. Wang is currently the head of Beijing New-century Academy on Transnational Corporations. He had previously served senior management positions in various listed companies, including a supervisor of China Oilfield Services Limited (stock code: 2883; 601808), a company listed on SEHK and the Shanghai Stock Exchange, since June 2009, an independent director of SGSB Group Co., Ltd. (stock code: 600843), a company listed on the Shanghai Stock Exchange, from November 2004 to November 2010 and an independent director of Gemdale Corporation (stock code: 600383), a company listed on the Shanghai Stock Exchange, since May 2009. Mr. Wang received the Scientific Research Achievement Award from the Ministry of Commerce in 2000. Mr. Wang received his master's degree in history from Liaoning University in 1982.

2. Supervisors

Mr. Cao Yonggang (曹永剛), male, born in 1972, is the Chairman of the Supervisory Board of our Company. Mr. Cao is currently the managing director and general manager of risk management department of Hony Investment. Mr. Cao has been qualified as a lawyer in the PRC since 1996. Prior to joining Beijing Hony Future Investment Advisor Ltd. in September 2004, Mr. Cao acted as a corporate legal counsel of Sinochem Tianjin Corporation from 1995 to 1997 and a project lawyer of Beijing Jingtian & Gongcheng Attorneys at Law from March 2002 to September 2004. Mr. Cao graduated from Nankai University with a bachelor's degree in law in 1995, and master's degree in international law from Peking University and Erasmus University, Rotterdam in September 2001 and February 2002 respectively, and a master's degree in Executive MBA from China Europe International Business School in September 2010.

Mr. Luo Anpin (羅安平), male, born in 1961, is an employee supervisor of our Company. Mr. Luo was the deputy chief of the administrative security department of Research Institute, head of the administration department of Research Institute and the deputy head of Research Institute successively from January 1996 to December 2008. Mr. Luo was also the general manager of Zhongwang Industrial Co., Ltd. in Changsha High-tech Development Area from May 2000 to January 2003. Mr. Luo has been the supervisor of our Company since July 2006. Mr. Luo graduated from Central South University with a diploma in administrative management in 1989 and received a bachelor's degree in economics from Party School of the Central Committee of CPC through the correspondence course in 1994.

Directors, Supervisors, Senior Management and Employees

Mr. Liu Chi (劉馳), male, born in 1957, is a supervisor of our Company. Mr. Liu also is the deputy Party secretary, the secretary of the disciplinary committee and the officer of the Party Community Working Division of the Company. Mr. Liu has become a senior engineer as recognised by the Ministry of Construction in December 1992. Mr. Liu was the head of science research management division of the Science and Technology Department of the Ministry of Construction from 1992 to 2002. Mr. Liu was a member of the 2nd session of the Board of Directors and head of executive office of our Company from October 2002 to September 2004. Mr. Liu was the executive deputy general manager of environmental and sanitation machinery branch of our Company from 2004 to 2008. Mr. Liu was our employee Supervisor from July 2006 to July 2010. Mr. Liu was previously a senior visiting scholar at the University of Queensland, Australia from 1989 to 1992. Mr. Liu received the National Science and Technology Advancement (Grade III) Award in November 1992, and was awarded as the National Advanced Management Officer of Technology Innovation under the National 8th Five-year Plan in March 1997. Mr. Liu graduated from Hunan Agricultural College (currently known as Hunan Agricultural University) with a bachelor's degree in agricultural machinery in July 1982, and received his master's degree in architectural and civil engineering from Chongqing Architecture University (currently known as Chongqing University) in January 2000.

3. Senior Management

Dr. Zhang Jianguo (張建國), male, born in 1959, is a senior president of our Company. He is also the general manager of the overseas branch of the Company, the general manager of the head office of marketing and the head of supervisor board of Hunan Teli Hydraulic Co., Ltd.. He became a senior engineer as recognised by Research Institute in December 1997, and has been an expert entitled to government special subsidy granted by the State Council since July 2001. Dr. Zhang was the deputy head of Research Institute from November 1998 to December 2008. Dr. Zhang was the deputy general manager of our Company from August 1999 to July 2000, secretary to the Board of Directors of our Company from August 1999 to March 2001 and a member of the 1st and 2nd sessions of the board of directors of our Company from August 1999 to July 2006. He was appointed as an executive president of our Company in August 2006, and has become a senior president of our Company since August 2007. Dr. Zhang was also a director of Zoomlion Fire Control Machinery Co., Ltd. from April 2004 to December 2007. Dr. Zhang has received various titles and awards, including Changsha City Science and Technology Advancement Award (Grade I) awarded in December 1996, the Science and Technology Advancement (Grade I) Award of Hunan Province in October 1997, the National Science and Technology Advancement (Grade III) Award in December 1998, and the Young and Middle-Aged Experts in Science, Technology and Management with Outstanding Contribution awarded by the Ministry of Construction in December 1999. Dr. Zhang obtained a master's degree in engineering from Shanghai University of Technology in Shanghai, the PRC in 1991, and a doctorate degree in systems engineering from Northwestern Polytechnical University in Xi'an City, the PRC in 2005.

Directors, Supervisors, Senior Management and Employees

Mr. Yin Zhengfu (殷正富), male, born in 1956, is a senior president of our Company. Currently, Mr. Yin is also a chairman of the technical modification committee, a chairman of the operation management committee, a director of both Hunan Teli Hydraulic Co., Ltd. and Changde Zoomlion Hydraulic Co., Ltd., and the chairman of the board of directors of Hunan Zoomlion Axle Co., Ltd. Mr. Yin obtained the qualification certificate of senior professional manager of machinery enterprises issued by CMEMA in May 2006. Mr. Yin was previously the head of factory office and deputy factory manager of Hunan Puyuan Machinery Factory from April 1988 to May 1995, factory manager of Changsha Heavy Equipment Factory from June 1995 to August 2001, vice chairman of the board of directors and general manager of Puyuan Group from September 2001 to September 2003, general manager of Hunan Puyuan Construction Machinery Co., Ltd. from September 2003 to September 2004. Mr. Yin was the general manager of our Company and a member of the 2nd session of Board of Directors from September 2004 to July 2006. He was appointed as an executive president of our Company in August 2006, and has become a senior president of our Company since August 2007. Currently, Mr. Yin is a senior chairman of Changsha Entrepreneurs Association and vice chairman of Hunan Association of Machinery Industry. Mr. Yin has received various titles and awards, including the Outstanding Entrepreneur of Hunan Province awarded in 2003, the National Outstanding Entrepreneur in Machinery Systems awarded in 2005 and the Star Entrepreneur of the China Machinery Industry awarded in 2007. Mr. Yin obtained a bachelor's degree in business administration from the College of Management (secondary bachelor's degree class) of China University of Geosciences in Wuhan City, the PRC in 2004.

Mr. Fang Minghua (方明華), male, born in 1957, is a senior president of our Company. Mr. Fang is also the general manager of earth working machinery branch, the general manager of foundation construction machinery branch of the Company, a director of Hunan Teli Hydraulic Co., Ltd. and Hunan Zoomlion Hardware Co., Ltd., and the chairman of the board of directors of Zoomlion Financing and Leasing (Beijing) Co., Ltd. Mr. Fang was a member of the 1st and 2nd sessions of the Board of Directors of our Company from July 2000 to April 2001 and October 2002 to June 2006 respectively. Mr. Fang was a deputy general manager of our Company from February 2000 to April 2001, the general manager of our Company from April 2001 to September 2004. Mr. Fang was appointed as a vice president of our Company in August 2006 and has become a senior president of our Company since September 2008. Mr. Fang has received various titles and awards, including the Ministry of Science and Technology Outstanding Torch Projects (Grade II) awarded in 1998, the Outstanding Entrepreneur of Changsha New & Hi-Tech Industrial Development Zone awarded in February 2001, the 3rd Grand Prize of the Hunan Young Entrepreneur (Kunpeng Award) awarded in October 2006 and the Advanced Worker for the Top Ten Landmark Project Construction in Hunan Province in 2007. Mr. Fang completed a bachelor's program in business administration from Jiangnan University in Wuxi City, the PRC through internet education in 2004.

Directors, Supervisors, Senior Management and Employees

Mr. He Jianming (何建明), male, born in 1963, is a senior president of our Company. He is the head of taxes management department, and the chairman of the board of directors of Zoomlion Material Handling Equipment Co., Ltd. and Hunan Zoomlion Hardware Co., Ltd.. Mr. He has become a senior accountant as recognized by the Department of Personnel of Hunan Province since August 2001. He was previously the deputy chief of the business section I and chief of the general administration office of finance inspectors of the Ministry of Finance in Hunan Province from November 1995 to April 2001. Since Mr. He joined our Group in April 2001, he was the chief financial officer of our Company from April 2001 to August 2004 and from August 2006 to July 2007 respectively. He was also a member of the 2nd session of the Supervisory Board of our Company from September 2004 to July 2006. Mr. He has been serving various other positions. Mr. He was a tutor for master's degree graduate students of the School of Accounting, Hunan University from December 2003 to December 2006. Mr. He has been a member of senior accountant appraisal committee of Hunan Province since August 2003, a member of the executive council of the 3rd session management committee of Hunan Association of Chief Accountants since March 2004 and vice chairman of Listed Company Division of Hunan Association of Chief Accountants since September 2009. Mr. He has been a member of the executive council of Hunan Association of Chief Accountants since April 2012 and a member of the executive council of Hunan Association of Taxation since March 2013. Mr. He obtained a master's degree in business administration for senior management staff from Wuhan University in Wuhan City, the PRC in 2007.

Ms. Du Youqi (杜幼琪), female, born in 1958, is a senior president of our Company. She has become a senior engineer as recognised by the Ministry of Construction since 1996. She was previously a lecturer of the Hunan Institute of Electric Power (湖南電力學院) from February 1982 to November 1984, an engineer and a senior engineer of Changsha Construction Machinery Research Institute under the Ministry of Construction from December 1984 to February 1998, manager of production planning department of Zoomlion Construction Machinery Industry Company from March 1998 to December 1998, assistant to the general manager and manager of integrated planning department of the crane machinery branch of Zoomlion Construction Machinery Industry Company from January 1999 to July 1999. Ms. Du was the deputy general manager of the crane machinery branch of Zoomlion from August 1999 to January 2000, head of the human resources department of Zoomlion from February 2000 to November 2003, deputy general manager of the No. 2 manufacturing factory of Zoomlion from November 2003 to May 2004, head of price center of Zoomlion from June 2004 to December 2004, head of the corporate operation department of Zoomlion from January 2005 to February 2006, head of the department for on-going improvement of Zoomlion from March 2006 to October 2007. Ms. Du was appointed as the assistant to the Chairman of Zoomlion in September 2006 and has become a senior president of our Company since November 2007. Ms. Du obtained a bachelor's degree in hydraulic machinery from Huazhong Institute of Technology (currently known as Huazhong University of Science and Technology) in the PRC in 1982.

Directors, Supervisors, Senior Management and Employees

Mr. Wang Chunyang (王春陽), male, born in 1955, is a senior president of our Company. Mr. Wang is a director of Hunan Teli Hydraulic Co., Ltd. and Hunan Zoomlion Hardware Co., Ltd., and the chairman of the supervisory board of Hunan Zoomlion Axle Co., Ltd. He has become a senior engineer as recognised by the Department of Personnel of Hunan Province since September 1993, and an expert specialized in engineering technology and entitled to government special subsidy granted by the State Council since 1998. Mr. Wang was the deputy factory manager of Hunan Puyuan Construction Machinery Factory from June 1995 to January 1996, executive deputy general manager, deputy general manager, director and general manager of Puyuan Group from January 1996 to July 2006. Mr. Wang was a member of the 2nd session of the Board of Directors of our Company from September 2004 to July 2006 and the chief engineer of our Company from August 2006 to August 2008. Mr. Wang was also a director of Zoomlion Fire Control Machinery Co., Ltd. from April 2004 to December 2007 and general manager of Zoomlion Special Vehicle from December 2008 to July 2010. Mr. Wang has received various titles and awards, including the Science and Technology Advancement (Grade I) Award of Hunan Province in 1994, the Outstanding Young and Middle-Aged Experts of Changsha City in 1999, and the Award of National Outstanding Worker in the Use and Industrialization of Patents in 2007. Mr. Wang obtained a bachelor's degree in mechanical engineering from Hunan University in Changsha City, the PRC in 1981.

Mr. Xu Wuquan (許武全), male, born in 1957, is a senior president of our Company. Mr. Xu has become an expert entitled to government special subsidy granted by the State Council since 1994 and a researcher specialized in construction machinery as recognised by the Ministry of Construction since 1996. He was previously the head of construction crane research station of Research Institute from October 1996 to December 1998, deputy general manager and general manager of the crane machinery manufacturing branch of our Company from January 1999 to March 2002, a member of the 1st and 2nd sessions of the Board of Directors of our Company from August 1999 to August 2004, deputy general manager of our Company from December 2004 to July 2006, assistant to the president of our Company from August 2006 to August 2008 and the chief engineer and chief of research institute of our Company from September 2008 to July 2010. Mr. Xu was also the chairman of labor union of our Company from April 2002 to December 2008. Currently, Mr. Xu is the head of the Crane Machinery Division of China Construction Machinery Association. Mr. Xu has received various titles and awards, including the Science and Technology Advancement Award in Grades I, II, III and IV, at city, provincial and government departmental levels in 1989, 1990, 1993, 1994, 1996, 2002, 2003 and 2011 respectively, the Award of Outstanding Technological Development Personnel (Jinniu Award) of Jiangsu Province in 1993 and the Technological Development Advanced Personnel of Hunan Province in 1997. Mr. Xu has obtained a bachelor's degree in construction machinery from Chongqing Architecture Engineering College (currently known as Chongqing University) in Chongqing, the PRC in 1982, and a master's degree in executive business administration from Wuhan University in Wuhan City, the PRC in June 2007.

Directors, Supervisors, Senior Management and Employees

Mr. Xiong Yanming (熊焰明), male, born in 1964, is a vice president of our Company. Currently, Mr. Xiong is a general manager of the mobile crane branch of our Company and a director of Hunan Zoomlion Axle Co., Ltd. and Hunan Teli Hydraulic Co., Ltd. Mr. Xiong has become a senior engineer specialized in construction machinery as recognised by the Ministry of Construction since December 1999 and obtained the qualification certificate of senior professional manager of machinery enterprises as conferred by China Machinery Enterprise Management Association in December 2004. He was previously an assistant engineer and engineer of Research Institute from 1985 to 1998. Mr. Xiong was a member of the 1st session of the Supervisory Board of our Company from August 1999 to March 2001, deputy general manager of our Company from April 2001 to July 2002, executive vice president of our Company from August 2002 to July 2006, member of the 2nd session of the Board of Directors of our Company from September 2004 to July 2006. Mr. Xiong has received various awards, including Hunan Province Technology Innovation Advanced Individuals Award in 1999, Changsha City Advancement Award in Technological Development (Grade II) in 1999, Outstanding Entrepreneur Award granted by the Changsha New & Hi-Tech Industrial Development Zone in 2002, the Award of Succeeding Leader for Academics and Technology of Changsha City in 2007 and the Outstanding Leaders' Award in the Hunan Province Quality Group Activity in 2009. He has also received the Outstanding Personage Award by the Dealers Committee of China Construction Machinery — DCCCM 10th Anniversary (Facilitating Advancement of the Dealers System). Mr. Xiong obtained a bachelor's degree in port machinery design and manufacturing from Wuhan Marine Engineering College (currently known as Wuhan University of Technology) in Wuhan City, the PRC in 1985 and a master's degree in executive business administration under the BiMBA project from Peking University in Beijing, the PRC in June 2007.

Dr. Su Yongzhuan (蘇用專), male, born in 1972, is a vice president of our Company. Dr. Su is currently the general manager of the financial services branch of the Company. Dr. Su was qualified as a senior international finance controller as recognised by International Financial Management Association and China Association of Chief Financial Officers in 2006. Dr. Su was the head of supplies office, deputy manager of the sales division, executive deputy manager, the person in charge of financial affairs and deputy general manager of Hunan Province Puyuan Group Co., Ltd. from September 1998 to August 2004, the chief financial officer of our Company from September 2004 to July 2006, and the general manager of the concrete machinery branch of our Company from March 2006 to December 2008. Dr. Su was awarded the Top Ten Outstanding Young Persons of Changsha in December 2005 and the Outstanding Enterprise Management Personnel in Machinery Industry issued by China Machinery Enterprise Management Association in June 2007. Dr. Su is also a vice chairman of Hunan Youth Federation and Hunan Young Entrepreneurs Association. Dr. Su obtained a master's degree in machinery engineering from Wuhan University in Wuhan City, the PRC in June 2004 and a doctorate degree in management science and engineering from Wuhan University of Technology in 2008.

Directors, Supervisors, Senior Management and Employees

Mr. Guo Xuehong (郭學紅), male, born in 1962, is a vice president of our Company. Currently, Mr. Guo is an executive deputy general manager of the concrete machinery branch of our Company, an executive director of Guangdong Zoomlion South Construction Machinery Co., Ltd. and a director of Zoomlion Finance and Leasing (China) Co., Ltd. and Hunan Zoomlion Hardware Co., Ltd. Mr. Guo was the head of the technological structure section of technology department of Hunan Puyuan Construction Machinery Factory from June 1992 to February 1995, deputy head of technology department of Hunan Puyuan Construction Machinery Factory from February 1995 to January 1996, head of technology research centre of Puyuan Group and deputy manager of crane company of Puyuan Group from January 1996 to July 2000, the executive deputy general manager of Puyuan Holding Company from August 2000 to January 2002, the assistant to general manager and deputy general manager of Puyuan Group from January 2002 to August 2004. Mr. Guo was the general manager of the Puyuan branch of our Company from September 2004 to February 2006. Mr. Guo received a diploma in technology and equipment of machinery manufacturing from Hunan Radio and TV University in Changsha City, the PRC in 1985, completed a postgraduate program in machinery engineering and management science and engineering at Hunan University in Changsha City, the PRC in March 2004. Mr. Guo obtained a master's degree in executive business administration at Wuhan University in Wuhan City, the PRC in June 2007.

Dr. Sun Changjun (孫昌軍), male, born in 1962, is a vice president of our Company. Dr. Su is currently the head of risk management department of the Company. Dr. Sun has become a professor as recognised by the Leaders Team of the Working Group on the Titles Reform of Hunan Province since September 2005. Prior to joining us, he had assumed various positions, including the deputy head officer and head officer of the legal and labor affairs committee of Hunan People's Congress from July 1990 to July 1995, director of criminal law research office of Hunan University of Finance and Economics from July 1998 to May 2000, vice-director of the industrial economics office of Hunan University from June 2000 to September 2001, deputy head of the law faculty of Hunan University from October 2001 to December 2004, and general legal counsel of Research Institute from January 2005 to July 2006. Dr. Sun serves various other positions, including chairman of the Criminal Law Research Association of Hunan Province, a member of the expert advisory panel of the People's Procuratorate of Hunan Province, a member of executive council of China Securities Law Research Association (中國證券法學研究會), vice-chairman of the Association for Studies of Conditions in Hunan Province and a representative at the 4th People's Congress of Yuelu District, Changsha. Dr. Sun has won various titles and awards, including the Research Results (Grade I) Prize of Organisation Division of Central Government in October 2001, the 5-Best Project Prize of Hunan Province in October 2001, Social Science Results (Grade I) of Hunan Province in June

Directors, Supervisors, Senior Management and Employees

2002, Outstanding Achievements (Grade II) of Philosophy and Social Sciences of Hunan Provinces in 2004, the Outstanding Legal Counsel of the Provincial Supervisory Corporations in 2008, Outstanding Research Paper (Grade I) of Hunan State-owned Assets Forum in 2010, Innovative Results (Grade I) Prize in Modern Enterprise Management of Hunan Province (湖南省企業管理現代化創新成果一等獎) in 2009, Innovative Results (Grade III) Prize in Modern Enterprise Management of Hunan Province (湖南省企業管理現代化創新成果三等獎) in 2010 and the Annual Outstanding Corporate Counsel in China for 2011 (2011中國律政年度精英公司律師) in December 2011. Dr. Sun graduated from Southwest College of Political Science and Law (currently known as Southwest University of Political Science and Law) in Chongqing, the PRC with a bachelor's degree in law in 1983, and obtained a doctorate degree in law from Wuhan University in Wuhan City, the PRC in 1998.

Mr. Li Jiangtao (李江濤), male, born in 1963, is a vice president of our Company. Mr. Li is currently the general manager of agriculture machinery business division of the Company. He has become a senior engineer as recognised by Ministry of Construction since November 2000. Mr. Li was the vice mayor (in charge of science and technology) of Lengshuitan City, Hunan Province from April 1989 to June 1992, deputy general manager and office head of Zoomlion Construction Machinery Industry Company from September 1992 to January 1995, deputy general manager of the production company and manager of the material supply department of Zoomlion Construction Machinery Industry Company from January 1995 to May 1998, deputy general manager of the environmental and sanitation machinery industry branch of Zoomlion Construction Machinery Industry Company from June 1998 to February 1999, and general manager of Zhongbiao Industrial Co., Ltd. from March 1999 to October 2003. Mr. Li was a member of the 1st and 2nd sessions of the Supervisory Board of our Company from August 1999 to August 2004, general manager of Zhongbiao business department of our Company from November 2003 to February 2006, deputy general manager of our Company from December 2004 to July 2006, human resources chief officer of our Company from August 2006 to August 2008. He was also a representative of the 10th and 11th People's Congress of Changsha City from January 1993 to January 2003. Mr. Li was appointed as the deputy chairman of China Association of Urban Environmental and Sanitation from September 2004 to December 2008. Mr. Li has received various titles and awards, including the Outstanding Entrepreneur Award granted by the Changsha New & Hi-Tech Industrial Development Zone in February 2000, and the Model Worker of Changsha City in April 2004. Mr. Li graduated from Chongqing Construction Engineering College (currently known as Chongqing University) in Chongqing City, the PRC with a bachelor's degree in construction machinery in 1986, and China Europe International Business School with a master's degree in executive business administration in Shanghai, the PRC in September 2009.

Directors, Supervisors, Senior Management and Employees

Ms. Hong Xiaoming (洪曉明), female, born in 1963, is a vice president and the person in charge of financial affairs of our Company. Ms. Hong has become a non-practicing chartered accountant as qualified by Institute of Certified Public Accountant of Shandong Province since 1999. Prior to joining us, Ms. Hong had obtained substantial working experience in accounting. Ms. Hong was the managing accountant of Qingdao Xinhua Printing Factory from 1992 to 1994. She was the assistant to head, deputy head and head of finance department of the Haier Group Technology and Equipment Head Office and chief accountant of Qingdao Household Appliance Technology and Equipment Research Institute from September 1994 to September 2003, and chief accountant, financial controller and chief financial officer of Qingdao Haier Co., Ltd (stock code: 600690), a company listed on the Shanghai Stock Exchange, from October 2003 to January 2010. Ms. Hong has various managerial experience, including the directors of Qingdao East Asia Packaging Co., Ltd. from July 2000 to June 2004, Qingdao Overseas Chinese Industrial Joint Stock Co., Ltd. from May 2000 to May 2007 and Haier Italy Factory from May 2007 to October 2009. From November 2009 to November 2012, she was an independent director of Qingdao Soda Ash Industrial Company Ltd. (stock code: 600229), a company listed on the Shanghai Stock Exchange. Ms. Hong completed her postgraduate program in politics and economics at Shandong University in Jinan City, the PRC in May 2001, and obtained a master's degree in executive business administration from Business School of University of International Business and Economics in Beijing, the PRC in June 2010.

Mr. He Wenjin (何文進), male, born in 1970, is a vice president of our Company. Mr. He is currently the chairman of investment and financing committee of the Company, the general manager of heavy duty truck business division and executive director of Zoomlion Hunan Intelligent Technology Co., Ltd.. Prior to joining us, he was a sales and marketing manager of Mannesmann Demag Representative Office Shanghai from February 1994 to April 2000, product marketing manager, senior business manager of international business department and vice general manager of joint venture of Siemens Ltd. China from April 2000 to September 2005, business development manager in China and North Asia Region of Kodak (China) Investment Company Limited from October 2005 to March 2006, and strategic marketing manager of General Motors (China) Investment Company Limited from May 2006 to May 2008. Mr. He was appointed as the marketing chief officer of our Company in June 2008, and became the vice-president of our Company in July 2010. Mr. He was accredited as the Recruited Talent (first batch) of Changsha under the "313 Plan" in 2009. Mr. He obtained a master's degree in international banking and financial studies from Heriot-Watt University in Edinburgh, UK in July 1998.

Directors, Supervisors, Senior Management and Employees

Mr. Chen Xiaofei (陳曉非), male, born in 1963, is a vice president of our Company. Currently, Mr. Chen is also the general manager of the concrete machinery branch of our Company. He has become a senior engineer as recognised by the Ministry of Construction since 1996. Mr. Chen was previously the deputy general manager of our Company from 2000 to 2006, executive deputy general manager and vice general manager of concrete machinery branch of our Company from 2006 to December 2008, head of the marketing department of our Company from January 2010 to May 2010 and vice president of the Company in July 2010. Mr. Chen was awarded the National Science and Technology Advancement Award (Grade II) in 1989, 1996 and 1999 respectively, the Individual's Award in Advanced Development in Technology in Hunan Province in 1997 and winner of the 4th Hunan Province Young Scientists Award in 2003. Mr. Chen graduated from Chongqing Construction Engineering College (subsequently known as Chongqing Construction University and currently merged with Chongqing University) in Chongqing, the PRC with a bachelor's degree in construction machinery in 1984.

Mr. Chen Peiliang (陳培亮), male, born in 1972, is a vice president of our Company. Currently, Mr. Chen is the general manager of environmental industry branch of the Company and director of Hunan Zoomlion International Trade Co., Ltd. Prior to joining us, Mr. Chen was a manager, deputy general manager and general manager of the import and export department of Hunan Xinhualian International Trade Co., Ltd. from May 1996 to July 2002. Mr. Chen was the general manager of Zoomlion International Trade Co., Ltd. from September 2002 to May 2010. Mr. Chen was also appointed as the assistant to president of the Company in November 2007, and became the vice president of our Company in July 2010. Mr. Chen graduated from Hunan University of Finance and Economics (currently merged with Hunan University) in Changsha City, the PRC with a bachelor's degree in international trade in June 1994.

Mr. Wang Yukun (王玉坤), male, born in 1966, is the chief information officer of our Company. Prior to joining us, Mr. Wang was the assistant to the general manager of AVIC Information Technology Co., Ltd. from December 2000 to October 2007. Mr Wang was also the researcher-level senior engineer of Aviation Industry Corporation of China from October 2004 to September 2006. Mr. Wang joined our Company as the information officer in October 2008 and was appointed as the chief information officer of our Company in July 2010. Mr. Wang has received various awards, including the Individual's Award (Grade III) from Aviation Industry Corporation of China in 1994, the Technology Advancement Award (Grade II) from State Commission of Science and Technology for National Defense Industry in 1997 and the China AVIC Industry and Technology Advancement (Grade II) from 1994 to 1997. Mr. Wang graduated from Shenyang Institute of Aeronautical Engineering (currently known as Shenyang Aerospace University) with a bachelor's degree in electronic engineering in Shenyang City, the PRC in July 1988 and completed a postgraduate program in management science and engineering at University of Science and Technology of China in Hefei City, the PRC in June 1999.

Directors, Supervisors, Senior Management and Employees

Mr. Shen Ke (申柯), male, born in 1971, is the secretary to the Board of Directors and company secretary of our Company. Currently, Mr. Shen is the deputy general manager of environmental industry branch of the Company, executive director and legal representative of Hunan Zoomlion Special Vehicle Co., Ltd., chairman of Zoomlion Gulf FZE, director of Zoomlion Material Handling Equipment Co., Ltd and supervisor of Hunan Zoomlion Hardware Co., Ltd. and Changde Zoomlion Hydraulic Co., Ltd. Mr. Shen was the vice manager and head of investment development department of our Company from July 2003 to August 2008, deputy head of investment financing management department of our Company from September 2008 to July 2010. Mr. Shen graduated from Shenyang University of Technology in Shenyang City, the PRC with a bachelor's degree in industrial management in July 1993, and Central South University of Technology (currently known as Central South University) in Changsha City, the PRC with a master's degree in management science and engineering in December 1998.

III. Remunerations of directors, supervisors, senior management and employees

During the reporting period, the remuneration and assessment committee of the Board carried out performance assessment on the directors, supervisors and senior management pursuant to the assessment standards based on the fulfillment of major financial indicators and operating targets in 2013, scope of work and major responsibilities of directors, supervisors and senior management, and fulfillment of targets in the relevant performance assessment system. The performance assessment was submitted to the Board of the Company for review.

Directors, Supervisors, Senior Management and Employees

The Board of the Company determined the remuneration standards of directors, supervisors and senior management for the year pursuant to the remuneration management system and the annual performance assessment conducted by the remuneration and assessment committee of the Board. In 2013, remuneration of directors, supervisors and senior management disclosed was in compliance with the remuneration management system of the Company. The remuneration was not in violation or inconsistent with the remuneration management system.

Name	Position	Gender	Age	Employment Status	Total remuneration received from the Company (RMB ten thousand)	Remuneration paid at the end of the reporting period (RMB ten thousand)
Zhan Chunxin	Chairman and Chief Executive Officer	Male	58	Incumbent	270.00	270.00
Liu Quan	Executive Director	Male	50	Incumbent	160.00	160.00
Qiu Zhongwei	Non-executive Director	Male	45	Incumbent	0.00	0.00
Liu Changkun	Independent Non-executive Director	Male	70	Incumbent	0.00	0.00
Qian Shizheng	Independent Non-executive Director	Male	61	Incumbent	12.00	12.00
Wang Zhile	Independent Non-executive Director	Male	65	Incumbent	12.00	12.00
Lian Weizeng	Independent Non-executive Director	Male	67	Incumbent	12.00	12.00
Cao Yongang	Chairman of Supervisory Board	Male	41	Incumbent	0.00	0.00
Liu Chi	Supervisor	Male	56	Incumbent	130.00	130.00
Luo Anping	Employee Supervisor	Male	52	Incumbent	110.00	110.00
Zhang Jianguo	Senior President	Male	54	Incumbent	180.00	180.00
Yin Zhengfu	Senior President	Male	57	Incumbent	160.00	160.00
He Jianming	Senior President	Male	50	Incumbent	150.00	150.00
Du Youqi	Senior President	Female	55	Incumbent	150.00	150.00
Fang Minghua	Senior President	Male	56	Incumbent	150.00	150.00
Wang Chunyang	Senior President	Male	58	Incumbent	150.00	150.00
Xu Wuquan	Senior President	Male	56	Incumbent	130.00	130.00
Xiong Yanming	Vice President	Male	49	Incumbent	180.00	180.00
Su Yongzhuan	Vice President	Male	41	Incumbent	160.00	160.00

Directors, Supervisors, Senior Management and Employees

Name	Position	Gender	Age	Employment Status	Total remuneration received from the Company (RMB ten thousand)	Remuneration paid at the end of the reporting period (RMB ten thousand)
Guo Xuehong	Vice President	Male	51	Incumbent	160.00	160.00
Sun Changjun	Vice President	Male	51	Incumbent	160.00	160.00
Li Jiangtao	Vice President	Male	50	Incumbent	150.00	150.00
Hong Xiaoming	Vice President and the person in charge of financial affairs	Female	50	Incumbent	150.00	150.00
He Wenjin	Vice President	Male	43	Incumbent	150.00	150.00
Chen Xiaofei	Vice President	Male	50	Incumbent	160.00	160.00
Chen Peiliang	Vice President	Male	41	Incumbent	130.00	130.00
Ajilore Akinola Odunayo	Vice President	Male	52	Resigned	125.00	125.00
Wang Yukun	Chief Information Officer	Male	47	Incumbent	120.00	120.00
Shen Ke	Secretary to the Board of Directors	Male	42	Incumbent	105.00	105.00
Total					3,526	3,526

IV. Resignation and Termination of Director, Supervisors and Senior Management

Name	Position held	Changes	Date	Reason
Ajilore Akinola Odunayo	Vice president	Resigned	29 August 2013	Personal reason

V. Service Contracts of Directors and Supervisors

None of the directors or supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors, Supervisors, Senior Management and Employees

VI. Directors' and Supervisors' Interests in Contracts

No director or supervisor had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

VII. Employees of the Company

Number of employees		27,028	% of total number of employees
By educational level	Postgraduate or above	1,749	6.47%
	Bachelor's Degree	8,831	32.67%
	Tertiary Education	6,844	25.32%
	Others	9,604	35.53%
By function	Production	11,494	42.53%
	Sales	3,218	11.91%
	Technical	7,383	27.32%
	Financial	776	2.87%
	Management	4,157	15.38%

The Company determines the compensation of the employees based on their respective function, position and performance. The performance and work efficiency of the employees are assessed to determine if they shall be awarded. The appraisal criteria and award mechanism are fair and open. The appointment of employees is conducted in an open and transparent manner and is in compliance with the relevant laws and regulations. In addition, the Company has a well-established training system for employees which offers various forms of training including mentorship program, lecture training and self-learning in order to promote the improvement and development of employees.

Corporate Governance and Corporate Governance Report

The Company has established and improved the structure of its corporate governance to regulate its operation strictly in accordance with the Company Law, Securities Law, the relevant regulations of the CSRC and code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules of Hong Kong. According to the relevant regulations, the Company improves its internal control, the regulations of shareholders' meeting, board meeting and supervisor meeting so as to implement a comprehensive governance system and disclosure procedures. The Company ensures its sustainable and healthy development to further enhance the corporate value and safeguard the interests of all shareholders and itself.

I. Statement of the Compliance of Corporate Governance Requirements of the PRC Regulatory Authorities and Code on Corporate Governance of Hong Kong

The corporate governance of the Company is substantially the same as required by the regulatory requirements of the CSRC on listing companies. Pursuant to the requirements of the regulatory authorities, the Board of the Company reviewed and refined the structure and implementation of the corporate governance system and the management system for information insider, and external user. It also prepared a report on the insider information and external information users and report to relevant regulatory authority.

Dr. Zhan Chunxin acted as the Chairman and Chief Executive Officer of the Company in 2013. The Board considers that Dr. Zhan Chunxin acting as Chairman and Chief Executive Officer can be more efficient in the planning and implementation of the corporate strategies. Under the supervision of the Board and Independent Non-executive Directors and our effective internal checks-and-balances, such arrangement will not create conflict between the Board and the Company in business operation and will not jeopardise the balance of power.

Save as above, the Company has complied with the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules of Hong Kong throughout the year of 2013.

II. Shareholders and Shareholder's General Meeting

The shareholders' general meetings are convened and conducted strictly in accordance with the relevant PRC and overseas statutory requirements and the Articles of Association. Lawyers are invited to attend and witness the meeting. Minutes of shareholders' general meeting are properly maintained to secure the rights of shareholders.

The shareholding structure of the Company are set out in section "Changes in Share Capital and Shareholders" in this annual report.

Corporate Governance and Corporate Governance Report

The Company maintains effective communication with its shareholders through disclosures of financial and operating results in annual reports, interim reports and quarterly reports. The Company has set up investor telephone hotline and email account to receive advices from shareholders or allow them to exercise their rights. Website of the Company is updated regularly to allow investors and the public to understand the latest development of the Company. The date, contents, method of delivery and announcement of notice of shareholders' general meetings and the voting conducted at shareholders' general meetings are strictly in compliance with the rules and regulations within and outside China including the Company Law and Securities Law of the PRC and the Company Ordinance of Hong Kong, Listing Rules of Shenzhen and Hong Kong and the Articles of Association to ensure that shareholders are entitled to attend the general meetings.

III. Directors and Board

All Directors have attended board meetings and shareholders' general meetings strictly in accordance with the Articles of Association and Rules of Board Meeting in a bona fide manner. Directors have actively participated in the relevant training programs to understand the requirements of laws and regulations and the rights, obligations and liabilities of Directors to ensure the smooth operation and rational decisions of the Board. The Directors oversee and regulate the operation of the Company for its best interest. They bear joint and several liabilities for the management, supervision and operation of the Company and are accountable to all shareholders.

The number of members and structure of the Board are in compliance with the relevant laws and regulations. Independent Directors represent a majority of the Board. The Board has performed its duties in accordance with the relevant laws and regulations and the Articles of Association. The decisions of the Board are legal, complying with the laws and efficient.

(I) Responsibilities of the Board

The Board shall convene shareholders' general meetings to submit their work report to shareholders and then promptly implement the resolutions passed at shareholders' general meetings. The Board shall also monitor the overall development of business strategies and determine the business plans and investment plans of the Company. In addition, the Board shall supervise and provide guidance to the management of the Company. The Board shall be responsible for the supervision of operation and financial performance and formulation of budget and auditing plans of the Company.

The Directors understand that they have the responsibility to prepare annual financial statements for each financial year to give a true and fair view of the position, results and cash flow of the Company in the relevant period. In preparing the financial statements for the year ended 31 December 2013, the Directors have consistently adopted proper accounting policies and made reasonable estimates and have complied with all applicable accounting standards. Having made proper enquiries, the Directors are satisfied that the Company has adequate resources for its business in the foreseeable future. Therefore, the Company's financial statements have been prepared on a going concern basis.

Corporate Governance and Corporate Governance Report

(II) Composition of the Board

The Board of the Company has seven members, including a chairman, an Executive Director, a Non-executive Director who has extensive experience in the business and operation of the Company and four Independent Non-executive Directors who have extensive experience and relevant academic and professional qualifications in finance, management, business strategy and human resources management. The Independent Non-executive Directors are influential and active in the strict review and supervision of the internal control procedures of the Company to protect the interest of all shareholders, in particular the minority shareholders. The particulars and term of office of all Directors are set out in section "Directors, Supervisors, Senior Management and Employees" in this annual report. There is no significant financial, business, family and other major/relevant relationship among the Directors.

The Company confirms that it has received the annual confirmation of independence from all Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules of Hong Kong and the Company is satisfied that all Independent Non-executive Directors are independent according to the independence guidelines under the Listing Rules of Hong Kong.

(III) Appointment and removal of Directors

A Director of the Company shall have a term of office of three years and shall be entitled to be reappointed if so elected provided that the term of office of Independent Non-executive Directors shall not be more than six years. The appointment and removal of Directors shall be approved by shareholders at general meeting. During the year, the changes of Directors of the Company are set out in section "Directors, Supervisors, Senior Management and Employees" in this annual report.

(IV) Board meetings and general meetings

1. According to the Articles of Association, the Board shall hold at least four meetings a year. In the year of 2013, the Board had held seven meetings. The Independent Directors duly perform their duties strictly in accordance with the "Code on Corporate Governance for Listed Companies", "Guidelines for Establishment of Independent Directors System of Listed Companies" and the Articles of Association so as to understand the production, operation and management of the Company. During the reporting period, the Independent Directors attended the board meetings and shareholders' general meetings and used their respective professional knowledge in performing their duties. They have made useful advice in respect of the operation procedures of the Board and made significant contribution to decisions of the Board. Their independent and objective advices have enabled the Board to make rational decisions for the best interest of the Company and its shareholders as a whole. During the reporting period, the Independent Directors have made no objection to the resolutions and proposals raised at boarding meetings and other meetings of the Company in the year.

Corporate Governance and Corporate Governance Report

The attendance of all Directors at the Board meetings and general meetings in 2013 was as follows:

	Name of Directors	Number of Board meetings held	Attendance	Number of general meetings held	Attendance
Chairman	Mr. Zhan Chunxin	7	7	2	2
Executive Director	Mr. Liu Quan	7	7	2	2
Non-executive Director	Mr. Qiu Zhongwei	7	7	2	2
Independent Non-executive Director	Mr. Liu Changkun	7	7	2	2
	Mr. Qian Shizheng	7	7	2	2
	Mr. Lian Weizeng	7	7	2	2
	Mr. Wang Zhile	7	7	2	2

2. The Company convened its board meetings by giving 14 days' notice in advance for regular meetings and five days' notice in advance for ad-hoc meetings in accordance with the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules of Hong Kong. The secretary to the Board shall deliver all relevant materials of regular board meetings (including reports from all committees of the Board) to all Directors no less than three days before the date of the meetings to ensure all Directors can acquire understanding on the resolutions to be tabled at the meetings in advance.

   For ad-hoc board meetings convened upon requests of management of the Company through means of communication, the relevant meeting materials shall be delivered to all Directors through email or fax and allow the Directors to have adequate time to consider the matters concerned before the meetings. The secretary to the Board shall promptly reply any questions raised by the Directors and take necessary action to ensure that the board meeting is conducted in accordance with the relevant provisions of the Company Law, the Articles of Association and the Listing Rules of Hong Kong.

3. Minutes of each board meeting shall be endorsed by all attending Directors and recorder and shall be kept for at least 10 years. The minutes shall be available for inspection upon request by any Director.

4. When considering connected transactions, Directors who are considered of having significant interest in the relevant transactions should be absent from the meeting and abstained from voting in respect of the matters concerned.

Corporate Governance and Corporate Governance Report

(V) Performance of Independent Directors

The Independent Non-executive Directors duly perform their duties strictly in accordance with the "Code on Corporate Governance for Listed Companies", "Guidelines for Establishment of Independent Directors System of Listed Companies" and the Articles of Association so as to understand the production, operation and management of the Company. During the reporting period, the Independent Non-executive Directors attended the board meetings and shareholders' general meetings and use their respective professional knowledge in performing their duties. They have made useful advice in respect of the operation procedures of the Board and made significant contribution to decisions of the Board. Their independent and objective advices have enabled the Board to make rational decisions for the best interest of the Company and its shareholders as a whole.

During the reporting period, the Independent Non-Executive Directors have made no objection to the resolutions and proposals raised at boarding meetings and other meetings of the Company in the year.

(VI) Measures to ensure that Directors can perform their duties properly

1. Upon appointment of a Director, the Company will provide all necessary materials to the Director to allow him/her to understand the requirement of the Listing Rules of Shenzhen and Hong Kong and other relevant laws and regulations. The Director shall also be provided with the updates of the relevant laws and regulation and internal publications and other information concerning the duties of Directors. Ongoing training will also be provided to allow the Directors to fully understand their duties under the Listing Rules of Shenzhen and Hong Kong and other relevant law and regulations and the operation of the Company in a timely manner. On-site inspections and communications with accounting staff and auditors will also be organised for the Independent Non-executive Directors to facilitate full performance of their duties.

2. In formulating their opinion on guarantee for third parties, appropriation of funds and connected transactions, Directors may seek independent advice from independent auditor and solicitor engaged by the Company to facilitate the performance of their duties.

(VII) Responsibilities of the Board and the management

The authorities and responsibilities of the Board and the management have clear separation. The responsibilities of the Board are set out in Article 149 of the Company's Articles of Association. The management shall report to the Board and provide adequate updated information to the Board and its committees to enable them to make informed decisions. Management shall also provide further information upon request by the Directors.

Corporate Governance and Corporate Governance Report

(VIII) Trainings for Directors

The training records of each incumbent Director in 2013 are summarized as follows:

Directors	Type of training
Mr. Zhan Chunxin	A, B, C, D
Mr. Liu Quan	B, D
Mr. Qiu Zhongwei	B, D
Mr. Liu Changkun	B, D
Mr. Qian Shizheng	A, B, D
Mr. Lian Weizeng	B, D
Mr. Wang Zhile	A, B, C, D

A Attending seminars or forums
B Reading documents relating to general business, development and investment and duties and responsibilities of directors etc.
C Making speeches at external seminars or forums
D Participating in corporate activities or visits

IV. Performance of Duties by Committees of the Board during the Reporting Period

The Board has established four committees, namely the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy and Investment Decision-making Committee. The committees have their terms of reference which set out their respective compositions, duties and authority, decision-making procedures and rules of meeting. The Board is charged with duties in corporate governance, procuring the management to establish a compliant organizational structure and regime and to abide by the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules of Hong Kong and other laws and regulations in day-to-day management. The Board has delegated some of its functions to the board committees, details of which are set out below.

Corporate Governance and Corporate Governance Report

(I) Remuneration and Appraisal Committee

1. Role and responsibilities of the Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee shall determine the criteria for and shall conduct the performance appraisal of Directors and senior management. The committee shall also be responsible for considering, reviewing, verifying and formulating the remuneration policies and proposals for Directors and senior management for approval by the Board. The committee shall supervise and procure the implementation of resolutions of the Board in relation to remuneration or performance appraisal of Directors and senior management. It shall perform other duties in relation to the remuneration or performance appraisal of Directors and senior management in accordance with the Articles of Association and as authorized by the Board.

2. Composition and meetings of the Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee has three members, including two Independent Non-executive Directors and a Non-executive Director. The convener of the Remuneration and Appraisal Committee is Mr. Lian Weizeng, Independent Non-executive Director, and other members include Mr. Wang Zhile and Mr. Qiu Zhongwei.

In 2013, the Remuneration and Appraisal Committee had held one meeting and all members attended the meeting in person. During the meeting, the committee: (1) reviewed the performance of the Directors, Supervisors and senior management of the Company in 2012 and conducted annual performance appraisal based on the appraisal criteria and remuneration policies and proposals; (2) reviewed the proposed equity incentive plan of the Company (as amended).

3. Determination and the basis of remuneration packages of Directors and senior management

The remuneration of Directors and senior management shall be proposed by the Remuneration and Appraisal Committee based on their individual responsibilities and the remuneration level of other comparable listed companies for approval by the Board according to the Assessment Method for Senior Management of the Company. The remuneration of Directors shall be approved at the shareholders' general meeting.

The Remuneration and Appraisal Committee shall review the remuneration and performance appraisal results annually and propose the remuneration packages for the next year. The committee shall conduct annual appraisal of the senior management and determine their remuneration accordingly.

Corporate Governance and Corporate Governance Report

(II) Nomination Committee

1. Role and responsibilities of the Nomination Committee

The Nomination Committee is responsible for the establishment of the criteria and procedures for the election of Directors and senior management. The committee shall consider and discuss the qualifications, the election procedures and term of office of Directors and senior management in accordance with relevant laws and regulations and the Articles of Association with reference to the Company's condition for approval by the Board.

2. Composition and meetings of the Nomination Committee

The Nomination Committee has three members, including two Independent Non-executive Directors and an Executive Director. Mr. Lian Weizeng, an Independent Non-executive Director, is the chairman of the committee and other members include Mr. Zhan Chunxin and Mr Wang Zhile. In 2013, the Company did not engage any new senior management member so the Nomintation Committee did not hold any meeting.

3. Appointment of Directors and senior management

Executive Directors and Non-executive Directors of the Company shall be nominated by shareholders for approval by shareholders at general meeting. The Independent Non-executive Directors shall be nominated by the Board for approval by shareholders at general meeting. The appointment of senior management shall be reviewed by the Nomination Committee and approved by the Board.

The nomination, appointment and re-appointment of Directors and senior management are based on the professional knowledge, experience, integrity, commitment, academic qualifications and other relevant standards of the candidates.

(III) Audit Committee

1. Role and responsibilities of the Audit Committee

The Audit committee shall give advice to the Board on the appointment, termination, fee and terms of appointment of external auditors. The committee shall also oversee the internal audit system of the Company. The committee shall examine the integrity and accuracy of financial information and disclosure of the Company, including the financial statements, annual report and accounts, interim report and quarterly report. The committee shall review the material opinions regarding the financial reporting of the Company as set out in the statements and reports. The committee shall review the financial control, internal control and risk management systems of the Company and examine major connected transactions.

Corporate Governance and Corporate Governance Report

2. **Composition and meetings of the Audit Committee**

The Audit committee has three members, including two Independent Non-executive Directors and one Non-executive Director. The chairman of Audit committee is Mr. Qian Shizheng, an Independent Non-executive Director, and other members include Mr. Liu Changkun, an Independent Non-executive Director, and Mr. Qiu Zhongwei, a Non-executive Director. The composition of the Audit Committee complies with Rule 3.21 of the Listing Rules of Hong Kong.

In 2013, the Audit committee held four meetings mainly to review the results for 2012 and the interim results for 2013 of the Company and all members attended the meetings in person. The Audit Committee also reviewed the audited annual results of the Company for the year ended 31 December 2013. It reviewed the accounting principles and practices adopted by the Company and discussed on issues regarding the internal control and financial reporting.

(IV) Strategy and Investment Decision-making Committee

1. **Role and responsibilities of the Strategy and Investment Decision-making Committee**

The committee is mainly responsible for the formulation and provision of advice on long-term development strategies and major investment decisions of the Company.

2. **Composition and meeting of the Strategy and Investment Decision-making Committee**

The Strategy and Investment Decision-making Committee has three members, including an Executive Director, a Non-executive Director and an Independent Non-executive Director. The chairman of the Strategy and Investment Decision-making Committee is Mr. Zhan Chunxin, an Executive Director, and other members include Mr. Qiu Zhongwei and Mr. Wang Zhile.

There is no meeting held by the Strategy and Investment Decision-making Committee during the reporting period.

V. Remuneration and Interests of Directors, Supervisors and Senior Management

(I) Remuneration

The remuneration of Directors, Supervisors and senior management of the Company for the year is set out in section headed "Directors, Supervisors, Senior Management and Employees" in this annual report.

Further details regarding the remuneration of the Directors and Supervisors during the year are set out in note 7 to the financial statements prepared under IFRSs.

Corporate Governance and Corporate Governance Report

(II) Interests

Service contract of Directors and Supervisors and their contractual interests

The Company has not entered into any service contract with any of its Directors or Supervisors which is not terminable by the Company in less than one year without payment of compensation (except statutory compensation).

Directors and Supervisors' interests in contracts

None of the Directors and Supervisors had any material interest, whether directly or indirectly, in any contract of significance subsisted at the end of the year or at any time during the year of 2013.

Directors, Supervisors and senior management's interests in shares or debentures

The Directors, Supervisors and senior management's interests in shares of the Company as at 31 December 2013 are set out in Section "Directors, Supervisors, Senior Management and Employees" in this annual report.

Directors, Supervisors and senior management's interests or short positions in securities of the Company or its associated corporations under Hong Kong laws and regulations

As at 31 December 2013, the Directors, Supervisors and senior management who have interest or a short position in the shares, underlying shares and debentures of the Company or associated corporation (as defined in Part XV of 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 pursuant to the Appendix X to the Listing Rules of Hong Kong "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") were as follows:

Name of Directors/ Supervisors	Nature of interest	Class of shares	Number of shares	Percentage of the total share capital of the same class (%)
Zhan Chunxin	Beneficiary owner	A Share	5,152,036 (L)	0.0821
Liu Quan	Beneficiary owner	A Share	1,068,052 (L)	0.0170
Liu Chi	Beneficiary owner	A Share	379,211 (L)	0.0060
Luo Anping	Beneficiary owner	A Share	450,055 (L)	0.0072

Note: L represents long position

Corporate Governance and Corporate Governance Report

As at 31 December 2013, 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 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 set out in the Listing Rules of Hong Kong.

As at 31 December 2013, 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.

Dealings in securities by Directors and Supervisors

The Company has adopted the Model Code to regulate the dealing in shares of the Company by Directors. Having made specific enquiry of all Directors and Supervisors, all Directors and Supervisors confirmed that they had complied with the Model Code during 2013. The Company was not aware of any non-compliance of Model Code during the reporting period.

VI. Auditors

Baker Tilly China Certified Public Accountants and KPMG, respectively, were the domestic and international auditors of the Company for 2013.

These two audit firms provide audit services for the Company on its financial statements. The aggregate audit fees paid to these two audit firms were RMB17.15 million (inclusive of taxes and outlays). During the year, the aggregate non-audit service fees paid to these two audit firms were RMB1.52 million (inclusive of taxes and outlays). Audit services mainly included the audit of the Company's annual financial statements of 2013, the review of interim financial report, internal control audit and the audits of subsidiaries' statutory financial statements. Non-audit services mainly included relevant financial consultation and due diligence investigation.

The responsibility statements of Baker Tilly China Certified Public Accountants and KPMG on the financial statements of the Company were set out in the Domestic Auditor's Report and International Auditor's Report respectively.

VII. Trainings for Company Secretary

Shen Ke, the Company Secretary, confirmed that he has received no less than 15 hours of relevant professional trainings in 2013.

Corporate Governance and Corporate Governance Report

VIII. Performance Appraisal and Award System of Senior Management

The Remuneration and Appraisal Committee of the Board is responsible for formulating and reviewing remuneration schemes and proposals of the Company, mainly including the performance evaluation criteria and procedures, the major appraisal system, the major award and penalty schemes and systems, based on the terms of reference, responsibilities and importance of the respective positions held by the senior management and the remuneration levels of the relevant positions in the industry. It is also accountable for the establishment of the appraisal standards for senior management of the Company, the review of their performance of duties, and the annual performance appraisal in accordance with the appraisal standards and remuneration policies and schemes of the Company.

The Board of the Company determined the remuneration standards of senior management for the year pursuant to the unified remuneration management system and the annual performance assessment conducted by the remuneration and assessment committee of the Board. In 2013, remuneration of senior management was in compliance with the remuneration management system of the Company. The remuneration was not in violation or inconsistent with the remuneration management system.

IX. Control on Appraisal and Award System

The Company determines the renumeration and compensation of the employees based on their respective function, position and performance. The performance and work efficiency of the employees are assessed to determine if they shall be awarded. The appraisal criteria and award mechanism are fair and open. The appointment of employees is conducted in an open and transparent manner and is in compliance with the relevant laws and regulations.

X. Relationship with Shareholders and Investors

(I) Shareholders

The annual general meeting is considered as an important annual event of the Company. The Directors, Supervisors and senior management have attended the meetings and answered enquires from shareholders to maintain direct communication with shareholders.

Shareholders' right to convene an extraordinary general meeting and a meeting of shareholders of a particular class

According to the Articles of Association of the Company, shareholders individually or in aggregate holding 10% or more of the shares of the Company shall have the right to make a written request to the Board to convene an extraordinary general meeting or class meeting. The Board shall reply in writing on whether agree or not to convene an extraordinary general meeting or class meeting within 10 days after receiving the request in accordance with laws, administrative regulations and the Articles of Association.

Corporate Governance and Corporate Governance Report

Where the Board agrees to convene an extraordinary general meeting or class meeting, a notice convening such meeting shall be issued within five days after the resolution made by the Board. Any change to the original proposal in the notice is subject to the approval by relevant shareholders. Once the notice is issued, the Board may not propose new motions or change or postpone the date of such meeting without obtaining approval from the proposing shareholders.

Where the Board does not agree to convene an extraordinary general meeting or class meeting or fails to give response within 10 days after receiving the request, shareholders individually or in aggregate holding 10% or more of the shares of the Company are entitled to make a written request to the Supervisory Board to convene an extraordinary general meeting or class meeting.

Where the Supervisory Board agrees to convene an extraordinary general meeting or class meeting, a notice convening such meeting shall be issued within five days after receiving the request. Any change to the original proposal in the notice is subject to the approval by the relevant shareholders.

Where the Supervisory Board fails to issue a notice convening such meeting within the prescribed period, the Supervisory Board is deemed not to convene or preside over the general meeting and shareholders individually or in aggregate holding 10% or more of the shares of the Company for over 90 consecutive days may convene and preside over the general meeting.

Where the proposing shareholders convene and hold a meeting because the Board and the Supervisory Board fail to convene such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.

Shareholders' right to propose resolutions at general meetings

According to the Articles of Association of the Company, any shareholders who hold, individually or in aggregate, 3% or more of shares of the Company shall have the right to propose a new resolution. The matters within the scope of authority of the general meeting in the proposal shall be included in the agenda.

Any shareholders who hold, individually or in aggregate, 3% or more of the shares of the Company shall have the right to propose and submit interim proposals in writing to the convener 10 days prior to the convening of a general meeting. The convener shall issue a supplementary notice of general meeting containing the details of the interim proposals within 2 days after receiving the proposal.

Please refer to the Articles of Association of the Company for details of the rights of shareholders.

Shareholders may send their enquiries or suggestions in writing by post to the Board or the Company Secretary at the registered addresses of the Company or by email to the Company. In addition, if the shareholders have any enquiry regarding their shares or dividends, they may contact Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company. The contact information is set out in the "Company Profile" in this annual report.

Corporate Governance and Corporate Governance Report

(II) Investors

The Company is dedicated to the development of investor relationship. It maintains close relationship with its investors through telephone hotline, email and direct contact.

Details of the investor relationship activities of the Company in 2013 are set out in "Reception of Research Investigations, Communications and Interviews during the Reporting Period" in "Report of the Board of Directors" of this report.

Looking forward, the Company will enhance the communication with investors so as to increase their understanding about the Company and to seek their continuous support and concern.

XI. Stakeholders

The Company fully respects and protects legal rights of the stakeholders such as creditors, employees and consumers. It also attaches importance to the cooperation with its stakeholders, which helps to jointly promote sustainable and healthy development of the Company.

XII. Connected Transactions

All connected transactions of the Company were conducted in a fair and reasonable way under proper decision-making process. The decision making procedures were in compliance with laws and regulations. The considerations of transaction were determined on the basis of market rates and the basis of determination was fully disclosed. The Company has strictly complied with the relevant regulations on connected transactions under the Listing Rules of Hong Kong since its listing in Hong Kong. Please refer to "Material Connected Transactions of the Company during the Year" in "Significant Events" for details.

XIII. Information Disclosure and Transparency

The secretary to the Board is responsible for disclosing information, receiving shareholders visits and answering enquiries. The Company is required to disclose relevant information in a true, accurate, complete and timely manner, maintain good relationship with investors and ensure all shareholders received information equally pursuant to the laws, regulations and requirements of the Articles of Association. The Company is cautious about the accuracy of the information disclosed and the relevant officer will be held responsible for any disclosure of inaccurate information. The Company has further improved the quality and transparency of information disclosure in the annual report. The Company also implemented the Management System for Information Insider and External Information User (內幕信息知情人和外部信息使用人管理制度).

Corporate Governance and Corporate Governance Report

XIV. Remuneration and Retirement Benefits of Employees

The remuneration package of our employees includes salary, bonuses and allowances. Our employees also enjoy medical insurance, housing subsidies, retirement pension and other benefits. The Company participated in the social insurance scheme administrated by relevant government authorities pursuant to applicable regulations. Under the scheme, the Company is required to contribute social insurance for the staff at specific proportion of the monthly salary of the staff.

Details of staff welfare benefits offered by the Company are set out in note 24 to the financial statements prepared under IFRSs.

XV. Annual General Meeting of Shareholders and the Extraordinary General Meeting of Shareholders Convened at the Reporting Period

1. Annual General Meeting of Shareholders for the Reporting Period

Session of meeting	Date of meeting	Name of resolution	Results of resolution	Date of disclosure	Index of disclosure
Annual General Meeting of Shareholders for 2012	18 June 2013	11 resolutions including the full text and summary of the annual report for 2012	All resolutions were approved	19 June 2013	Announcement on Results of Resolutions of Annual General Meeting of Shareholders for 2012 (No.: 2013-030) at www.cninfo.com.cn

2. The Extraordinary General Meeting of Shareholders for the Reporting Period

Session of meeting	Date of meeting	Name of resolution	Results of resolution	Date of disclosure	Index of disclosure
The First Extraordinary General Meeting of Shareholders in 2013	25 March 2013	Resolution relating to the amendments to the issuance of bonds overseas by subsidiaries	Approved	26 March 2013	Announcement on Results of Resolution of the First Extraordinary General Meeting of Shareholders for 2013 (No.: 2013-009) at www.cninfo.com.cn

Independent Auditor's Report

KPMG

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

We have audited the consolidated financial statements of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 87 to 192, which comprise the consolidated and company balance sheets as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

Independent Auditor's Report

on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

28 March 2014

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

(Expressed in RMB)

	Note	2013 RMB millions	2012 RMB millions
Turnover	3	**38,542**	48,071
Cost of sales and services		**(27,300)**	(32,546)
Gross profit		**11,242**	15,525
Other revenues and net loss	4	**(49)**	(101)
Sales and marketing expenses		**(3,631)**	(3,376)
General and administrative expenses		**(2,701)**	(2,368)
Research and development expenses		**(570)**	(584)
Profit from operations		**4,291**	9,096
Net finance costs	5(a)	**195**	(274)
Share of profits less losses of associates		**41**	36
Profit before taxation	5	**4,527**	8,858
Income tax	6	**(570)**	(1,329)
Profit for the year		**3,957**	7,529
Other comprehensive income for the year (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		**(51)**	21
Change in fair value of available-for-sale equity securities		**(1)**	—
Total other comprehensive income for the year		**(52)**	21
Total comprehensive income for the year		**3,905**	7,550

The notes on pages 96 to 192 form part of these financial statements.

ZOOMLION

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

(Expressed in RMB)

	Note	2013 RMB millions	2012 RMB millions
Profit for the year attributable to:			
Equity shareholders of the Company	9	**3,844**	7,330
Non-controlling interests		**113**	199
Profit for the year		**3,957**	7,529
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**3,792**	7,352
Non-controlling interests		**113**	198
Total comprehensive income for the year		**3,905**	7,550
Basic and diluted earnings per share (RMB)	10	**0.50**	0.95

The notes on pages 96 to 192 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2013

(Expressed in RMB)

	Note	2013 RMB millions	2012 RMB millions
Non-current assets			
Property, plant and equipment	12	**6,847**	6,112
Lease prepayments		**1,610**	1,443
Intangible assets	13	**1,320**	1,288
Goodwill	14	**1,796**	1,803
Interests in associates	15	**195**	188
Other financial assets		**146**	197
Trade and other receivables	17	**3,610**	2,685
Receivables under finance lease	18	**7,407**	10,458
Pledged bank deposits	19	**974**	1,061
Deferred tax assets	23(b)	**644**	456
Total non-current assets		**24,549**	25,691
Current assets			
Inventories	16	**8,747**	11,733
Other current assets		**306**	231
Trade and other receivables	17	**26,569**	19,939
Receivables under finance lease	18	**10,228**	9,194
Pledged bank deposits	19	**2,441**	2,062
Cash and cash equivalents	20	**16,657**	20,084
Total current assets		**64,948**	63,243
Total assets		**89,497**	88,934
Current liabilities			
Loans and borrowings	21(a)	**8,397**	9,639
Trade and other payables	22	**23,891**	23,387
Income tax payable	23(a)	**437**	1,083
Total current liabilities		**32,725**	34,109
Net current assets		**32,223**	29,134
Total assets less current liabilities		**56,772**	54,825

The notes on pages 96 to 192 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2013

(Expressed in RMB)

	Note	2013 RMB millions	2012 RMB millions
Non-current liabilities			
Loans and borrowings	21(b)	**12,750**	10,674
Other non-current liabilities	25	**1,542**	2,562
Deferred tax liabilities	23(b)	**468**	440
Total non-current liabilities		**14,760**	13,676
NET ASSETS		**42,012**	41,149
CAPITAL AND RESERVES			
Share capital	26(a)	**7,706**	7,706
Reserves	26(b)	**33,873**	33,056
Total equity attributable to equity shareholders of the Company		**41,579**	40,762
Non-controlling interests		**433**	387
TOTAL EQUITY		**42,012**	41,149

Approved and authorised for issue by the board of directors on 28 March 2014.

Zhan Chunxin
Chairman and Chief Executive Officer

Hong Xiaoming
Vice president and the person in-charge of financial affairs

The notes on pages 96 to 192 form part of these financial statements.

Company Balance Sheet

As at 31 December 2013
(Expressed in RMB)

	Note	2013 RMB millions	2012 RMB millions
Non-current assets			
Property, plant and equipment	12	**4,731**	4,509
Lease prepayments		**994**	869
Intangible assets	13	**250**	209
Investments in subsidiaries	33	**11,771**	11,264
Interests in associates	15	**132**	125
Other financial assets		**143**	194
Trade and other receivables	17	**3,584**	2,665
Pledged bank deposits	19	**353**	409
Deferred tax assets	23(b)	**237**	153
Total non-current assets		**22,195**	20,397
Current assets			
Inventories	16	**6,271**	8,915
Other current assets		**306**	231
Trade and other receivables	17	**32,895**	31,604
Pledged bank deposits	19	**1,531**	1,464
Cash and cash equivalents	20	**11,822**	7,080
Total current assets		**52,825**	49,294
Total assets		**75,020**	69,691
Current liabilities			
Loans and borrowings	21(a)	**4,371**	4,700
Trade and other payables	22	**24,431**	21,556
Income tax payable	23(a)	**404**	851
Total current liabilities		**29,206**	27,107
Net current assets		**23,619**	22,187
Total assets less current liabilities		**45,814**	42,584

The notes on pages 96 to 192 form part of these financial statements.

ZOOMLION

Company Balance Sheet

As at 31 December 2013

(Expressed in RMB)

	Note	2013 RMB millions	2012 RMB millions
Non-current liabilities			
Loans and borrowings	21(b)	**5,050**	3,237
Other non-current liabilities	25	**221**	170
Total non-current liabilities		**5,271**	3,407
NET ASSETS		**40,543**	39,177
CAPITAL AND RESERVES			
Share capital	26(a)	**7,706**	7,706
Reserves	26(b)	**32,837**	31,471
TOTAL EQUITY		**40,543**	39,177

Approved and authorised for issue by the board of directors on 28 March 2014.

Zhan Chunxin
Chairman and Chief Executive Officer

Hong Xiaoming
Vice president and the person in-charge of financial affairs

The notes on pages 96 to 192 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital (Note 26(a)) RMB millions	Capital reserve (Note 26(b)(i)) RMB millions	Statutory surplus reserve (Note 26(b)(ii)) RMB millions	Exchange reserve (Note 26(b)(iii)) RMB millions	Other reserve (Note 26(b)(iv)) RMB millions	Retained earnings RMB millions	Total RMB millions	Non-controlling interests RMB millions	Total equity RMB millions
Balance at 1 January 2012	7,706	14,676	1,963	(81)	(2)	11,145	35,407	188	35,595
Appropriation (Note 26(b)(ii))	–	–	650	–	–	(650)	–	–	–
Cash dividends (Note 26(c))	–	–	–	–	–	(1,927)	(1,927)	–	(1,927)
Contribution from non-controlling interests	–	(1)	–	–	–	–	(1)	49	48
Acquisition of non-controlling interests	–	(69)	–	–	–	–	(69)	(9)	(78)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	(39)	(39)
Total comprehensive income for the year	–	–	–	22	–	7,330	7,352	198	7,550
Balance at 31 December 2012 and 1 January 2013	7,706	14,606	2,613	(59)	(2)	15,898	40,762	387	41,149
Appropriation (Note 26(b)(ii))	–	–	289	–	–	(289)	–	–	–
Cash dividends (Note 26(c))	–	–	–	–	–	(1,541)	(1,541)	–	(1,541)
Safety production fund (Note 35(b))	–	–	–	–	5	(5)	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	3	3
Acquisition of non-controlling interests	–	(1,434)	–	–	–	–	(1,434)	(43)	(1,477)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	(27)	(27)
Total comprehensive income for the year	–	–	–	(51)	(1)	3,844	3,792	113	3,905
Balance at 31 December 2013	7,706	13,172	2,902	(110)	2	17,907	41,579	433	42,012

The notes on pages 96 to 192 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

(Expressed in RMB)

	Note	2013 RMB millions	2012 RMB millions
Operating activities			
Profit before taxation		**4,527**	8,858
Adjustments for:			
Depreciation of property, plant and equipment		**459**	407
Amortisation of lease prepayments		**29**	27
Amortisation of intangible assets		**74**	68
Share of profits less losses of associates		**(41)**	(36)
Interest income		**(694)**	(349)
Interest expense		**970**	779
Loss on disposal of property, plant and equipment, and intangible assets		**22**	19
Loss on disposal of a subsidiary		**1**	—
(Gain)/loss on remeasurement of derivative financial instruments at fair value		**(3)**	18
Impairment loss of property, plant and equipment		**12**	18
Impairment loss of goodwill		**25**	18
		5,381	9,827
Decrease/(increase) in inventories		**3,041**	(2,077)
Increase in trade and other receivables		**(8,086)**	(8,312)
Decrease in receivables under finance lease		**2,543**	217
Cash paid for repurchase of equipment at fair market value from banks to which the Group previously factored its receivables under finance lease without recourse	18	**(673)**	—
Cash paid for repurchase of equipment from third-party leasing company under joint leasing arrangement	30(a)	**(64)**	—
(Decrease)/increase in trade and other payables		**(720)**	4,613
Cash generated from operations		**1,422**	4,268
Income tax paid		**(1,379)**	(1,657)
Net cash generated from operating activities carried forward		**43**	2,611

The notes on pages 96 to 192 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

(Expressed in RMB)

	Note	2013 RMB millions	2012 RMB millions
Net cash generated from operating activities brought forward		**43**	2,611
Investing activities			
Payment for purchase of property, plant and equipment		**(853)**	(1,635)
Lease prepayments		**(196)**	(80)
Payment for purchase of intangible assets		**(89)**	(119)
Dividends received from associates		**13**	7
Payment for investments in associates and equity investments		**(22)**	(258)
Proceeds from disposal of property, plant and equipment and intangible assets		**51**	67
Proceeds from disposal of a subsidiary		**2**	—
Interest received		**694**	349
Increase in pledged bank deposits		**(292)**	(1,381)
Net cash used in investing activities		**(692)**	(3,050)
Financing activities			
Proceeds from loans and borrowings		**12,175**	16,356
Repayments of loans and borrowings		**(10,924)**	(15,368)
Interest paid		**(956)**	(717)
Dividends paid to equity shareholders		**(1,540)**	(1,927)
Dividends paid by subsidiaries to non-controlling interests		**(42)**	(19)
Contribution from non-controlling interests		**2**	56
Payment for acquisition of non-controlling interests		**(1,469)**	(50)
Net proceeds from issuance of USD senior notes		**—**	6,181
Net cash (used in)/generated from activities		**(2,754)**	4,512
Net (decrease)/increase in cash and cash equivalents		**(3,403)**	4,073
Cash and cash equivalents at beginning of year		**20,084**	16,002
Effect of foreign exchange rate changes		**(24)**	9
Cash and cash equivalents at end of year	20	**16,657**	20,084

The notes on pages 96 to 192 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1 Principal activities of reporting entity, organisation and basis of preparation

(a) 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.

(b) Organisation

The Company was incorporated in the PRC on 31 August 1999 by six founding shareholders with registered and issued share capital of 100 million ordinary shares with a par value of RMB1 per share. Upon the Company's incorporation, Construction Machinery Research Institute of Changsha, the Ministry of Construction ("Research Institute"), a state-owned entity, held 74.7% equity interest in the Company and the other five founding shareholders held 25.3% equity interest in the Company in aggregate. These founding shareholders are hereinafter referred to as the non-public shareholders.

On 12 October 2000, the Company completed an initial public offering of 50 million newly issued A Shares with a par value of RMB1 per share to public shareholders in the Shenzhen Stock Exchange of China ("SZSE"). Upon the initial public offering, the public shareholders owned 33.3% of the equity interest in the Company. The equity interest of Research Institute and the other five non-public shareholders in the Company was then reduced to 49.8% and 16.9%, respectively.

During the years from 2001 to 2004, the Company completed several stock splits in the form of bonus shares to achieve wider distribution and improve marketability of the ordinary shares. As a result, the Company's share capital increased from RMB150 million to RMB507 million, which remained unchanged up to March 2007 when another stock split in the form of bonus shares took place.

In July 2006, the public shareholders accepted the share reform proposal offered by the non-public shareholders whereby the non-public shareholders transferred a total of 54 million A Shares to the public shareholders, in exchange for the approval for the listing of all shares held by the non-public shareholders. After the share transfer, the equity interest in the Company held by Research Institute and the other five non-public shareholders was reduced from 49.8% and 16.9% to 41.9% and 14.1%, respectively, while the public shareholders' equity interest in the Company was increased from 33.3% to 44.0%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(b) Organisation (continued)

In December 2008, Research Institute was deregistered and the then 41.9% equity interest of the Company held by Research Institute was transferred to Research Institute's shareholders, consisting of 25.0% equity interest transferred to Hunan State-owned Assets Supervision and Administration Commission of the People's Government of Hunan Province ("Hunan SASAC"), and 16.9% equity interest transferred to the four other shareholders of Research Institute.

In February 2010, the Company completed a Non-public Offering of 297,954,705 A Shares to nine institutional investors. In August 2010, the Company further conducted a stock split in the form of bonus shares. Following the stock split, the Company's share capital was increased to approximately RMB4,928 million comprising 4,927,636,762 A Shares, among which Hunan SASAC held 21.4% equity interest.

On 23 December 2010, the Company completed a Global Offering of 869,582,800 newly issued H Shares with a par value of RMB1 per share to institutional and public shareholders in The Stock Exchange of Hong Kong Limited ("SEHK"). In this connection, Hunan SASAC and Hunan Development Group, the Company's state-owned shareholders, transferred a total of 86,958,280 A Shares to the National Council for Social Security Fund of the PRC ("NSSF"), which were converted into H Shares on a one-for-one basis. Upon the completion of the Global Offering, the share capital of the Company was increased to approximately RMB5,797 million, comprising 4,840,678,482 A Shares and 956,541,080 H Shares. After the Global Offering, Hunan SASAC held 16.77% equity interest in the Company.

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

On 3 June 2011, the Company further conducted a stock split in the form of bonus shares. Following the stock split, the Company's share capital was increased to approximately RMB7,706 million, comprising 6,275,925,164 A Shares and 1,430,028,886 H Shares, among which Hunan SASAC held 16.19% equity interest.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(c) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards as issued by the International Accounting Standards Board. IFRSs include all individual International Financial Reporting Standards, International Accounting Standards and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group are set out in Note 2.

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting year of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, Presentation of financial statements-Presentation of items of other comprehensive income
- IFRS 10, Consolidated financial statements
- IFRS 12, Disclosure of interests in other entities
- IFRS 13, Fair value measurement
- Revised IAS 19, Employee benefits
- IAS 27, Separate financial statements
- IAS 28, Investment in associates and joint ventures
- Annual Improvements to IFRSs 2009–2011 Cycle
- Amendments to IFRS 7-Disclosures — Offsetting financial assets and financial liabilities

Impacts of the adoption of the new or amended IFRSs are discussed below:

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these consolidated financial statements has been modified accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(c) Basis of preparation (continued)

(i) Statement of compliance (continued)

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Notes 15 and 33.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Note 28.

Annual Improvements to IFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. The adoption of these amendments does not have significant impact on the financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1 Principal activities of reporting entity, organisation and basis of preparation (continued)

(c) Basis of preparation (continued)

(i) **Statement of compliance** (continued)

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32. The adoption of the amendments does not have an impact on the Group's financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

The adoption of Revised IAS 19, IAS 27 and IAS 28 does not have a significant impact on the Group's results of operations, financial position and disclosures.

As set out in Note 34, the IASB has issued certain new and revised IFRSs that are not yet effective for the year ended 31 December 2013. The Group has not early adopted these IFRSs in preparing the financial statements for the year then ended.

(ii) **Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the re-measurement of available-for-sale equity securities and derivative financial instruments (Note 2(h)) to fair value.

(iii) **Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and the major sources of estimation uncertainty are disclosed in Note 32.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the entities in the Group.

(a) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the acquirer. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented financial liabilities in the consolidated balance sheet depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interest, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. (Note 2(c)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(b) Subsidiaries and non-controlling interests (continued)

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses (Note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

The details of the Group's principal subsidiaries are set out in Note 33.

(c) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Notes 2(d) and 2(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees, any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(h)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(c) Associates (continued)

In the Company's balance sheet, investments in associates are stated at cost less impairment losses (Note 2(i)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; less

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(i)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (Note 2(p)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (Note 2(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(e) Intangible assets (continued)

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 2(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— technical know how	14 years
— software, patents and similar rights	4 to 10 years
— customer relationships	12 years
— capitalised development costs	5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

The Group's intangible asset that is determined to have an indefinite useful life consists of trademarks.

(f) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost, less accumulated depreciation and impairment losses (Note 2(i)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Construction in progress represents buildings and various machinery, plant and equipment under construction and pending installation, and is stated at cost less impairment losses (Note 2(i)). Cost comprises direct costs of construction as well as interest charges and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the periods of construction.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment, are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised as income or expense on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	25 to 35 years
Machinery, plant and equipment	10 years
Motor vehicles	10 years
Office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reassessed annually.

(g) Lease prepayments

Lease prepayments represent cost paid to the relevant government authorities for land use rights. Land use rights are carried at cost less the accumulated amount charged to expense and impairment losses (Note 2(i)). The cost of lease prepayments is charged to profit or loss on a straight-line basis over the respective periods of the rights, which range from 40 to 70 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(h) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, receivables under finance lease, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not classified as at fair value through profit or loss, any directly attributable transaction costs.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when:

— the contractual rights to the cash flows from the asset expire;

— it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred;

— it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Investments in equity securities

Investments in quoted securities that are classified as available-for-sale are carried at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. At the end of each reporting period the fair value is remeasured, with any change in fair value recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire. Investments in equity securities, other than investments in associates that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured, are recognised in the balance sheet at cost less impairment losses (Note 2(i)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(h) Financial instruments (continued)

(i) **Non-derivative financial instruments** (continued)

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts (Note 2(i)), except where the effect of discounting would be immaterial. In such case, the receivables are stated at cost less impairment losses for bad and doubtful debts (Note 2(i)).

Receivables are derecognised when the contractual rights to receive the cash flows from the receivables expire, or where the receivables together with substantially all the risks and rewards of ownership, have been transferred.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of borrowings, together with any interest and fees payable, using the effective interest method.

Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(ii) **Derivative financial instruments**

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised immediately in profit and loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(i) Impairment of assets

(i) Impairment of investments in equity securities, trade and other receivables and receivables under finance lease

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates accounted for under the equity method in the consolidated financial statements (Note 2(c)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(i)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) Impairment of investments in equity securities, trade and other receivables and receivables under finance lease (continued)

— For trade, bills and other receivables, receivables under finance lease and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at an initial recognition of these assets), where the effect of discounting is material. The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. The assessment is then made collectively for financial assets carried at amortised cost which are not individually significant but share similar credit risk characteristics, and have not been individually assessed as impaired. Future cash flows of financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective asset group, and ageing profile of the collective asset group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale equity securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) Impairment of investments in equity securities, trade and other receivables and receivables under finance lease (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables and receivables under finance lease, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables and receivables under finance lease directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— lease prepayments;

— intangible assets;

— goodwill; and

— investments in subsidiaries, associates in the Company's balance sheet

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Further information of the Group's retirement plans is set out in Note 24.

Termination benefits are recognised at the earlier of when:

— the Group can no longer withdraw the offer of those benefits;

— when it recognises restructuring costs involving the payment of termination benefits.

(l) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(l) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 Significant accounting policies (continued)

(l) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(m) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(m)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(n) Revenue recognition (continued)

(ii) Finance income under finance lease

Where the Group provides finance leasing of its machinery products to customers, the Group recognises profit or loss equivalent to the profit or loss resulting from an outright sale of the machinery products being leased at normal selling prices and finance income over the period of the lease. Finance income implicit in finance lease is recognised over the period of the lease so as to produce an approximately constant periodic rate of return on the outstanding net investment in the lease for each accounting period. Commission paid to dealers for acquisition of finance lease contract is included in the carrying value of the assets and amortised to the profit or loss over the expected life of the lease as an adjustment to finance income.

(iii) Government grants

Government grants are recognised in the balance sheet initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other revenues in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss on a systematic basis over the useful life of the asset by way of reduced depreciation expense.

(o) Translation of foreign currencies

The presentation currency of the Group is Renminbi. The functional currency of the Company and its subsidiaries in the mainland PRC is RMB and the functional currency of the Company's subsidiaries in Europe is Euro. The functional currency of the Company's subsidiaries in the Hong Kong Special Administrative Region is United States Dollars ("USD") as the major operating and financing activities of these entities are transacted in USD.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss and are reported in net finance costs on a net basis.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(o) Translation of foreign currencies (continued)

The results of the Company's subsidiaries outside the mainland PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside mainland PRC, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to the profit or loss when the profit or loss on disposal is recognised.

(p) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Finance income under finance lease is included in the Group's turnover (Note 2(n)(ii)). Interest expense relating to factoring of receivables under finance lease is considered to be direct cost of finance lease income and is therefore recorded in cost of services.

Finance costs comprise interest expense on loans and borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(q) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification

Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Leases that do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

(ii) Finance lease (as lessor)

Where the Group provides finance leasing of its machinery products to customers, an amount representing the net investment in the lease is included in the balance sheet as receivables under finance lease. Finance income earned under finance lease is accounted for in accordance with accounting policy as set out in Note 2(n)(ii). Impairment losses of receivables under finance lease are accounted for in accordance with the accounting policy as set out in Note 2(i).

(iii) Operating lease (as lessee)

Where the Group has the use of assets held under operating lease, payments made under the lease are charged to profit or loss in equal instalments over the accounting periods covered by the lease term.

(r) Dividends

Dividends are recognised as a liability in the period in which they are declared.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(s) Related parties

For the purposes of these financial statements, a related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third party and the other entity is an associate of the same third party.

(v) the entity is a post-employment benefit plan for the benefit of employees of the Group or an entity related to the Group.

(vi) the entity controlled or jointly controlled by a person identified in (a).

(vii) the person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2 Significant accounting policies (continued)

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Turnover

The principal activities of the Group are research, development, manufacturing and sale and leasing of concrete machinery, crane machinery, environmental and sanitation machinery, road construction and pile foundation machinery and other related heavy machinery and capital equipment.

Turnover represents revenue from sales and lease of the Group's machinery products, net of value-added tax and is after deduction of any trade discounts.

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

	2013 RMB millions	2012 RMB millions
Sales of:		
Concrete machinery	**17,191**	23,596
Crane machinery	**12,479**	14,132
Environmental and sanitation machinery	**3,282**	3,034
Road construction and pile foundation machinery	**1,731**	1,558
Earth working machinery	**772**	2,269
Other machinery products	**1,626**	1,882
Finance income under finance lease	**1,461**	1,600
	38,542	48,071

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4 Other revenues and net (loss)/income

	2013 RMB millions	2012 RMB millions
Government grants (Note (a))	111	212
Loss on disposal of property, plant and equipment and intangible assets	(22)	(19)
Loss on disposal of a subsidiary	(1)	—
Cost of factoring trade receivables without recourse (Note (b))	(125)	(298)
Others	(12)	4
	(49)	(101)

Notes:

(a) Government grants mainly represent operating subsidies and other grants. There were no unfulfilled conditions and other contingencies attached to these grants.

(b) The Group factored trade receivables without recourse to banks and other financial institutions. Cost of factoring trade receivables without recourse represents the difference between the carrying amount of the receivables and the factoring proceeds.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5 Profit before taxation

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

(a) Net finance costs:

	2013 RMB millions	2012 RMB millions
Finance income:		
Interest income	**(694)**	(349)
(Gain)/loss on remeasurement of derivative financial instruments at fair value	**(3)**	18
	(697)	(331)
Finance costs:		
Interest on loans and borrowings	**970**	756
Net exchange gains	**(468)**	(151)
	502	605
	(195)	274

(b) Staff costs:

	2013 RMB millions	2012 RMB millions
Salaries, wages and other benefits	**3,029**	3,074
Contributions to retirement schemes (Note 24)	**265**	276
	3,294	3,350

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5 Profit before taxation (continued)

(c) Other items:

	2013 RMB millions	2012 RMB millions
Cost of inventories sold	**27,295**	32,437
Depreciation of property, plant and equipment (Note 12)	**459**	407
Amortisation of lease prepayments	**29**	27
Amortisation of intangible assets (Note 13)	**74**	68
Operating lease charges	**230**	207
Auditors' remuneration:		
— audit services	**14**	13
— non-audit services	**1**	—
Product warranty costs (Note 22(b))	**156**	180
Impairment losses/(reversal):		
— trade receivables (Note 17(c))	**591**	346
— receivables under finance lease (Note 18(c))	**432**	159
— inventories	**(49)**	187
— property, plant and equipment (Note 12)	**12**	18
— goodwill (Note 14)	**25**	18

6 Income tax

Income tax in the consolidated statements of comprehensive income represents:

	2013 RMB millions	2012 RMB millions
Current tax — PRC income tax		
Provision for the year	**729**	1,446
Current tax — Income tax in other tax jurisdictions		
Provision for the year	**4**	5
Deferred taxation (Note 23(b))		
Origination and reversal of temporary differences	**(163)**	(122)
	570	1,329

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6 Income tax (continued)

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

	2013 RMB millions	2012 RMB millions
Profit before taxation	**4,527**	8,858
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (Note (a))	**1,132**	2,215
Tax effect of non-deductible expenses	**23**	26
Tax effect of non-taxable income	**(26)**	(37)
Tax effect of tax concessions (Note (b))	**(390)**	(730)
Additional deduction for qualified research and development expenses (Note (c))	**(169)**	(145)
Actual income tax expense	**570**	1,329

Notes:

(a) The PRC statutory income tax rate is 25% (2012: 25%).

The Company's subsidiaries in Italy are subject to income tax at rates ranging from 27.5% to 31.4% (2012: 27.5% to 31.4%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2012: 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 are subject to income tax at 15% for the years from 2011 to 2013. During 2013, another subsidiary of the Company was recognised as a high-technology enterprise and accordingly is subject to income tax at 15% for the years from 2013 to 2015. Besides, another subsidiary of the Company was qualified as software developer and is entitled to income tax exemption for the years from 2013 to 2014 and a 12.5% preferential tax rate for the years from 2015 to 2017.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7 Directors' and supervisors' remuneration

The following table sets out the remuneration received or receivable by the Company's directors and supervisors.

	Directors' and supervisors' fee RMB thousands	Salaries, allowances and other benefits RMB thousands	Discretionary bonuses RMB thousands	Retirement scheme contributions RMB thousands	Total RMB thousands
For the year ended 31 December 2013					
Executive directors					
ZHAN Chunxin	–	1,342	1,342	16	2,700
LIU Quan	–	792	792	16	1,600
Non-executive director					
QIU Zhongwei	–	–	–	–	–
Independent non-executive directors					
QIAN Shizheng	120	–	–	–	120
LIAN Weizeng	120	–	–	–	120
WANG Zhile	120	–	–	–	120
LIU Changkun	–	–	–	–	–
Supervisors					
CAO Yonggang	–	–	–	–	–
LUO Anping	–	542	542	16	1,100
LIU Chi	–	642	642	16	1,300
Total	360	3,318	3,318	64	7,060

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7 Directors' and supervisors' remuneration (continued)

	Directors' and supervisors' fee RMB thousands	Salaries, allowances and other benefits RMB thousands	Discretionary bonuses RMB thousands	Retirement scheme contributions RMB thousands	Total RMB thousands
For the year ended 31 December 2012					
Executive directors					
ZHAN Chunxin	—	1,342	1,342	16	2,700
LIU Quan	—	792	792	16	1,600
Non-executive director					
QIU Zhongwei	—	—	—	—	—
Independent non-executive directors					
QIAN Shizheng	120	—	—	—	120
LIAN Weizeng	120	—	—	—	120
WANG Zhile	120	—	—	—	120
LIU Changkun	—	—	—	—	—
Supervisors					
CAO Yonggang	—	—	—	—	—
LUO Anping	—	542	542	16	1,100
LIU Chi	—	642	642	16	1,300
Total	360	3,318	3,318	64	7,060

None of these directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the year (2012: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

8 Individuals with highest emoluments

Of the five highest paid individuals of the Group, two (2012: two) individuals were directors or supervisors of the Company, whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining three (2012: three) individuals are as follows:

	2013 RMB thousands	2012 RMB thousands
Salaries, allowances and other benefits in kind	5,152	5,152
Retirement scheme contributions	48	48
	5,200	5,200

The emoluments of the non-director/supervisor employees among the five highest paid individuals are within the following bands:

	2013 Number	2012 Number
RMB1,500,001–RMB2,000,000	3	3

None of these employees received any inducements or compensation for loss of office, or waived any emoluments during the year (2012: Nil).

9 Profit attributable to equity holders of the Company

The consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2013 included a profit of RMB2,908 million (2012: RMB6,490 million) recorded in the stand-alone financial statements of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

10 Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB3,844 million (2012: RMB7,330 million), and the weighted average number of shares of 7,706 million in issue during the year ended 31 December 2013 (2012: 7,706 million shares).

There were no dilutive potential ordinary shares in issue as at 31 December 2013 (31 December 2012: Nil).

11 Segment reporting

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

(i) Concrete machinery segment: this segment primarily researches, develops, manufactures and sells various concrete machineries, including truck-mounted concrete pumps, trailer-mounted concrete pumps, concrete placing booms, concrete mixing plants, truck-mounted concrete mixers, truck-mounted line concrete pumps and self-propelled boom concrete pumps.

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

(iii) Environmental and sanitation machinery segment: this segment primarily researches, develops, manufactures and sells a wide range of environmental and sanitation machineries, including road sweepers, washing vehicles and waste treatment equipment.

(iv) Road construction and pile foundation machinery segment: this segment primarily researches, develops, manufactures and sells different types of road construction and pile foundation machineries, including road surface heaters, motor graders, road rollers, pavers, road surface cold planners, asphalt mixing equipment and rotary drilling rigs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

11 Segment reporting (continued)

(v) Earth working machinery segment: this segment primarily researches, develops, manufactures and sells a variety of earth working machineries, including loaders, bulldozers and excavators.

(vi) Finance lease segment: this segment primarily provides finance lease services to customers for purchasing machinery products of the Group and from other vendors.

Other operating segments of the Group include research, development, manufacturing and sale of other machinery products, including material handling machinery and systems segment, specialised vehicles and vehicle axles. None of these segments met any of the quantitative thresholds for determining reportable segments for the years ended 31 December 2013 and 2012.

(a) Segment results, assets and liabilities

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

11 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2013 is set out below:

	2013 RMB millions	2012 RMB millions
Reportable segment revenue:		
Concrete machinery	**17,191**	23,596
Crane machinery	**12,479**	14,132
Environmental and sanitation machinery	**3,282**	3,034
Road construction and pile foundation machinery	**1,731**	1,558
Earth working machinery	**772**	2,269
Finance lease services	**1,461**	1,600
Total reportable segment revenue	**36,916**	46,189
Revenue from all other segments (Note)	**1,626**	1,882
Total	**38,542**	48,071
Reportable segment profit:		
Concrete machinery	**4,568**	8,007
Crane machinery	**3,361**	3,802
Environmental and sanitation machinery	**947**	860
Road construction and pile foundation machinery	**562**	652
Earth working machinery	**14**	503
Finance lease services	**1,456**	1,491
Total reportable segment profit	**10,908**	15,315
Profit from all other segments (Note)	**334**	210
Total	**11,242**	15,525

Note:

In 2013, the data of material handling machinery and systems segment is included in "other segments" and not separately disclosed as the amounts involved are not significant. The comparative figures have been reclassified to conform with the current year presentation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

11 Segment reporting (continued)

(b) Reconciliation of segment profit

	2013 RMB millions	2012 RMB millions
Total segment profit	**11,242**	15,525
Other revenues and net loss	**(49)**	(101)
Sales and marketing expenses	**(3,631)**	(3,376)
General and administrative expenses	**(2,701)**	(2,368)
Research and development expenses	**(570)**	(584)
Net finance costs	**195**	(274)
Share of profits less losses of associates	**41**	36
Consolidated profit before taxation	**4,527**	8,858

(c) Geographic information

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

	2013 RMB millions	2012 RMB millions
Revenue from external customers		
— Mainland PRC	**35,755**	45,300
— Outside PRC	**2,787**	2,771
Total	**38,542**	48,071

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

11 Segment reporting (continued)

(c) Geographic information (continued)

	2013 RMB millions	2012 RMB millions
Specified non-current assets		
— Mainland PRC	8,255	7,389
— Outside PRC, primarily in Italy	202	166
Total	8,457	7,555

12 Property, plant and equipment

The Group

	Buildings RMB millions	Machinery and equipment RMB millions	Motor vehicles and office equipment RMB millions	Construction in progress RMB millions	Total RMB millions
Cost:					
Balance at 1 January 2012	2,665	1,965	653	784	6,067
Additions	16	174	147	1,396	1,733
Transferred from construction in progress	427	186	21	(634)	—
Disposals	(51)	(125)	(47)	(4)	(227)
Effect of exchange rate difference	1	10	3	—	14
Balance at 31 December 2012	3,058	2,210	777	1,542	7,587
Balance at 1 January 2013	3,058	2,210	777	1,542	7,587
Additions	115	164	91	927	1,297
Transferred from construction in progress	625	332	42	(999)	—
Disposals	(33)	(61)	(107)	—	(201)
Effect of exchange rate difference	—	4	1	—	5
Balance at 31 December 2013	3,765	2,649	804	1,470	8,688

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

12 Property, plant and equipment (continued)

The Group (continued)

	Buildings RMB millions	Machinery and equipment RMB millions	Motor vehicles and office equipment RMB millions	Construction in progress RMB millions	Total RMB millions
Accumulated depreciation and impairment:					
Balance at 1 January 2012	(369)	(590)	(222)	–	(1,181)
Depreciation charge for the year	(107)	(206)	(94)	–	(407)
Impairment charge for the year	(8)	(8)	(2)	–	(18)
Written back on disposals	16	90	35	–	141
Effect of exchange rate difference	(1)	(8)	(1)	–	(10)
Balance at 31 December 2012	(469)	(722)	(284)	–	(1,475)
Balance at 1 January 2013	**(469)**	**(722)**	**(284)**	**–**	**(1,475)**
Depreciation charge for the year	**(118)**	**(236)**	**(105)**	**–**	**(459)**
Impairment charge for the year	**(3)**	**(8)**	**(1)**	**–**	**(12)**
Written back on disposals	**6**	**42**	**62**	**–**	**110**
Effect of exchange rate difference	**–**	**(4)**	**(1)**	**–**	**(5)**
Balance at 31 December 2013	**(584)**	**(928)**	**(329)**	**–**	**(1,841)**
Net book value:					
Balance at 31 December 2013	**3,181**	**1,721**	**475**	**1,470**	**6,847**
Balance at 31 December 2012	2,589	1,488	493	1,542	6,112

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For the year ended 31 December 2013

12 Property, plant and equipment (continued)

The Company

	Buildings RMB millions	Machinery and equipment RMB millions	Motor vehicles and office equipment RMB millions	Construction in progress RMB millions	Total RMB millions
Cost:					
Balance at 1 January 2012	1,940	1,277	508	671	4,396
Additions	7	108	122	1,044	1,281
Transferred from construction in progress	365	125	21	(511)	—
Transferred from subsidiaries	40	74	34	251	399
Disposals	(45)	(35)	(23)	(4)	(107)
Transferred to subsidiaries	(40)	(73)	(56)	(259)	(428)
Balance at 31 December 2012	2,267	1,476	606	1,192	5,541
Balance at 1 January 2013	**2,267**	**1,476**	**606**	**1,192**	**5,541**
Additions	**54**	**65**	**72**	**638**	**829**
Transferred from construction in progress	**558**	**174**	**38**	**(770)**	**—**
Transferred from subsidiaries	**4**	**36**	**14**	**191**	**245**
Disposals	**(28)**	**(16)**	**(60)**	**—**	**(104)**
Transferred to subsidiaries	**(166)**	**(108)**	**(35)**	**(202)**	**(511)**
Balance at 31 December 2013	**2,689**	**1,627**	**635**	**1,049**	**6,000**

Notes to the Consolidated Financial Statements

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12 Property, plant and equipment (continued)

The Company (continued)

	Buildings RMB millions	Machinery and equipment RMB millions	Motor vehicles and office equipment RMB millions	Construction in progress RMB millions	Total RMB millions
Accumulated depreciation and impairment:					
Balance at 1 January 2012	(258)	(380)	(172)	–	(810)
Depreciation charge for the year	(71)	(130)	(71)	–	(272)
Transferred from subsidiaries	(9)	(25)	(9)	–	(43)
Written back on disposals	13	22	15	–	50
Transferred to subsidiaries	8	18	17	–	43
Balance at 31 December 2012	(317)	(495)	(220)	–	(1,032)
Balance at 1 January 2013	**(317)**	**(495)**	**(220)**	**–**	**(1,032)**
Depreciation charge for the year	**(80)**	**(149)**	**(79)**	**–**	**(308)**
Transferred from subsidiaries	**–**	**(12)**	**(6)**	**–**	**(18)**
Written back on disposals	**5**	**8**	**34**	**–**	**47**
Transferred to subsidiaries	**6**	**25**	**11**	**–**	**42**
Balance at 31 December 2013	**(386)**	**(623)**	**(260)**	**–**	**(1,269)**
Net book value:					
Balance at 31 December 2013	**2,303**	**1,004**	**375**	**1,049**	**4,731**
Balance at 31 December 2012	1,950	981	386	1,192	4,509

Notes to the Consolidated Financial Statements

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13 Intangible assets

The Group

	Trademarks RMB millions	Technical know how RMB millions	Software, patents and similar rights RMB millions	Customer relationships RMB millions	Capitalised development costs RMB millions	Total RMB millions
Cost:						
Balance at 1 January 2012	762	113	167	350	49	1,441
Additions	–	17	81	–	21	119
Disposal	–	–	(2)	–	–	(2)
Effect of exchange rate difference	14	2	1	7	1	25
Balance at 31 December 2012	776	132	247	357	71	1,583
Balance at 1 January 2013	**776**	**132**	**247**	**357**	**71**	**1,583**
Additions	**–**	**9**	**68**	**–**	**17**	**94**
Effect of exchange rate difference	**9**	**1**	**1**	**4**	**1**	**16**
Balance at 31 December 2013	**785**	**142**	**316**	**361**	**89**	**1,693**
Accumulated amortisation and impairment:						
Balance at 1 January 2012	(37)	(20)	(45)	(94)	(29)	(225)
Amortisation for the year	–	(6)	(18)	(30)	(14)	(68)
Written back on disposals	–	–	2	–	–	2
Effect of exchange rate difference	–	–	–	(3)	(1)	(4)
Balance at 31 December 2012	(37)	(26)	(61)	(127)	(44)	(295)
Balance at 1 January 2013	**(37)**	**(26)**	**(61)**	**(127)**	**(44)**	**(295)**
Amortisation for the year	**–**	**(8)**	**(23)**	**(29)**	**(14)**	**(74)**
Effect of exchange rate difference	**–**	**(1)**	**–**	**(2)**	**(1)**	**(4)**
Balance at 31 December 2013	**(37)**	**(35)**	**(84)**	**(158)**	**(59)**	**(373)**
Net book value:						
Balance at 31 December 2013	**748**	**107**	**232**	**203**	**30**	**1,320**
Balance at 31 December 2012	739	106	186	230	27	1,288

Notes to the Consolidated Financial Statements

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13 Intangible assets (continued)

The Company

	Trademarks RMB millions	Technical know how RMB millions	Software, patents and similar rights RMB millions	Total RMB millions
Cost:				
Balance at 1 January 2012	36	34	126	196
Additions	—	17	72	89
Balance at 31 December 2012	36	51	198	285
Balance at 1 January 2013	**36**	**51**	**198**	**285**
Additions	**—**	**9**	**51**	**60**
Balance at 31 December 2013	**36**	**60**	**249**	**345**
Accumulated amortisation and impairment:				
Balance at 1 January 2012	(36)	(1)	(24)	(61)
Amortisation for the year	—	—	(15)	(15)
Balance at 31 December 2012	(36)	(1)	(39)	(76)
Balance at 1 January 2013	**(36)**	**(1)**	**(39)**	**(76)**
Amortisation for the year	**—**	**(3)**	**(16)**	**(19)**
Balance at 31 December 2013	**(36)**	**(4)**	**(55)**	**(95)**
Net book value:				
Balance at 31 December 2013	**—**	**56**	**194**	**250**
Balance at 31 December 2012	—	50	159	209

Notes to the Consolidated Financial Statements

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14 Goodwill

	The Group	
	2013	2012
	RMB	RMB
	millions	millions
Balance at 1 January	**1,803**	1,793
Impairment loss	**(25)**	(18)
Effect of exchange rate difference	**18**	28
Balance at 31 December	**1,796**	1,803

The goodwill arose from the acquisition of the following entities:

		Carrying amount	
		2013	2012
	Date of	**RMB**	RMB
Name of entity	**acquisition**	**millions**	millions
Compagnia Italiana Forme Acciaio S.p.A ("CIFA")	September 2008	**1,625**	1,607
Shaanxi Zoomlion Earth Working Machinery Co., Ltd. (formerly "Shaanxi Xinhuanggong Machinery Co., Ltd.")	June 2008	**135**	135
Hunan Zoomlion Axle Co., Ltd.	June 2008	**12**	12
Zoomlion Material Handling Equipment Co., Ltd. (formerly "Huatai Machinery Manufacturing Co., Ltd.")	July 2008	**24**	49
		1,796	1,803

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14 Goodwill (continued)

Goodwill impairment test

The recoverable amount of the respective cash-generating units has been determined by a value-in-use calculation, which used cash flow projections based on financial budgets approved by management. The cash flow projections covered a period of five years and adopted pre-tax discount rates ranging from approximately 15.0% to 22.0% (2012: 13.6% to 21.8%). The discount rates were determined based on the applicable weighted average cost of capital of the acquirees, which reflects the time value of money and the specific risks relating to the respective acquirees' businesses. The cash flow projections have taken into account the historical financial performance, expected sales growth rates and profit margins of the respective acquirees, market conditions and other available information. The assumptions used are based on management's past experience of the specific market, having made reference to external sources of information. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 3% (2012: 3%), which does not exceed the long-term average growth rate for the business in which the respective cash-generating units operate.

The impairment loss recognised during the years 2012 and 2013 relates to the Group's material handling machinery and systems cash generating unit. An impairment loss of RMB18 million was recognised based on its 2012 impairment test. During 2013, considering the weak market demand and likelihood of recovery, the Group further lowered its future sales forecast for this cash generation unit. Based on the 2013 impairment test, the recoverable amount of the cash generating unit was determined to be RMB25 million lower than its carrying amount, so a further impairment loss was recognised accordingly.

15 Interests in associates

	The Group		The Company	
	2013 RMB millions	2012 RMB millions	**2013 RMB millions**	2012 RMB millions
Unlisted share, at cost	**—**	—	**132**	125
Share of net assets	**195**	188	**—**	—
	195	188	**132**	125

Notes to the Consolidated Financial Statements

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15 Interests in associates (continued)

The following list contains particulars of the principal associates of the Group as at 31 December 2013:

Name of company	Particulars of issued and paid up capital (millions)	The Group's effective interest in the company	Principal activities
Bichamp Cutting Technology (Hunan) Co., Ltd.	RMB105	30%	Manufacture of metallic products and materials
Hubei Zhonglianzhongke Crane Machinery Co., Ltd.	RMB10	35%	Sales of crane machinery
Xinjiang Zhongcheng Zhonglian Engineering Machinery Co., Ltd.	RMB20	48%	Sales of crane machinery
Hunan Zhonglian Engineering Machinery Co., Ltd.	RMB20	49%	Sales of crane machinery
Jiangsu Hesheng Zhonglian Engineering Machinery Co., Ltd.	RMB20	49%	Sales of crane machinery
Inner Mongolia Zhonglian Engineering Machinery Co., Ltd.	RMB15	36%	Sales of crane machinery
Ningxia Zhiyuan Zhonglian Engineering Machinery Co., Ltd.	RMB12	49%	Sales of crane machinery
Shandong Yifang Zhonglian Engineering Machinery Co., Ltd.	RMB30	44%	Sales of crane machinery
Fujian Zhonglian Zhicheng Engineering Machinery Co., Ltd.	RMB15	47%	Sales of crane machinery
Gansu Zhonglian Dongsheng Engineering Machinery Co., Ltd.	RMB15	49%	Sales of crane Machinery
Shaanxi Xiongtu Zhonglian Engineering Machinery Co., Ltd.	RMB18	40%	Sales of crane Machinery
TOP Carbon S.r.l.	EUR4	49%	Manufacture of graphite components
Hunan Zhonghan High Polymer Material Technology Co., Ltd.	RMB20	30%	Sales of construction machinery coating
Changsha Zhonglian Chuanyi Investment Co., Ltd.	RMB30	25%	Venture capital Investment
Changsha Zhonglian Zhitong Trenchless Technology Co., Ltd.	RMB4	49%	Manufacture of Trenchless Machinery
Zoomlion Japan Co., Ltd.	JPY25	35%	Sales of Concrete Machinery

Notes to the Consolidated Financial Statements

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15 Interests in associates (continued)

None of the above associates was individually and in aggregate material to the Group's and the Company's financial condition or results of operations for the reporting year. All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the principal associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2013 RMB millions	2012 RMB millions
Gross amounts of the associates		
Current assets	1,303	919
Non-current assets	549	390
Current liabilities	1,111	714
Non-current liabilities	104	91
Equity	637	504
Revenue	2,171	1,291
Profit	99	86
Total comprehensive income	99	86
Dividend received from the associates	13	7
Reconciled to the Group's interests in the associates		
Gross amounts of net assets of the associates	637	504
Group's effective interest	25%~ 49%	25%~49%
Group's share of net assets of the associates	195	188
Carrying amount in the consolidated financial statements	195	188

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16 Inventories

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB millions	RMB millions	**RMB millions**	RMB millions
Raw materials	**3,590**	4,687	**2,850**	4,043
Work in progress	**1,516**	1,597	**722**	985
Finished goods	**3,641**	5,449	**2,699**	3,887
	8,747	11,733	**6,271**	8,915

Notes to the Consolidated Financial Statements

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17 Trade and other receivables

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
	millions	millions	**millions**	millions
Trade receivables (Notes (a) and (b))	**28,671**	19,343	**22,896**	15,751
Less: provision for impairment (Note (c))	**(1,451)**	(871)	**(1,199)**	(680)
	27,220	18,472	**21,697**	15,071
Less: trade receivables due after one year	**(3,610)**	(2,685)	**(3,584)**	(2,665)
	23,610	15,787	**18,113**	12,406
Bills receivable (Note (d))	**848**	1,721	**580**	1,241
	24,458	17,508	**18,693**	13,647
Amounts due from related parties (Note 31(b))	**604**	441	**570**	441
Amounts due from subsidiaries	**—**	—	**12,861**	16,514
Prepayments for purchase of raw materials	**251**	565	**116**	362
Prepaid expenses	**398**	396	**334**	278
VAT recoverable	**371**	284	**99**	148
Deposits	**125**	150	**117**	82
Others	**362**	595	**105**	132
	26,569	19,939	**32,895**	31,604

Notes to the Consolidated Financial Statements

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17 Trade and other receivables (continued)

All of the trade and other receivables (including amounts due from subsidiaries), except those described below, are expected to be recovered or recognised as expense within one year.

(a) Trading terms and factoring of trade receivables

The Group allows certain customers with appropriate credit standing to make payments in equal monthly instalments over a maximum period of 60 months. Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2013, the weighted average discount rate was approximately 6.15% (2012: 6.15%) per annum. As at 31 December 2013, trade receivables due after one year of RMB3,610 million (31 December 2012: RMB2,685 million) were presented net of unearned interest of RMB285 million (31 December 2012: RMB246 million).

During the year ended 31 December 2013, trade receivables of RMB2,021 million (2012: RMB4,830 million) were factored to banks and other financial institutions without recourse, and were therefore derecognised. Under the non-recourse factoring agreements, the Group has agreed to repurchase equipment at fair value from banks and other financial institutions to which the Group previously factored its receivables, upon repossession of the equipment under the relevant equipment sales contracts by such banks or financial institutions. During the year ended 31 December 2013, the Group did not have any repurchase of assets from banks and other financial institutions under such commitment (2012: Nil).

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17 Trade and other receivables (continued)

(b) Ageing analysis

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

	The Group		The Company	
	2013 RMB millions	2012 RMB millions	**2013 RMB millions**	2012 RMB millions
Within 1 month	**5,091**	4,947	**3,804**	4,392
Over 1 month but less than 3 months	**5,599**	4,345	**4,591**	3,581
Over 3 months but less than 1 year	**11,392**	7,826	**8,757**	6,038
Over 1 year but less than 2 years	**4,648**	1,018	**4,180**	773
Over 2 years but less than 3 years	**379**	251	**303**	226
Over 3 years but less than 5 years	**111**	85	**62**	61
	27,220	18,472	**21,697**	15,071

Trade receivables under credit sales arrangement are generally due within 1 to 3 months from the date of billing, and customers are normally required to make an upfront payment ranging from 15% to 30% of the product price (2012: 10% to 30%). For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 48 months (2012: 3 to 60 months), customers are normally required to make an upfront payment ranging from 10% to 30% of the product price (2012: 3% to 40%).

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

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17 Trade and other receivables (continued)

(c) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2(i)).

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB millions	RMB millions	**RMB millions**	RMB millions
Balance at 1 January	**(871)**	(533)	**(680)**	(353)
Impairment losses recognised	**(591)**	(346)	**(528)**	(328)
Uncollectible amounts written off	**11**	8	**9**	1
Balance at 31 December	**(1,451)**	(871)	**(1,199)**	(680)

As at 31 December 2013, the Group did not have any past due trade receivables that are not impaired (31 December 2012: Nil).

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17 Trade and other receivables (continued)

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

As at 31 December 2013, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the balance sheet date. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2013, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB765 million (31 December 2012: RMB814 million).

During the year ended 31 December 2013, bills receivable of RMB6,327 million (31 December 2012: Nil) were discounted to banks, where substantially all the risks and rewards of ownership had been transferred. Since the Group does not have continuing involvement in the transferred assets, these discounted bills receivable were therefore derecognised.

Notes to the Consolidated Financial Statements

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18 Receivables under finance lease

	The Group	
	2013	2012
	RMB	RMB
	millions	millions
Gross investment	**19,515**	21,499
Unearned finance income	**(1,149)**	(1,548)
	18,366	19,951
Less: provision for impairment (Note (c))	**(731)**	(299)
	17,635	19,652
Less: receivables under finance lease due after one year	**(7,407)**	(10,458)
Receivables under finance lease due within one year	**10,228**	9,194

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of un-reimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for a period ranging from 2 to 5 years (2012: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 25% of the product price (2012: 5% to 20%) and pay a security deposit ranging from 1% to 10% of the product price (2012: 1% to 10%). At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

During the year ended 31 December 2013, receivables under finance lease of RMB6,759 million (2012: RMB16,518 million) were factored to banks without recourse, and were therefore derecognised. Under the non-recourse factoring agreements, the Group has agreed to repurchase equipment at fair market value from banks to which the Group previously factored its receivables, upon repossession of the equipment under the relevant finance lease contracts by such banks. During the year ended 31 December 2013, the Group made payments of RMB673 million (2012: Nil) to banks to repurchase the repossessed equipment and/or related property rights to the outstanding debt balance due from customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

18 Receivables under finance lease (continued)

(a) Ageing analysis of receivables under finance lease

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

	The Group	
	2013	2012
	RMB	RMB
	millions	millions
Present value of the minimum lease payments		
Within 1 year	**10,643**	9,336
Over 1 year but less than 2 years	**3,726**	5,373
Over 2 years but less than 3 years	**2,504**	3,116
Over 3 years	**1,493**	2,126
	18,366	19,951
Unearned finance income		
Within 1 year	**751**	882
Over 1 year but less than 2 years	**230**	405
Over 2 years but less than 3 years	**109**	182
Over 3 years	**59**	79
	1,149	1,548
Gross investment		
Within 1 year	**11,394**	10,218
Over 1 year but less than 2 years	**3,956**	5,778
Over 2 years but less than 3 years	**2,613**	3,298
Over 3 years	**1,552**	2,205
	19,515	21,499

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

18 Receivables under finance lease (continued)

(b) Overdue analysis

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

	The Group	
	2013	2012
	RMB	RMB
	millions	millions
Not yet due	**13,741**	17,962
Less than 1 month past due	**461**	309
1 to 3 months past due	**749**	483
3 to 12 months past due	**2,126**	1,086
12 to 24 months past due	**1,186**	101
More than 24 months past due	**103**	10
Total past due	**4,625**	1,989
	18,366	19,951
Less: provision for impairment	**(731)**	(299)
	17,635	19,652

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

18 Receivables under finance lease (continued)

(c) Impairment of receivables under finance lease

Impairment losses in respect of receivables under finance lease are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against the receivables directly (Note 2(i)).

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

	The Group	
	2013 RMB millions	2012 RMB millions
Balance at 1 January	**299**	140
Impairment losses recognised	**432**	159
Balance at 31 December	**731**	299

As at 31 December 2013, the Group did not have any past due receivables under finance lease that are not impaired (31 December 2012: Nil).

(d) The Group monitors the credit risk arising from finance lease arrangement through various control measures as set out in Note 28(b)(ii). Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, finance income under finance lease is recognised in accordance with the accounting policies as set out in Note 2(n)(ii).

19 Pledged bank deposits

The pledged bank deposits primarily represent cash maintained at banks as security for guarantees of payment relating to the issuance of bills payable to certain vendors of the Group, for guarantees given by the Group to banks in respect of loans provided by such banks to certain customers for purchase of the Group's products (Note 30(a)) and for receivables that have been factored to banks with recourse. Upon maturity of the bills payable, which generally range from 3 to 6 months, or upon full repayment of the customers' loans or receivables, the restriction on the bank deposits is released.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

20 Cash and cash equivalents

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB millions	RMB millions	**RMB millions**	RMB millions
Cash at bank and on hand				
— RMB denominated	**15,310**	15,462	**11,523**	6,951
— USD denominated	**617**	4,032	**297**	98
— EUR denominated	**587**	506	**2**	31
— HKD denominated	**27**	16	**—**	—
— Other currencies	**116**	68	**—**	—
	16,657	20,084	**11,822**	7,080

21 Loans and borrowings

(a) Short-term loans and borrowings:

	Note	The Group		The Company	
		2013	2012	**2013**	2012
		RMB millions	RMB millions	**RMB millions**	RMB millions
Secured short-term bank loans					
— RMB denominated	(i)	**832**	135	**832**	—
— EUR denominated		**—**	8	**—**	—
Unsecured short-term bank loans					
— RMB denominated		**10**	—	**10**	—
— JPY denominated		**5**	—	**5**	—
— EUR denominated		**96**	162	**8**	139
— USD denominated	(ii)	**5,097**	4,043	**2,094**	2,518
Add: Current portion of long-term loans and borrowings	21(b)	**2,357**	5,291	**1,422**	2,043
		8,397	9,639	**4,371**	4,700

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

21 Loans and borrowings (continued)

(a) Short-term loans and borrowings (continued)

Notes:

(i) The RMB denominated secured short-term bank loan as at 31 December 2013 was secured by certain trade receivables with a carrying value of RMB832 million (31 December 2012: secured by certain receivables under finance lease with a carrying value of RMB135 million).

(ii) As at 31 December 2013, USD denominated unsecured short-term loans of RMB2,134 million (31 December 2012: RMB503 million), bore interest at 1.84% per annum. Such loans were subject to the fulfilment of certain financial covenants of the Group. As at 31 December 2013, the Group was in compliance with these financial covenants.

As at 31 December 2013, the remaining USD denominated unsecured short-term bank loans of RMB2,963 million (31 December 2012: RMB3,540 million) bore interest ranging from 1.44% to 2.54% per annum.

(b) Long-term loans and borrowings:

		The Group		The Company	
	Note	**2013 RMB millions**	2012 RMB millions	**2013 RMB millions**	2012 RMB millions
Secured long-term bank loans					
— RMB denominated		**—**	929	**—**	—
— EUR denominated		**—**	1,497	**—**	—
Unsecured long-term bank loans					
— RMB denominated	(i)	**1,282**	600	**1,282**	600
— EUR denominated	(ii)	**1,687**	835	**—**	—
— USD denominated	(iii)	**5,029**	4,825	**4,094**	3,586
Unsecured bond	(iv)	**1,096**	1,094	**1,096**	1,094
Guaranteed USD senior notes	(v)	**6,013**	6,185	**—**	—
		15,107	15,965	**6,472**	5,280
Less: Current portion of long-term loans and borrowings	21(a)	**(2,357)**	(5,291)	**(1,422)**	(2,043)
		12,750	10,674	**5,050**	3,237

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

21 Loans and borrowings (continued)

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

Notes:

(i) As at 31 December 2013, RMB denominated unsecured long-term bank loans of RMB1,000 million (31 December 2012: RMB400 million) bore interest at 4.20% per annum and will be repayable by half-year instalments through 2015. RMB denominated unsecured long-term bank loan of RMB100 million (31 December 2012: Nil) bore interest at 4.93% per annum and will be repayable by half-year instalments through 2016.

The remaining RMB denominated unsecured long-term bank loan of RMB182 million (31 December 2012: RMB200 million) bore interest at 4.93% per annum and will be repayable in full in 2015.

(ii) As at 31 December 2013, EUR denominated unsecured long-term bank loans of RMB1,684 million (31 December 2012: RMB831 million) bore interest ranging from 1.78% to 2.08% per annum and will be repayable in full in June 2016. The remaining EUR denominated unsecured long-term bank loans of RMB3 million (31 December 2012: RMB4 million) will be repayable by quarterly instalments through 2017.

(iii) As at 31 December 2013, USD denominated unsecured long-term bank loan of RMB933 million (31 December 2012: RMB962 million) bore interest at 3.24% per annum and had maturity of 9 months from the balance sheet date. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2013, the Group was in compliance with these financial covenants.

As at 31 December 2013, USD denominated unsecured long-term bank loans of RMB1,707 million (31 December 2012: Nil) bore interest at 2.34% per annum and will be repayable by half-year instalments through 2016. Such loans are subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2013, the Group was in compliance with these financial covenants.

As at 31 December 2013, USD denominated unsecured long-term bank loan of RMB274 million (31 December 2012: Nil) bore interest at 3.00% per annum and will be repayable by half-year instalments through 2015. Such loan is subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2013, the Group was in compliance with these financial covenants.

As at 31 December 2013, USD denominated unsecured long-term bank loan of RMB183 million (31 December 2012: Nil) bore interest at 2.90% per annum and will be fully repayable in 2015. Such loan is subject to the fulfilment of certain financial covenants of the Group. As at 31 December 2013, the Group was in compliance with these financial covenants.

The remaining USD denominated unsecured long-term bank loans of RMB1,932 million (31 December 2012: RMB3,800 million) bore interest ranging from 1.24% to 3.14% per annum and had maturities ranging from 3 months to 32 months from the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

21 Loans and borrowings (continued)

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

(iv) 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 had an option to redeem, in whole or in part, of the principal amount of the bond at par value on the fifth anniversary date of the bond issuance date, which was 21 April 2013. RMB50 thousand of the bonds were redeemed by the bond holders at the redemption date and the Company repurchased the bonds at par value then. The remaining outstanding balance will mature in April 2016.

(v) 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, beginning from October 2012.

In December 2012, Zoomlion H.K. SPV Co., Limited issued 10-year senior notes with principal amount of USD600 million (RMB equivalent 3,773 million). The senior notes are guaranteed by the Company, bear interest at a fixed rate of 6.125% per annum and will mature in December 2022. Interest on the notes will be payable semi-annually in arrears in June and December of each year, beginning from June 2013.

(c) Except as disclosed in Notes 21(a)(ii) and 21(b)(iii) above, none of the Group's loans and borrowings contains any financial covenants.

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22 Trade and other payables

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
	millions	millions	**millions**	millions
Trade creditors	**8,629**	7,720	**5,764**	6,151
Bills payable	**7,027**	5,763	**6,818**	5,640
Trade creditors and bills payable (Note (a))	**15,656**	13,483	**12,582**	11,791
Amounts due to related parties (Note 31(b))	**27**	94	**14**	82
Amounts due to subsidiaries	**—**	—	**6,478**	3,355
Receipts in advance	**1,066**	1,225	**829**	776
Payable for acquisition of property, plant and equipment	**750**	608	**626**	562
Accrued staff costs	**676**	713	**433**	504
VAT payable	**616**	1,106	**503**	1,012
Security deposits (Note 25)	**1,091**	930	**150**	126
Product warranty provision (Note (b))	**116**	93	**86**	66
Sundry taxes payable	**303**	496	**250**	356
Payables for factoring discount (Note (c))	**478**	970	**—**	63
Cash collected on behalf of banks (Note (d))	**1,550**	2,385	**1,434**	2,076
Other accrued expenses and payables	**1,562**	1,284	**1,046**	787
	23,891	23,387	**24,431**	21,556

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

22 Trade and other payables (continued)

Notes:

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

	The Group		The Company	
	2013 RMB millions	2012 RMB millions	**2013 RMB millions**	2012 RMB millions
Due within 1 month or on demand	**6,091**	4,643	**4,242**	4,318
Due after 1 month but within 3 months	**4,760**	5,120	**4,254**	4,343
Due after 3 months but within 6 months	**4,020**	3,119	**3,578**	2,652
Due after 6 months but less than 12 months	**785**	601	**508**	478
	15,656	13,483	**12,582**	11,791

(b) Product warranty provision

	The Group RMB millions	The Company RMB millions
Balance at 1 January 2012	131	68
Provision for the year	180	145
Utilisation during the year	(218)	(147)
Balance at 31 December 2012	93	66
Balance at 1 January 2013	**93**	**66**
Provision for the year	**156**	**130**
Utilisation during the year	**(133)**	**(110)**
Balance at 31 December 2013	**116**	**86**

A provision for warranties is recognised when the underlying products are sold. Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within predominantly 3 to 24 months from the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(c) According to the arrangement with banks, the discount on factoring of the Group's trade receivables without recourse (see Note 17) will be paid to the banks within 1 year, and the discount on factoring of the Group's receivables under finance lease without recourse (see Note 18) will be paid by instalments over periods ranging from 1 to 5 years. The amounts expected to be paid after one year are recorded under the caption "Other non-current liabilities".

(d) Under the non-recourse factoring arrangements, the Group collects payments from customers on behalf of the banks to which the Group factored its receivables. The amounts are expected to be paid to the banks within 1 year.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2013

23 Income tax in the balance sheets

(a) Income tax payable in the balance sheets represents:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB millions	RMB millions	**RMB millions**	RMB millions
Provision for PRC income tax	**433**	1,078	**404**	851
Provision for income tax in other tax jurisdictions	**4**	5	—	—
	437	1,083	404	851

(b) Deferred tax assets and liabilities recognised:

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

The Group
Year ended 31 December 2013

	Balance at 1 January 2013 RMB millions	Credited/ (charged) to profit or loss RMB millions	Effect of exchange rate RMB millions	Balance at 31 December 2013 RMB millions
Deferred tax assets arising from:				
Receivables	213	192	–	405
Inventories	43	(11)	–	32
Accrued expenses	54	10	–	64
Tax losses	74	34	1	109
Others	72	(39)	1	34
Total	456	186	2	644
Deferred tax liabilities arising from:				
Property, plant and equipment	(8)	3	–	(5)
Intangible assets	(338)	15	(4)	(327)
Lease prepayments	(33)	–	–	(33)
Others	(61)	(41)	(1)	(103)
Total	(440)	(23)	(5)	(468)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

23 Income tax in the balance sheets (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

Year ended 31 December 2012

	Balance at 1 January 2012 RMB millions	Credited/ (charged) to profit or loss RMB millions	Effect of exchange rate RMB millions	Balance at 31 December 2012 RMB millions
Deferred tax assets arising from:				
Receivables	109	103	1	213
Inventories	35	8	–	43
Accrued expenses	58	(5)	1	54
Tax losses	73	1	–	74
Others	42	29	1	72
Total	317	136	3	456
Deferred tax liabilities arising from:				
Property, plant and equipment	(9)	1	–	(8)
Intangible assets	(349)	16	(5)	(338)
Lease prepayments	(46)	15	(2)	(33)
Others	(14)	(46)	(1)	(61)
Total	(418)	(14)	(8)	(440)

As at 31 December 2013, RMB124 million (31 December 2012: RMB102 million) of deferred tax assets in respect of asset impairment losses and tax losses were not recognised by certain subsidiaries of the Company, as it is not probable that sufficient future taxable profits will be available to utilise such tax benefits.

Notes to the Consolidated Financial Statements

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23 Income tax in the balance sheets (continued)

(b) Deferred tax assets and liabilities recognised (continued):

The Company

Year ended 31 December 2013

	Balance at 1 January 2013 RMB millions	Credited/ (charged) to profit or loss RMB millions	Balance at 31 December 2013 RMB millions
Deferred tax assets arising from:			
Receivables	106	79	185
Accrued expenses	31	9	40
Others	16	(4)	12
Total	153	84	237

Year ended 31 December 2012

	Balance at 1 January 2012 RMB millions	Credited to profit or loss RMB millions	Balance at 31 December 2012 RMB millions
Deferred tax assets arising from:			
Receivables	57	49	106
Accrued expenses	41	(10)	31
Others	9	7	16
Total	107	46	153

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24 Employee benefits plans

As stipulated by the regulations of the PRC, the Company and its subsidiaries in the PRC participate in various defined contribution retirement plans organised by municipal and provincial governments for the Group's PRC employees. These entities are required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employee, subject to certain salary limits. A member of the above plans is entitled to a pension equal to a fixed percentage of the salary prevailing at his or her retirement date. In addition, pursuant to Italian Law, CIFA and its Italian subsidiaries are required to contribute to a government-mandated pension fund at 13.5% of the employee's salary each month. Contributions to these retirement plans are charged to profit or loss as the related employee service is provided (Note 5(b)). The Group has no other material obligation for the payment of benefits associated with these plans beyond the contributions described above.

25 Other non-current liabilities

Other non-current liabilities primarily represent security deposits received from customers that finance (Note 30(a)) their purchase of the Group's machinery products through finance lease arrangement, non-recourse factoring discounts payable to banks (Note 22(c)) and deferred income of government grants related to assets. The Group requires such customers to pay deposits as part of the credit risk control measures. The security deposits will be refunded to customers upon receipt of the final lease payment. The amount of security deposits expected to be refunded after one year are classified as non-current liabilities, and the amounts expected to be refunded within one year are classified as current liabilities under the caption "Trade and other payables".

Notes to the Consolidated Financial Statements

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26 Capital and reserves

(a) Share capital

	The Group and The Company	
	2013	2012
	RMB	RMB
	millions	millions
Registered capital		
6,275,925,164 A Shares of RMB1.00 each		
1,430,028,886 H Shares of RMB1.00 each		
(2012: 6,275,925,164 A Shares of RMB1.00 each		
1,430,028,886 H Shares of RMB1.00 each)	**7,706**	7,706
Ordinary shares issued and fully paid:		
At 1 January and 31 December	**7,706**	7,706

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

26 Capital and reserves (continued)

(b) Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated reserves is set out in the consolidated statement of change in equity. Details of the changes in the Company's individual component of reserves between the beginning and the end of the year are as follows:

	The Company	
	2013 RMB millions	2012 RMB millions
Capital reserve		
Balance at 1 January and 31 December	**14,648**	14,648
Statutory reserve		
Balance at 1 January	**2,612**	1,962
Appropriation (Note 26(b)(ii))	**289**	650
Balance at 31 December	**2,901**	2,612
Other reserve		
Balance at 1 January	**(2)**	(2)
Other comprehensive income	**(1)**	—
Safety production fund	**1**	—
Balance at 31 December	**(2)**	(2)
Retained earnings		
Balance at 1 January	**14,213**	10,300
Appropriation (Note 26(b)(ii))	**(289)**	(650)
Cash dividends (Note 26(c))	**(1,541)**	(1,927)
Safety production fund	**(1)**	—
Profit for the year	**2,908**	6,490
Balance at 31 December	**15,290**	14,213
Total		
Balance at 1 January	**31,471**	26,908
Balance at 31 December	**32,837**	31,471

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

26 Capital and reserves (continued)

(b) Reserves (continued)

(i) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Statutory surplus reserve

Under PRC rules and regulations, the Company and its PRC subsidiaries are required to set aside 10% of the net income determined in accordance with the PRC accounting rules and regulations to a statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of any dividend to shareholders. For the year ended 31 December 2013, the Company transferred RMB289 million (2012: RMB650 million), being 10% of the current year's net profit as determined in accordance with PRC accounting rules and regulations, to this reserve.

The statutory surplus reserve is non-distributable other than in liquidation and can be used to make good previous years' losses, if any, and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issuance is not less than 25% of the registered capital. No such statutory surplus reserve is required for the Group's subsidiaries outside the mainland PRC.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's subsidiaries outside the mainland PRC which are dealt with in accordance with the accounting policies set out in Note 2(o).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the balance sheet dates and is dealt with in accordance with the accounting policies in Notes 2(h)(i) and 2(i)(i).

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26 Capital and reserves (continued)

(c) Cash dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 18 June 2013, a final cash dividend of RMB0.20 per share based on 7,706 million ordinary shares totalling RMB1,541 million in respect of the year ended 31 December 2012 was declared, of which RMB1,540 million was paid by the end of 2013, and the remaining balance of RMB1 million will be paid in 2014.

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 RMB1,927 million in respect of the year of 2011 was declared, and was fully paid by the end of 2012.

27 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide investment returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to finance at a reasonable cost.

Management regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Management monitors its capital structure on the basis of adjusted debt-to-equity ratio. For this purpose, the Group defines debt as total loans and borrowings excluding loans arising from factoring of receivables with recourse. Management considers that although factoring of receivables with recourse does not satisfy the derecognition criteria as set out in Note 2(h)(i), the residual risk on these receivables are low. As such, loans arising from factoring of receivables with recourse are excluded for the purpose of calculating the debt-to-equity ratio. The Group defines equity as all components of equity attributable to equity shareholders of the Company.

During 2013, the Group's strategy, which was unchanged from 2012, was to maintain the adjusted debt-to-equity ratio at less than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Notes to the Consolidated Financial Statements

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27 Capital management (continued)

As at 31 December 2013, the Group's adjusted debt-to-equity ratio was as follows:

	2013 RMB millions	2012 RMB millions
Short-term loans and borrowings	**8,397**	9,639
Long-term loans and borrowings	**12,750**	10,674
	21,147	20,313
Less:		
Loans arising from factoring of receivables with recourse	**(832)**	(1,064)
Adjusted debt	**20,315**	19,249
Total equity attributable to equity shareholders	**41,579**	40,762
Adjusted debt-to-equity ratio	**49%**	47%

28 Financial Instruments — Fair values and risk management

(a) Accounting classifications and fair values

(i) Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement* The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28 Financial Instruments — Fair values and risk management (continued)

(a) Accounting classifications and fair values (continued)

(i) **Financial instruments measured at fair value** (continued)

Fair value hierarchy (continued)

— Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group and the Company

	Fair value at 31 December 2013	Fair value measurement as at 31 December 2013 categorised into		
		Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial assets	4	4	–	–

	Fair value at 31 December 2012	Fair value measurement as at 31 December 2012 categorised into		
		Level 1	Level 2	Level 3
Recurring fair value measurement				
Other financial assets	5	5	–	–

During the years ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2, or transfers into/out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28 Financial Instruments — Fair values and risk management (continued)

(a) Accounting classifications and fair values (continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

The Group

	Carrying amounts at 31 December 2013	Fair value at 31 December 2013	Fair value measurement as at 31 December 2013 categorised into Level 1	Level 2	Level 3	Carrying amounts at 31 December 2012	Fair value at 31 December 2012
Long-term bank loans	7,998	8,009	–	8,009	–	8,686	8,636
Bond	1,096	1,095	1,095	–	–	1,094	1,132
Senior notes	6,013	5,898	5,898	–	–	6,185	6,525

The Company

	Carrying amounts at 31 December 2013	Fair value at 31 December 2013	Fair value measurement as at 31 December 2013 categorised into Level 1	Level 2	Level 3	Carrying amounts at 31 December 2012	Fair value at 31 December 2012
Long-term bank loans	5,376	5,387	–	5,387	–	4,186	4,186
Bond	1,096	1,095	1,095	–	–	1,094	1,132

The fair values of the Group's long-term bank loans are estimated as being the present value of future cash flows discounted at current market interest rates, having considered the foreign currency denomination of the loans and borrowings, which ranged between 5.4% to 6.4% for 2013 (2012: 5.6% to 6.6%). The fair values of the Group's bond and senior notes are determined based on quoted market prices of the securities in the PRC Stock Exchange and Singapore Exchange Securities Trading Limited respectively as of the balance sheet date.

The Group's investments in unlisted equity securities have no quoted market prices and accordingly, a reasonable estimate of their fair values could not be made without incurring excessive costs. Such securities are stated at cost less impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

— credit risk (see (b)(ii))
— liquidity risk (see (b)(iii))
— interest rate risk (see (b)(iv))
— currency risk (see (b)(v))

(i) Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management of the Company have established a risk control committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's deposits placed with financial institutions and receivables from customers.

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables, receivables under finance lease, financial guarantees and endorsed bills with full recourse which were derecognised by the Group. The maximum exposure to credit risk is represented by the carrying amount of these financial assets and guarantee obligations as disclosed in Note 30(a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) **Credit risk** (continued)

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's background and financial strengths, past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as the economic environment in which the customer operates. Trade receivables under credit sales arrangement are normally due within 1 to 3 months from the date of billing, and an upfront payment ranging from 15% to 30% (2012: 10% to 30%) of the product price is normally required from the customer. For sales under instalment payment method that has a maximum instalment payment period of 48 months (2012: 60 months), customers are normally required to make an upfront payment ranging from 10% to 30% (2012: 3% to 40%) of the product price. Collaterals such as properties, machinery or third party guarantees are generally required for customers with lower credit ratings. In addition, credit insurance coverage is required for overseas sales. Certain customers are required to pay by letters of credit. Debtors overdue by 3 months or more are handled by risk management department which is responsible for recovering debts through legal and other actions.

In respect of receivables under finance lease, individual credit evaluations are performed which are similar to those of credit and instalment sales. The risk control committee is responsible for the establishment of credit risk management policies, the supervision on the implementation of such policies and determination of the key terms of the lease contracts, including interest rate, lease period and percentage of deposit, etc. The risk control committee members are also responsible for approval of each leasing transaction within their respective authority. Credit review department, legal department, finance department and information technology department are collectively responsible for credit risk management and monitoring of settlement of receivables under finance lease. The Group's credit risk management procedures include pre-lease investigation, lease approval, lease payment collection and management, as well as repossession and subsequent sale of machineries in case of customer default.

Bank deposits are placed with financial institutions that have high credit ratings. Given their credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 December 2013, 0.2% (31 December 2012: 0.7%) of the total trade and bills receivables was due from the Group's largest customer and 1.1% (31 December 2012: 2.5%) of the total trade and bills receivables was due from the Group's five largest customers respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 17. Overdue analysis of the Group's receivables under finance lease is set out in Note 18.

In the normal course of business, certain customers of the Group may finance their purchase of the Group's machinery products through bank loans, joint leasing agreements or leasing arrangements provided by third party financial institutions. The Group provides guarantees to banks and other financial institutions for such bank loans and financing provided to the customers. Pursuant to the guarantee arrangements, the Group agrees to pay any outstanding loan principal and interest due to the banks and other financial institutions should such customers default.

Details of the Group's exposure and credit control policy in respect of such guarantees provided are disclosed in Note 30(a).

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash and committed lines of funding from financial institutions to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current prevailing rates at the balance sheet date) and the earliest date the Group and the Company would be required to repay, other than endorsed bills with full recourse which were derecognised by the Group (see Note 17(d) for details).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2013

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

The Group

	As at 31 December 2013					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	**21,147**	**24,464**	**6,668**	**919**	**12,162**	**4,715**
Trade and other payables	**23,891**	**23,891**	**23,891**	**–**	**–**	**–**
Other non-current liabilities	**1,542**	**1,572**	**–**	**862**	**632**	**78**
	46,580	**49,927**	**30,559**	**1,781**	**12,794**	**4,793**
Financial guarantees issued						
Maximum amount guaranteed		**17,712**	**17,712**	**–**	**–**	**–**

	As at 31 December 2012					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	20,313	24,034	9,325	3,602	6,237	4,870
Trade and other payables	23,387	23,387	23,387	–	–	–
Other non-current liabilities	2,562	2,635	–	1,405	1,060	170
	46,262	50,056	32,712	5,007	7,297	5,040
Financial guarantees issued						
Maximum amount guaranteed		13,277	13,277	–	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

The Company

	As at 31 December 2013					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	9,421	9,749	3,115	532	6,102	–
Trade and other payables	24,431	24,431	24,431	–	–	–
Other non-current liabilities	221	230	–	29	39	162
	34,073	34,410	27,546	561	6,141	162
Financial guarantees issued						
Maximum amount guaranteed		17,712	17,712	–	–	–

	As at 31 December 2012					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	7,937	8,512	3,881	2,222	2,409	–
Trade and other payables	21,556	21,556	21,556	–	–	–
Other non-current liabilities	170	170	–	16	30	124
	29,663	30,238	25,437	2,238	2,439	124
Financial guarantees issued						
Maximum amount guaranteed		13,277	13,277	–	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's working capital requirements and repay its borrowings and obligations when they become due.

(iv) Interest rate risk

The Group's interest rate risk exposure arises primarily from bank deposits, receivables under finance lease, short-term and long-term loans and borrowings. These financial instruments bearing interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The following table sets out the interest rate profile of the Group's and the Company's bank deposits, receivables under finance lease and loans and borrowings as at 31 December 2013.

	The Group			
	2013		2012	
	Weighted average interest rate %	**Amount RMB millions**	Weighted average interest rate %	Amount RMB millions
Fixed rate financial instruments:				
Short-term loans and borrowings	**3.4%**	**(154)**	5.1%	(1,755)
Long-term loans and borrowings	**6.6%**	**(7,554)**	6.7%	(6,334)
		(7,708)		(8,089)
Variable rate financial instruments:				
Pledged bank deposits	**0.5%**	**3,415**	0.5%	3,123
Bank deposits	**1.3%**	**16,657**	1.0%	20,082
Receivables under finance lease	**6.5%**	**17,635**	6.5%	19,652
Short-term loans and borrowings	**2.4%**	**(8,243)**	3.0%	(7,884)
Long-term loans and borrowings	**2.7%**	**(5,196)**	4.5%	(4,340)
		24,268		30,633
Net amount		**16,560**		22,544

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

	The Company			
	2013		2012	
	Weighted average interest rate %	**Amount RMB millions**	Weighted average interest rate %	Amount RMB millions
Fixed rate financial instruments:				
Short-term loans and borrowings	**3.0%**	**(56)**	5.6%	(1,520)
Long-term loans and borrowings	**5.6%**	**(1,541)**	3.5%	(148)
		(1,597)		(1,668)
Variable rate financial instruments:				
Pledged bank deposits	**0.5%**	**1,884**	0.5%	1,873
Bank deposits	**1.6%**	**11,822**	1.6%	7,079
Short-term loans and borrowings	**3.1%**	**(4,315)**	3.5%	(3,180)
Long-term loans and borrowings	**3.1%**	**(3,509)**	4.4%	(3,089)
		5,882		2,683
Net amount		**4,285**		1,015

As at 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained earnings by approximately RMB209 million (2012: RMB222 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and the change was applied to the Group's debts outstanding at the balance sheet date which had exposure to interest rate risk. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the next balance sheet date. The analysis is performed on the same basis for 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(v) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, loans and borrowings and cash balances that are denominated in a foreign currency, that is, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US dollars, HK dollars, Japanese Yen and Euro.

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies risk (expressed in equivalent RMB millions)							
	2013				2012			
	USD	EUR	Yen	HKD	USD	EUR	Yen	HKD
Trade debtors	379	65	44	–	345	144	221	–
Cash and cash equivalents	344	8	–	21	127	80	–	16
Trade creditors	(192)	(558)	(3)	(26)	(377)	(319)	(54)	–
Loans and borrowings	(6,188)	(17)	(5)	–	(8,007)	(139)	–	–
Net exposure arising from recognised assets and liabilities	(5,657)	(502)	36	(5)	(7,912)	(234)	167	16

The Company

	Exposure to foreign currencies risk (expressed in equivalent RMB millions)							
	2013				2012			
	USD	EUR	Yen	HKD	USD	EUR	Yen	HKD
Trade debtors	316	40	16	–	295	80	178	–
Cash and cash equivalents	297	2	–	–	98	31	–	–
Trade creditors	(191)	(54)	–	–	(370)	(282)	(46)	–
Loans and borrowings	(6,187)	(8)	(5)	–	(6,104)	(139)	–	–
Net exposure arising from recognised assets and liabilities	(5,765)	(20)	11	–	(6,081)	(310)	132	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28 Financial Instruments — Fair values and risk management (continued)

(b) Financial risk management (continued)

(v) Currency risk (continued)

The following table indicates the change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group's financial assets and liabilities have significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant:

	The Group			
	2013		2012	
	Increase/ decrease in foreign exchange rates	**Effect on profit after taxation and retained profits RMB millions**	Increase/ decrease in foreign exchange rates	Effect on profit after taxation and retained profits RMB millions
USD	**5%**	**(240)**	5%	(336)
	-5%	**240**	-5%	336
EUR	**5%**	**(21)**	5%	(10)
	-5%	**21**	-5%	10
Yen	**5%**	**2**	5%	7
	-5%	**(2)**	-5%	(7)
HKD	**5%**	**—**	5%	1
	-5%	**—**	-5%	(1)

Other than the amounts as disclosed above, the amounts of other financial assets and liabilities of the Group are substantially denominated in the functional currency of the respective entity within the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

29 Commitments

(a) Capital commitments

As at 31 December 2013, the Group and the Company had capital commitments as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB millions	RMB millions	**RMB millions**	RMB millions
Authorised and contracted for				
— property, plant and equipment	**623**	545	**391**	434
— intangible assets	**22**	21	**22**	21
— lease prepayments	**66**	10	**66**	10
	711	576	**479**	465
Authorised but not contracted for				
— property, plant and equipment	**94**	173	**4**	23
— lease prepayments	**—**	390	**—**	390
	94	563	**4**	413

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

29 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 31 December 2013, the future minimum lease payments under operating lease are as follows:

	The Group		The Company	
	2013 RMB millions	2012 RMB millions	**2013 RMB millions**	2012 RMB millions
Within 1 year	**133**	92	**92**	82
After 1 but within 2 years	**76**	59	**36**	56
After 2 but within 3 years	**67**	47	**27**	44
After 3 but within 4 years	**47**	42	**19**	41
After 4 but within 5 years	**40**	19	**16**	19
Thereafter	**37**	26	**37**	26
	400	285	**227**	268

30 Contingent liabilities

(a) Financial guarantee issued

Certain customers of the Group from time to time may finance their purchase of the Group's machinery products through bank loans, and the Group provides guarantees to the banks for the amount drawn by customers. Under the guarantee arrangement, in the event of customer default, the Group is required to repossess the machinery collateralising the bank loans, and is entitled to sell the machinery and retain any net proceeds in excess of the guarantee payments made to the banks. As at 31 December 2013, the Group's maximum exposure to such guarantees was RMB15,044 million (31 December 2012: RMB12,385 million). The terms of these guarantees coincide with the tenure of bank loans which generally range from 1 to 5 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 year ended 31 December 2013, the Group made payments of RMB447 million (2012: RMB287 million) to the banks for repossession of machinery under the guarantee arrangement as a result of customer default.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

30 Contingent liabilities (continued)

(a) Financial guarantee 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 31 December 2013, the Group's maximum exposure to such guarantees was RMB142 million (31 December 2012: RMB892 million). The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. For the year ended 31 December 2013, the Group made payments of RMB64 million (2012: Nil) to the third-party leasing company for repossession of machinery under the guarantee arrangement as a result of customer default.

Starting from 1 January 2013, certain customers of the Group finance their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, the Group provides guarantee to the third-party leasing companies that in the event of customer default, the Group is required to make payment to the leasing companies for the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 31 December 2013, the Group's maximum exposure to such guarantees was RMB2,526 million (31 December 2012: Nil). The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. For the year ended 31 December 2013, there was no payment made for repossession of machinery incurred (2012: Nil) under the guarantee arrangement as a result of customer default.

(b) Contingent liability in respect of legal claims

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31 Related party transactions

(a) Transactions with related parties

	2013 RMB millions	2012 RMB millions
Transactions with associates:		
Sales of products	**1,617**	998
Purchase of raw materials and finished goods	**34**	502

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.

(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.

(c) Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The key management personnel compensation are as follows:

	2013 RMB thousands	2012 RMB thousands
Short-term employee benefits	**34,897**	35,072
Retirement scheme contributions	**363**	363
	35,260	35,435

Total emoluments are included in "staff costs" as disclosed in Note 5(b).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31 Related party transactions (continued)

(d) Contributions to retirement plans

The details of the Group's employee benefit plans are disclosed in Note 24.

32 Accounting estimates and judgements

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. Management bases the assumptions and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set forth in Note 2 to the financial statements. Note 14 contains information about significant assumptions and their risk factors relating to goodwill impairment.

Management reviews estimations and underlying assumptions ongoing basis. Revisions to accounting estimations are recognised in the period in which the estimations are revised and in any future periods affected.

Other key sources of estimation uncertainty are as follows:

(a) Impairment of trade receivables and receivables under finance lease

Management estimates impairment losses of trade receivables (which are recorded in an allowance account for doubtful debts) resulting from the inability of the customers to make the required payments. Management bases its estimates on the ageing of the accounts receivable balance, customer credit-worthiness, estimated fair value of collateral assets and historical write-off experience. If the financial condition of the customers or fair value of collateral assets were to deteriorate, actual write-offs may be higher than expected and could significantly affect the results of future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

32 Accounting estimates and judgements (continued)

(b) Warranty provision

As explained in Note 22(b), the Group makes product warranty provision based on its best estimate of the expected settlement under the sales agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighing of all possible outcomes against their associated probabilities. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Write-down of inventories

As described in Note 2(j), the Group writes down the cost of inventories to net realisable value when the net realisable value of inventories is lower than the cost. The Group estimates the net realisable value of inventories by taking into account the recent selling prices and forecasted market demand. However, the actual realised value of the inventories may be significantly different from the estimated amount at the balance sheet date.

(d) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(i)(ii). The carrying amounts of the Group's long-lived assets, including property, plant and equipment, intangible assets and investments in subsidiaries and associates are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill and trademarks with indefinite useful lives, the impairment testing is performed at least annually at the end of each year. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group's long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

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32 Accounting estimates and judgements (continued)

(e) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual value, if any. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Amortisation of intangible assets is recognised on a straight-line basis over the respective intangible assets' estimated useful lives. Management reviews the estimated useful lives annually in order to estimate the amount of amortisation expense to be recorded during any reporting period. The estimated useful lives are based on the estimated periods over which future economic benefits will be received by the Group and take into account the level of future competition, the risk of technological or functional obsolescence and the expected changes in the regulatory and social environment. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

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33 Investments in subsidiaries

	The Company	
	2013	2012
	RMB	RMB
	millions	millions
Unlisted shares, at cost	**11,771**	11,264

The following list contains particulars of subsidiaries as at 31 December 2013 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

		Proportion of ownership interest			
Name of company	**Particulars of issued and paid up capital (millions)**	**Group's effective interest**	**held by the Company**	**held by subsidiary**	**Principal activities**
Compagnia Italiana Forme Acciaio S.p.A. (CIFA)	EUR 15	100% (Note)	—	100%	Manufacture of concrete machinery
Shanxi Zoomlion Earth Working Machinery Co., Ltd.	RMB474	100%	100%	—	Manufacture of earth working machinery
Hunan Zoomlion Axle Co., Ltd.	RMB466	88.86%	88.86%	—	Manufacture of motor vehicle components
Zoomlion Material Handling Equipment Co., Ltd.	RMB100	97%	97%	—	Manufacture of material handling machinery
Zoomlion Finance and Leasing (Beijing) Co., Ltd.	RMB1,502	100%	100%	—	Leasing of construction equipment and machinery
Hunan Zoomlion International Trade Co., Ltd.	RMB50	100%	100%	—	Trading of equipment and machinery

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

33 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid up capital (millions)	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
Hunan Teli Hydraulic Co., Ltd.	RMB180	77.61%	77.61%	—	Manufacture of hydraulic products
Hunan Zoomlion Special Vehicles Co., Ltd.	RMB69	100%	100%	—	Manufacture of specialized vehicles
Zoomlion Finance and Leasing (China) Co., Ltd.	USD280	100%	—	100%	Leasing of equipment and machinery
Hunan Zoomlion Crawling Crane Ltd.	RMB360	100%	100%	—	Manufacture of crawling cranes
Hunan Zoomlion Hardware Co., Ltd.	RMB100	100%	100%	—	Manufacture of crane components
Shanghai Zoomlion Pile Foundation Machinery Co., Ltd.	RMB50	100%	100%	—	Manufacture of pile foundation machinery
Changsha Zoomlion Fire Control Machinery Co., Ltd.	RMB45	65%	65%	—	Manufacture of fire fighting vehicles and equipment
Changsha Zoomlion Environmental and Sanitation Machinery Co., Ltd.	RMB2,100	100%	100%	—	Manufacture of environmental and sanitation equipment

Notes to the Consolidated Financial Statements

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33 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid up capital (millions)	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: held by the Company	Proportion of ownership interest: held by subsidiary	Principal activities
Hunan Cifa Engineering Machinery Co., Ltd.	USD2	100%	—	100%	Manufacture of concrete machinery
Hunan Zoomlion Intelligent Technology Co., Ltd.	RMB50	100%	100%	—	Research and manufacture of machine software
Hunan Zoomlion Hanshou Machinary Site Equipment Co., Ltd.	RMB451	100%	100%	—	Manufacture of concrete machinery
Zoomlion H.K. SPV Co., Limited	USD25	100%	—	100%	Investment holding

All of the above subsidiaries are incorporated and operate in the PRC, except for CIFA which is incorporated and operates in Italy. All of the above subsidiaries are limited liability companies.

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33 Investments in subsidiaries (continued)

The following table lists out the information relating to the subsidiaries of the Group which have non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2013 RMB millions	2012 RMB millions
NCI percentage	**3%~40%**	3%~40%
Current assets	**2,624**	5,384
Non-current assets	**1,223**	2,570
Current liabilities	**(1,752)**	(5,482)
Non-current liabilities	**(38)**	(508)
Net assets	**2,057**	1,964
Carrying amount of NCI	**432**	387
Revenue	**5,549**	5,143
Profit for the year	**257**	516
Total comprehensive income	**257**	516
Total comprehensive income allocated to NCI	**113**	198
Dividends paid to NCI	**42**	19

Note:

In September 2013, Zoomlion Overseas Investment Management (H.K.) Co., Ltd., a wholly-owned subsidiary of the Group, completed its acquisition of 40.68% equity interest in ZoomlionCifa (Hong Kong) Holdings Limited with a cash consideration of USD236 million (RMB equivalent 1,451 million), and thus own 100% of the total issued share capital of ZoomlionCifa (Hong Kong) Holdings Limited, which owns 100% equity interest of CIFA.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 December 2013

Up to the date of issue of these financial statements, the IASB has issued of the following amendments, new standards and interpretations which are not yet effective for the annual accounting year ended 31 December 2013:

	Effective for accounting period beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27, "Investment entities"	1 January 2014
Amendments to IAS 32, "Financial instruments: Presentation — Offsetting financial assets and financial liabilities"	1 January 2014
Amendments to IAS 36, "Recoverable amount disclosures for non-financial assets"	1 January 2014
Amendments to IAS 39, "Novation of derivatives and continuation of hedge accounting"	1 January 2014
IFRIC 21, "Levies"	1 January 2014
Amendments to IAS 19, "Employee benefits: Defined benefit plans: Employee contributions"	1 July 2014
Annual improvements to IFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRSs 2011-2013 cycle	1 July 2014
IFRS 9, "Financial instruments (2010)"	1 January 2015
IFRS 9, "Financial instruments (2009)"	1 January 2015
IFRS 14, "Regulatory deferral accounts"	1 January 2016

The Group has not early adopted the above amendments, new standards and interpretations. Company management is still in the process of assessing what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application and is not yet in a position to determine whether or not the adoption of these amendments, new standards and interpretations will have a significant impact on the Group's results of operations and financial position.

Notes to the Consolidated Financial Statements

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35 Reconciliation of financial information prepared under PRC GAAP to IFRSs

Effects of major differences between the total equity and total comprehensive income under PRC GAAP and the total equity and total comprehensive income under IFRSs are analysed as follows:

(a) Reconciliation of total equity of the Group

	2013 RMB millions	2012 RMB millions
Total equity reported under PRC GAAP	**42,052**	41,189
— Acquisition-related costs incurred on prior year business combination	**(40)**	(40)
Total equity reported under IFRSs	**42,012**	41,149

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

	2013 RMB millions	2012 RMB millions
Total comprehensive income for the year reported under PRC GAAP	**3,900**	7,550
— Safety production fund (Note)	**5**	—
Total comprehensive income for the year — reported under IFRSs	**3,905**	7,550

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

36 Post balance sheet event

(a) Final dividend for 2013

Pursuant to a resolution passed at the directors' meeting on 28 March 2014, a final dividend in respect of the year ended 31 December 2013 of RMB0.15 (2012: RMB0.20) per share totalling RMB1,156 million (2012: RMB1,541 million) was proposed for shareholders' approval at the Annual General Meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.