

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

2014 Interim Report

* For identification purpose only

Important Notice and Definitions

The Board of Directors, the Supervisory Board, directors, supervisors and senior management of the Company warrant that there are no misrepresentation, misleading statements or material omissions in this interim report and they, severally and jointly, accept legal responsibility for the truthfulness, accuracy and completeness of the contents of this interim report.

All directors attended the Board meeting at which this report was reviewed.

The Company does not propose the distribution of cash dividend, issues of bonus shares or capitalization of the capital reserve.

Mr. 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 of the Company, warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.

This report contains certain forward-looking statements with respect to the financial position, operation results and business development of the Company. We use words such as “will”, “may”, “expect”, “try”, “strive”, “plan”, “anticipate”, “aim at” and similar expressions to identify forward-looking statements. These statements are based on current plans, estimates and projections. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, the Company gives no assurance that these expectations will be realized or prove to be correct, so undue reliance shall not be placed on such statements. You are cautioned that such forward-looking statements are related to future events or future financial position, business or other performance of the Group, and are subject to certain uncertainties which may cause substantial difference from the actual results.

This report is published in both Chinese and English Language. If there are any inconsistencies in the content of this interim report (other than the interim financial report prepared in accordance with International Financial Reporting Standards), the Chinese version shall prevail. For the interim financial report prepared in accordance with International Financial Reporting Standards, the English version shall prevail.

Definitions

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

“the Company” or “Zoomlion” Zoomlion Heavy Industry Science and Technology Co., Ltd.

“the Reporting Period” the six months ended 30 June 2014.

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Zoomlion Heavy Industry Science and Technology Co., Ltd.

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Company Profile

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

- II. Legal representative of the Company: Zhan Chunxin

- III. Secretary of the Board of Directors: Shen Ke
Representative of securities affairs: Guo Tao
Contact Address: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC
Telephone: (86 731) 88923908
Fax: (86 731) 85651157
E-mail: 157@zoomlion.com

- IV. Registered address and place of business of the Company: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC

Postal code: 410013
Website: <http://www.zoomlion.com/>
E-mail: 157@zoomlion.com

- V. Authorized representatives: Zhan Chunxin
Shen Ke
Address of the authorized representatives: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC

- VI. Newspapers for disclosure of the Company's information: China Securities Journal,
Shanghai Securities News,
Securities Times

Website publishing the A share announcements: <http://www.cninfo.com.cn>
Website publishing the H share announcements: <http://www.hkexnews.hk>

- VII. Listing information: A Shares
Shenzhen Stock Exchange of China ("SZSE")
Stock Name: ZOOMLION
Stock Code: 000157
H Shares
The Stock Exchange of Hong Kong Limited ("SEHK")
Stock Name: ZOOMLION
Stock Code: 1157

Company Profile

- VIII. H Share Registrar: Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East,
Wanchai, Hong Kong
- IX. Legal Advisors
As to PRC law: Beijing 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
- X. Auditors
Domestic auditors: Baker Tilly China Certified Public Accountants Co., Ltd.
Address: Room 208, Block B, Huatong Building, B19 Chegongzhuang West Road,
Haidian District, Beijing, PRC
International auditors: KPMG
Address: 8/F, Prince’s Building, 10 Chater Road, Central, Hong Kong

Principal Financial Data and Indicators

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

Unit: RMB

	The Reporting Period	The corresponding period of last year	Change (%)
Operating income	13,988,787,862.47	20,164,757,196.06	-30.63%
Net profit attributable to equity shareholders of the Company	900,058,151.68	2,905,914,320.50	-69.03%
Net profit attributable to equity shareholders of the Company after extraordinary gain and loss	826,078,707.59	2,868,249,078.46	-71.20%
Net cash flow from operating activities	-4,604,736,392.37	1,156,716,275.97	—
Basic earnings per share (RMB/Share)	0.12	0.38	-68.42%
Diluted earnings per share (RMB/Share)	0.12	0.38	-68.42%
Weighted average net return on net assets (%)	2.14%	6.88%	-4.74%

Unit: RMB

	As at the end of the Reporting Period	As at the end of the last year	Change (%)
Total assets	92,119,994,298.19	89,537,157,719.77	2.88%
Net assets attributable to equity shareholders of the Company	41,392,762,079.74	41,619,087,301.05	-0.54%

Principal Financial Data and Indicators

Extraordinary items

Items	<i>Unit: RMB</i>
	Amount
Loss on disposal of non-current assets (including written off of provision for impairment of assets)	-2,476,384.19
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	107,089,791.35
Income from the difference between the fair value of the identifiable net assets receivable from the investees and investment cost of subsidiaries, associates and joint ventures acquired	300,594.70
Loss from debt restructuring	-6,028,989.51
Change in fair value of financial assets and liabilities held for trading and loss 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	-7,258,388.39
Non-operating income and expenses other than those set out above	-4,480,518.39
Less: Income tax effect	13,145,625.25
Minority interests after tax	21,036.23
Total	73,979,444.09

Principal Financial Data and Indicators

II. Major financial data and indicators prepared in accordance with International Financial Reporting Standards (“IFRSs”)

	Six months ended 30 June	
	2014 RMB million	2013 RMB million
Turnover	13,989	20,165
Profit before taxation	1,122	3,606
Income tax expenses	(196)	(600)
Profit for the period	926	3,006
Profit for the period attributable to		
Equity shareholders of the Company	904	2,923
Non-controlling interests	22	83
Basic and diluted earnings per share	0.12	0.38
Gearing ratio (%) (Note)	54.60%	52.14%

	As at	
	30 June 2014 RMB million	31 December 2013 RMB million
Non current assets	23,411	24,549
Current assets	68,669	64,948
Current Liabilities	33,113	32,725
Net current assets	35,556	32,223
Total assets less current liabilities	58,967	56,772
Non current liabilities	17,161	14,760
Net assets	41,806	42,012
Total equity attributable to the shareholders of the Company	41,353	41,579
Non-controlling interests	453	433

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

Principal Financial Data and Indicators

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

1. 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:

Unit: RMB million

	Total comprehensive income		Total equity	
	Six months ended 30 June		As at 30 June	
	2014	2013	2014	As at 31 December 2013
Under PRC GAAP	948	2,933	41,846	42,052
Items and amounts adjusted under IAS				
— Acquisition-related costs incurred on prior year business combination (Note (1))	—	—	-40	-40
— Special reserve safety production fund (Note (2))	4	17	—	—
Under IFRSs	952	2,950	41,806	42,012

Notes:

- (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.

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

Management Discussion and Analysis

I. Report of the Board of Directors

A. Review of six months ended 30 June 2014

In the first half of 2014, under the backdrop of slow recovery in global economy, China's economy has been steady in general. However, affected by the adjustments in economic structure and the decelerated investment growth in fixed assets, the market demand for construction machinery continued to be weak. Besides, the overcapacity problem and risks of receivables remained unresolved, while the adjustments for the industry sustained.

Confronting the complicated and challenging industry condition, the Company actively promoted strategic transformation, internationalization and enhanced management in order to strengthen its operation quality, solidify the foundation for development and accumulate energy for development. During the Reporting Period, the Company recorded a turnover of approximately RMB13,989 million and net profit attributable to equity shareholders of the Company of RMB904 million. Our major products enjoyed solid market position; in particular, our concrete machinery and crane machinery were among the most popular products in the industry whereas our environmental and sanitation machinery has the biggest market share in China.

1. Promotion of strategic transformation in an active manner

By adhering to the strategic planning of jointly developing our five main sectors, namely construction machinery, environmental industry, agricultural machinery, trucks and financial services, the Company has achieved initial success in strategic transformation by leveraging its existing strengths, integrating global resources and increasing its efforts in promotion.

(1) Stable operation of the construction machinery sector

Firstly, the operation quality of the construction machinery sector was further improved through process optimization, risk control, cost reduction and quality improvement of products.

Secondly, our leading position in industry technology was further strengthened by technology innovation and product upgrades. During the Reporting Period, the "100 meter-level aerial platform fire engine", a "Twelfth Five-Year" National Science and Technology Support Program undertaken by the Company, passed the inspection of the Ministry of Public Security. Industry-leading products such as the world's largest T3000 flat-top tower cranes were being introduced continuously. The Company's *Machinery and Equipment for Precast Concrete and Mortar (Part I): Terms and Commercial Specification* was recognized as an international standard, which shows that China's standards of construction machinery have started to go beyond the domestic frontier.

Thirdly, investments in new industries such as the machine-made sand equipment and dry-mixed mortar equipment were increased in order to form an initial scale which creates room for future development.

Management Discussion and Analysis

(2) Proactive development of new strategic sector

The environmental industry sector: The relocation of the environmental industrial park of the Company was completed and operations were resumed, which was an effective solution to the insufficient capacity of our environmental and sanitation machinery. Income from the environmental industry sector, especially from offshore sales, recorded a satisfactory growth. At the same time, we actively expanded our waste disposal equipment business and achieved breakthroughs in the disposal of kitchen waste and construction waste as well as the industrialization of waste classification equipment.

The agricultural machinery sector: The Company's successful bid for Chery Heavy Industry marked the official entry of the Company into the agricultural machinery field. The acquisition was another milestone of the Company in implementing strategic transformation and it will facilitate the Company to swiftly develop into a leading agricultural machinery enterprise in China. Meanwhile, the synergistic effect between the Company's Research and Development Centre for Agricultural Machinery in North America and our domestic research and development initiatives was remarkable and the research and development for key products have entered into a critical stage.

2. Acceleration of internationalization

(1) Strengthening the construction of foreign platforms to achieve breakthrough in the international market

The Company continued to implement its strategy of focusing on foreign markets and pushed forward the construction of overseas bases in foreign countries such as Russia and India. It increased the resource input in key countries and regions to develop the market intensively. The Company recorded a growth in turnover of more than 100% in the America Region and in the Middle East (including Saudi Arabia) as compared to the same period of last year, which have become new growth drivers of the Company's overseas business.

(2) Active promotion of international cooperation to boost transformation and upgrades

In the first half of 2014, the Company actively promoted international cooperation and formally completed the equity acquisition of m-tec, a German company. Currently, the Company's first m-tec MS220V dry-mix mixer has successfully launched. It marked the Company's success in technical integration in the "dry-mix mixing technology and product sets" field and helped seize the initiative in the dry-mixed mortar equipment market. The Company also acquired 35% of the equity interest in Raxtar, a Holland company with leading edge in the global elevator market. With Raxtar's extensive experience in international manufacturing, research and development and high-end marketing in the elevator field, the Company would be able to gain a global leading position in the field.

Management Discussion and Analysis

3. In-depth implementation of management improvement

- (1) To improve corporate management system
 - 1) To further improve the system, optimize the process and reinforce accountability, and to enhance scientific decision making, the efficiency of implementation and the effectiveness in monitoring; 2) to decentralize the autonomy of management to each business section as well as strengthening the monitor and inspection on key areas of internal control by the headquarters in order to make timely rectification and exert effective management and control.

- (2) To strengthen risk prevention measures for receivables
 - 1) To formulate specific recovery measures for overdue loans, adopt diversified market management strategies and put more efforts in calling in loans in accordance with changes in market environment; 2) to strictly control new risks on multiple fronts including tightening of credit policies, strengthening the credit assessment on customers, giving up low quality orders proactively and enforcing the responsibility for overdue payment collection in order to ensure a sustainable operation and healthy development of the Company.

- (3) To strenuously promote cost reduction and efficiency enhancement
To perform all-staff, whole-process and comprehensive cost management in key aspects including R&D, procurement, production and marketing; to cut procurement cost through integrating supply chain, improving technology systems, renewing brands and improving production skills; to rigidly control each expenses, tap the potential and improve efficiency through enforcing sales-driven lean production model for inventory control.

- (4) To implement whole value chain management of second-hand equipment
To fully utilize the advantages as a manufacturer by refining the relevant management measures from the whole value chain perspective and implementing the comprehensive management process of “one chain per machine” covering each of the processes from sales of new machine, recycling of equipment, re-manufacturing to re-sale with a view to refining the management of second-hand equipment.

Management Discussion and Analysis

B Business Outlook for Future Development of the Company

(I) Industry development and market outlook

(1) Construction machinery market

In the second half of 2014, monetary policies including targeted easing, targeted reduction in reserve ratio and targeted re-loan will gradually provide support for the economy; the growth rate of infrastructure investments will remain on the fast track while the progressive implementation of mini-stimulus policies such as the reconstruction of shanty towns, social security housing and railway investment will, to a certain extent, water down the effect of the declining investment in real estates. In respect of exports, construction machinery corporates in China will increase the penetration into regions with strong market demands such as Africa, South-Central Asia and South America through strategic investments in foreign countries, supporting foreign enterprises and setting up localized factories. The construction machinery industry is expected to maintain stable growth if compared to the first half of this year.

(2) Agricultural machinery market

Food safety is the fundamental policy of China. The Central Government's Number One Document has focused on three agricultural issues for 11 years in a row, expressly emphasizing the promotion of modernization of agriculture and the development of mechanization, which undoubtedly provides a positive and ideal macro-environment for the consistently high growth rate in the agricultural machinery industry in China for the coming 10 years. 2014 is a year when the agricultural machinery industry in China begins to transform and upgrade whilst it is also a turning point which links the past and the future of the industry. In the second half of 2014, under the positive force of various factors including national policies, agricultural machinery subsidies, increased land transfer rate and improved agricultural techniques, the industry is set to sustain a persistent growth, with its products developing in a high-class, intelligent and multi-functional way.

(3) Environmental industry market

With the increasing environmental awareness of the society, the government has been increasing its investment in environment protection which fostered the rapid development of the environmental industry as a whole. It is expected that the industry will achieve rapid growth at a CAGR of more than 20% in the coming five to ten years. In the second half year of 2014, with increased government investment and public environmental awareness, progress of urbanization and the promotion of private investment under PPP (Private-Public-Partnership) model, the industry as a whole will sustain the rapid growth momentum, among which, sub-sectors such as treatment of municipal waste, food waste, construction waste and sewage will embrace better development opportunities.

Management Discussion and Analysis

(II) Major business objectives and action initiative in the second half of 2014

In the second half of 2014, the work focuses of the Company are to accelerate the strategic transformation, to utilize existing advantages and resources for rapid expansion into new strategic segments, to establish new growth points of the Company as well as transforming its operation and management model and improving corporate efficiency through streamlining structures, controlling costs and reforming business models.

II. Analysis of Financial Position

(I). Analysis of operating income and profit

The Company recorded a turnover of RMB13,989 million in the first half of 2014, a 30.63% decrease compared with the corresponding period of last year. From the aspect of product segments, the decrease in turnover was primarily attributable to the relatively substantial year-on-year drop in income derived from concrete machinery products and crane machinery products, while the relatively significant year-on-year rise in income from the Company's environmental and sanitation machinery partly offset the decrease in income from other segments.

The Company recorded a year-on-year drop of 32.47% and 39.25% in the turnover from concrete machinery and crane machinery respectively, which was primarily attributable to the continuous decelerated investment growth in the real estates of the country, resulting in a relatively substantial year-on-year decline in demand for truck-mounted concrete pumps, truck-mounted concrete mixers and tower cranes of the Company. Meanwhile, the Company continued to adhere to its stringent sales policies in order to control operating risks and realize quality operations and had therefore created certain impacts on the income derived from related products in the first half of this year.

The Company recorded a year-on-year rise of 16.44% in turnover from environmental and sanitation machinery, which was primarily attributable to the relatively substantial year-on-year growth in sales of the Group's washing vehicles, road sweepers and compression-type garbage trucks because of the Central Government's increasing awareness towards environment protection which resulted in the increasing procurement of relevant equipment by local governments.

The sales and marketing expenses of the Company in the first half of 2014 decreased by 23.66% as compared with the corresponding period of last year, which was primarily attributable to the improved budget control from the Group on each of the sales and marketing expenses as a result of the weak market demand.

The financial costs of the Company in the first half of 2014 increased substantially as compared with the corresponding period of last year, which was primarily attributable to the increased foreign exchange loss arose from changes in foreign exchange rates.

As a result of the foregoing, the profit attributable to shareholders of the Company in the first half of 2014 decreased 69.07% as compared with the corresponding period of last year.

Management Discussion and Analysis

(II). Cash flow and capital expenditure

The Company financed its operations primarily through proceeds from sales of its products. As of 30 June 2014, the Company had RMB15,907 million in cash and cash equivalents, 84.82% of which were denominated in Renminbi. The Company's cash and cash equivalents primarily consist of cash and bank deposits.

1. Operating activities

Net cash used in operating activities for the six months ended 30 June 2014 was RMB4,982 million, which was mainly attribute to the reduction in the scale of non-recourse factoring business by the Company, and cash paid for repurchase of equipment of fair market value from banks to which the Group previously factored its receivables under financial lease without recourse of RMB2,353 million.

2. Investing activities

Net cash generated from investing activities for the six months ended 30 June 2014 was RMB288 million, consisting primarily of interest received of RMB377 million and cash inflow generated from decrease in pledged bank deposits of RMB521 million, and cash outflow used in payment for purchase of properties, plant and payment for acquisition of a subsidiary of RMB293 million and RMB239 million, respectively.

3. Financing activities

Net cash used in financing activities for the six months ended 30 June 2014 was RMB3,948 million, consisting primarily of: (1) repayment of bank and other borrowings of RMB3,428 million, partially offset by proceeds from new bank and other borrowings of RMB7,987 million; and (2) interest payment of RMB607 million.

4. Capital expenditures

The Company incurred capital expenditures of RMB398 million in the first half of 2014, for purchase of property, plant and equipment, intangible assets and lease prepayments.

In April 2014, the Company completed the acquisitions of m-tec mathis technik GmbH and its subsidiaries (collectively "m-tec Group") with a cash consideration of EUR41 million (equivalent to RMB346 million). M-tec Group is engaged in the manufacturing of concrete machinery with its sales primarily in Europe and China. The purpose of the business combination was to broaden the Group's product line.

5. Credit policies

Please refer to notes 10 and 11 of the unaudited interim financial report for details of the Company's credit policies.

Management Discussion and Analysis

(III). Commitments and contingent liabilities

As of 30 June 2014, the Company's commitments consisted of capital commitments of RMB405 million and operating lease commitments of RMB353 million, of which RMB120 million was payable within one year.

Please refer to note 18 of the unaudited interim financial report for details of the Company's contingent liabilities as of 30 June 2014.

(IV). Charge on assets

Please refer to note 13 of the unaudited interim financial report for details of the Company's charge on assets as of 30 June 2014.

III Reception of Investment Research, Communications and Interviews during the Reporting Period

Date of reception	Place of reception	Activity	Types of guest	Guests	Particulars and information provided
7 May 2014	Hong Kong	Strategic meeting	Institution	Macquarie	I. Main content:
13 May 2014	Hong Kong	Strategic meeting	Institution	Morgan Stanley	1. The development and prospect of the industry in the second half of 2014;
14 May 2014	Beijing	Strategic meeting	Institution	CLSA	2. The development history, historical operation condition and strategic plans of the Company;
12 June 2014	Shanghai	Strategic meeting	Institution	China Securities	3. The competition and comparison of advantages of various product segments in the industry;
24 June 2014	Hong Kong	Strategic meeting	Institution	Bank of America Merrill Lynch	4. Explanations to other enquiries.
25 June 2014	Ningbo	Strategic meeting	Institution	Sinolink Securities	II. Information
					1. Periodic reports and ad hoc announcements of the Company
					2. Brochures of products

IV. Employees

During the Reporting Period, there was no significant change to the number of employees, salaries and remuneration policies of the Company as compared with the information disclosed in the annual report of 2013.

Major Events

I. Corporate Governance

The Company has established and improved the structure of its corporate governance to regulate its operation strictly in accordance with the Company Law, Securities Law, and the relevant regulations of the CSRC and The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The Company has improved its internal control, the regulations of shareholders’ meeting, board meeting and supervisor meeting so as to ensure effective operation and safeguard the interests of all shareholders and itself. The corporate governance of the Company is substantially the same as required by the regulatory requirements of the CSRC and Hong Kong Stock Exchange on listed companies. The Company will consolidate the efforts of the corporate governance of listed companies by further enhancing corporate governance and internal control of listed companies and their subsidiaries. The accountability mechanism and information disclosure system will be improved to ensure true, accurate, complete, timely and fair disclosure of information. The Company also strictly implemented the management system for insider information and external information user (内幕信息知情人和外部信息使用人管理制度) formulated by the Board of Directors.

1. Compliance with the principles and code provisions of the Corporate Governance Code during the Reporting Period

The Board had adopted all code provisions of the code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the “Codes”) contained in Appendix 14 to the Listing Rules as the codes of the Company. During the six months ended 30 June 2014, the Company had complied with all applicable code provisions of the Codes, other than the deviation of Code A.2.1 which the roles of the Chairman and Chief Executive Officer were not separated. Mr. Zhan Chunxin is currently the Chairman and Chief Executive Officer of the Company. The Board believes that Mr. Zhan Chunxin acting as the above two positions concurrently can more effectively facilitate the formulation and implementation of the business strategies of the Company. Through the regulation of the Board and Independent Executive Directors as well as the effective internal balancing mechanism of the Company, such arrangement will not affected the balance of the rights and authorizations regarding business management between the Board and the Company. The Board believes that such arrangement will benefit the Company and its operations.

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

The Company had adopted the code provisions regarding the purchase and sale of the Company’s shares by the Directors on the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had fully complied with the Model Code during the six months ended 30 June 2014. The Company was not aware of any noncompliance of the Model Code by any Directors or Supervisors.

Major Events

3. Audit Committee

The audit committee of the Company has discussed the accounting principles and practices adopted by the Company with the management and reviewed this report, including the interim financial report of the Group for the six months ended 30 June 2014 prepared in accordance with the International Accounting Standard No. 34.

II. Guarantee Provided

Unit: RMB million

Name of guarantee party	Disclosure date of the announcement regarding the guarantee	Guarantee limit	Actual date of event	Actual date of event	Type of Guarantee	Period of guarantee
ZOOMLION H.K. S.P.V. CO., LTD	29 March 2012	2,461.12	05 April 2012	2,461.12	General guarantee	5 years
ZOOMLION H.K. S.P.V. CO., LTD	14 December 2012	3,691.68	20 December 2012	3,691.68	General guarantee	10 years
Zoomlion International Trading (H.K.) Co., Limited			21 June 2012	287.03	General guarantee	2 years
Zoomlion International Trading (H.K.) Co., Limited			19 April 2013	307.64	General guarantee	2 years
Zoomlion International Trading (H.K.) Co., Limited	29 March 2014	4,000.00	23 July 2013	307.64	General guarantee	1 year
Zoomlion International Trading (H.K.) Co., Limited			13 August 2013	615.28	General guarantee	1 year
Zoomlion International Trading (H.K.) Co., Limited			26 February 2014	123.06	General guarantee	1 year
Zoomlion Capital (H.K.) Co., Limited	29 March 2014	1,000.00	Nil	0	Nil	Nil
Zoomlion Singapore Investment Holdings Pte. Ltd.	29 March 2014	500.00	Nil	0	Nil	Nil
Zoomlion Luxembourg Investment Holdings S.à.r.l	29 March 2014	500.00	Nil	0	Nil	Nil

Major Events

Name of guarantee party	Disclosure date of the announcement regarding the guarantee	Guarantee limit	Actual date of event	Actual date of event	Type of Guarantee	Period of guarantee
zoomlion do brasil-importacao e exportacao de equipamentos para construcao civil ltda	29 March 2014	100.00	Nil	0	Nil	Nil
中聯巴西商業、進出口混凝土機械公司	29 March 2014	50.00	Nil	0	Nil	Nil
中聯重科印度有限公司	29 March 2014	20.00	Nil	0	Nil	Nil
ZOOMLION CIFA Rus Limited Liability Company	29 March 2014	15.00	Nil	0	Nil	Nil
中聯重科俄羅斯有限公司	29 March 2014	15.00	Nil	0	Nil	Nil

III. Other Significant Events

During the period between November and December 2012, Global Entrepreneur (環球企業家) published an article, namely “Sany leaves Changsha, Liang Wen Geng’s confession (三一恨別長沙 梁穩根的內心獨白)” on its verified sina weibo, official website and printed magazine. Such untruthful report materially jeopardized the interest of the Company. The Company’s independent directors had conducted independent investigations on the allegations made against the Company as contained in such report and had published the investigation findings. On 14 March 2014, Global Entrepreneur formally published an apology on its official website <http://www.gemag.com.cn/>. Details of which are set out in the Company’s announcement published on 17 March 2014.

Changes in Share Capital and Shareholders

1. Changes in Share Capital

	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	14,436,046	0.19%	0	0	0	317,400	317,400	14,753,446	0.19%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned legal persons	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic shares	14,436,046	0.19%	0	0	0	317,400	317,400	14,753,446	0.19%
Including: shares held									
by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
shares held by domestic natural persons	14,436,046	0.19%	0	0	0	317,400	317,400	14,753,446	0.19%
4. Foreign invested shares	0	0.00%	0	0	0	0	0	0	0.00%
Including: shares held									
by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
shares held by domestic natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares not subject to sales restriction	7,691,518,004	99.81%	0	0	0	-317,400	-317,400	7,691,200,604	99.81%
1. Ordinary shares denominated in RMB (A Shares)	6,261,489,118	81.25%	0	0	0	-317,400	-317,400	6,261,171,718	81.25%
2. Domestically listed foreign invested shares	0	0.00%	0	0	0	0	0	0	0.00%
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	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	7,705,954,050	100.00%	0	0	0	0	0	7,705,954,050	100.00%

Company's shares held by new senior management are subjected to sales restriction in accordance with the requirements.

Changes in Share Capital and Shareholders

2. Number of shareholders of the Company and shareholdings

Total number of equity shareholders as at the end of the Reporting Period 422,369

Unit: share(s)

Shareholders holding more than 5% of shareholding or Top ten holders of shares

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 not subject to sales restriction
HKSCC NOMINEES LIMITED	Overseas legal person	18.52%	1,427,375,023	-411,300	1,427,375,023
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	State-owned legal person	16.26%	1,253,314,876	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	386,517,443
GOOD EXCEL GROUP LIMITED	Overseas legal person	4.72%	363,936,856	0	363,936,856
Real Smart International Limited	Overseas legal person	2.19%	168,635,602	0	168,635,602
Changsha Yifang Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	2.12%	163,364,942	0	163,364,942
Hony Capital Fund I (Tianjin), L.P.	Domestic non state-owned legal person	2.07%	159,428,548	0	159,428,548
China Jiayin Investment Co., Ltd.	State-owned legal person	1.80%	138,814,554	0	138,814,554
Anhui Investment Group Holdings Co., Ltd.	State-owned legal person	0.73%	56,180,563	0	56,180,563
Guangdong Hengjian Investment Holding Co. Ltd.	State-owned legal person	0.67%	51,955,855	0	51,955,855

Changes in Share Capital and Shareholders

Top ten holders of shares not subject to sales restriction

Name of shareholder	Number of shares held not subject to sales restriction at the end of the reporting period	Class of shares	Number of share
HKSCC NOMINEES LIMITED	1,427,375,023	Overseas listed foreign invested shares	1,427,375,023
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 Jiayin 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

Changes in Share Capital and Shareholders

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

As at 30 June 2014, so far as the Directors and chief executive of the Company were aware, 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 shares	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 shares	386,517,443	6.16	5.02
JPMorgan Chase & Co. ⁽¹⁾⁽⁶⁾	Beneficial, investment manager and custodian corporation/ approved lending agent	H shares	157,696,081(L) 10,798,151(S) 135,841,415(P)	11.02 0.75 9.49	2.05 0.14 1.76

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 (%)
BlackRock, Inc. ⁽¹⁾⁽⁷⁾	Interests of controlled corporation	H shares	73,129,110(L) 1,508,000(S)	5.11 0.11	0.95 0.02
Credit Suisse Group AG ⁽¹⁾⁽⁸⁾	Interests of controlled corporation	H shares	64,433,713(L) 22,492,442(S)	4.51 1.57	0.84 0.29
Bank of America Corporation ⁽¹⁾⁽⁹⁾	Interests of controlled corporation	H shares	66,221,968(L) 68,638,991(S)	4.63 4.80	0.86 0.89
T. Rowe Price Associates, Inc. And Its Affiliates ⁽¹⁾⁽¹⁰⁾	Beneficial	H shares	71,706,600(L)	5.01	0.93
Temasek Holdings (Private) Limited ⁽¹⁾⁽¹¹⁾	Interests of controlled corporation	H shares	71,110,700 (L)	4.97	0.92
SchrodersPlc ⁽¹⁾⁽¹²⁾	Investment Manager	H shares	71,050,600(L)	4.96	0.92
The Goldman Sachs Group, Inc. ⁽¹⁾⁽¹³⁾	Interests of controlled corporation	H shares	67,453,360(L) 69,032,167(S)	4.71 4.82	0.88 0.90
Morgan Stanley ⁽¹⁾⁽¹⁴⁾	Interests of controlled corporation	H shares	67,228,614(L) 58,519,070(S)	4.70 4.09	0.87 0.76
Citigroup Inc. ⁽¹⁾⁽¹⁵⁾	Secured interests in shares, interests of controlled corporation and custodian corporation/ approved lending agent	H shares	44,887,916(L) 34,883,686(S) 17,625,742(P)	3.13 2.43 1.23	0.58 0.45 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.

Changes in Share Capital and Shareholders

- (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.
- (6) As stated in the form of disclosure of shareholder's interests submitted by JPMorgan Chase & Co. on 3 April 2014 (the date of the relevant event set out in the form was 1 April 2014), 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 30 June 2014 (the date of the relevant event set out in the form was 26 June 2014), 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 3 April 2014 (the date of the relevant event set out in the form was 31 March 2014), 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 23 April 2014 (the date of the relevant event set out in the form was 16 April 2014), these shares were held via Bank of America Corporation.
- (10) As stated in the form of disclosure of shareholder's interests submitted by T. Rowe Price Associates, Inc. and its affiliates on 2 May 2014 (the date of the relevant event set out in the form was 30 April 2014), these shares were held via T. Rowe Price Associates, Inc. and its affiliates.
- (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 Schroders Plc on 18 October 2013 (the date of the relevant event set out in the form was 17 October 2013), these shares were held via Schroders Plc 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..
- (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..

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

For the six months ended 30 June 2014, 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.

Directors, Supervisors and Senior Management

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

Name	Position	Employment Status	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	5,152,036	0	0	5,152,036
Liu Quan	Executive Director	Incumbent	1,068,052	0	0	1,068,052
Qiu Zhongwe	Non-executive Director	Incumbent	0	0	0	0
Liu Changkun	Independent Director	Resigned	0	0	0	0
Qian Shizheng	Independent Director	Incumbent	0	0	0	0
Wang Zhile	Independent Director	Incumbent	0	0	0	0
Lian Weizeng	Independent Director	Resigned	0	0	0	0
Cao Yongang	Chairman of Supervisory Board	Incumbent	0	0	0	0
Liu Chi	Supervisor	Incumbent	379,211	0	0	379,211
Luo Anping	Employee Supervisor	Incumbent	450,055	0	0	450,055
Zhang Jianguo	Senior President	Incumbent	1,203,943	0	0	1,203,943
Yin Zhengfu	Senior President	Incumbent	842,750	0	0	842,750
He Jianming	Senior President	Incumbent	123,338	0	0	123,338
Du Youqi	Senior President	Incumbent	576,511	0	0	576,511
Fang Minghua	Senior President	Incumbent	670,776	0	0	670,776
Wang Chunyang	Senior President	Incumbent	610,814	0	0	610,814
Xu Wuquan	Senior President	Incumbent	790,426	0	0	790,426
Xiong Yanming	Vice President	Incumbent	896,525	0	0	896,525
Su Yongzhuan	Vice President	Incumbent	778,900	0	0	778,900
Guo Xuehong	Vice President	Incumbent	737,650	0	0	737,650
Sun Changjun	Vice President	Incumbent	754,076	0	0	754,076
Li Jiangtao	Vice President	Incumbent	761,710	0	0	761,710
Hong Xiaoming	Vice President and the person in charge of financial affairs	Incumbent	495,300	0	0	495,300
He Wenjin	Vice President	Incumbent	706,900	0	0	706,900
Chen Xiaofei	Vice President	Incumbent	594,400	0	0	594,400
Chen Peiliang	Vice President	Incumbent	495,200	0	0	495,200
Huang Qun	Vice President	Incumbent	423,200	0	0	423,200
Wang Yukun	Chief Information Officer	Incumbent	709,500	0	0	709,500
Shen Ke	Secretary to the Board of Directors	Incumbent	450,000	0	0	450,000
Total	—	—	19,671,273	0	0	19,671,273

Directors, Supervisors and Senior Management

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

Name	Position held	Changes	Date	Reason
Huang Qun	Vice President	Employed	11 June 2014	Appointed by the Board of Directors
Liu Changkun	Independent Director	Resigned	4 July 2014	Resigned due to the reason of age.
Lian Weizeng	Independent Director	Resigned	4 July 2014	Resigned in accordance with the requirements of "The Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Office) in Enterprises" and at the request of their respective units.

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

Each of the directors, supervisors and chief executives' interests in shares of the Company as at 30 June 2014 are set out in the section headed "Changes in Shareholdings of Directors, Supervisors and Senior Management".

As at 30 June 2014, the directors, supervisors and senior management of the Company who have interest or a short position in the shares, underlying shares or debentures of the Company or associated corporation (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or required to be disclosed to the Company and SEHK under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

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

As at 30 June 2014, save as disclosed above, none of the directors, supervisors or chief executive officer has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and SEHK pursuant to the Model Code.

As at 30 June 2014, 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.

Independent Review Report



To the directors of Zoomlion Heavy Industry Science and Technology Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 27 to 56, which comprises the consolidated balance sheet of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") and its subsidiaries (together the "Group") as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim Financial Reporting", issued by the International Accounting Standards Board. The Company's directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

KPMG

Certified Public Accountants

8/F Prince's Building

10 Chater Road

Hong Kong, China

29 August 2014

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2014

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2014 RMB millions	2013 RMB millions
Turnover	3	13,989	20,165
Cost of sales and services		(9,937)	(13,691)
Gross profit		4,052	6,474
Other revenues and net loss		(33)	(103)
Sales and marketing expenses		(1,165)	(1,526)
General and administrative expenses		(1,158)	(1,115)
Research and development expenses		(216)	(216)
Profit from operations		1,480	3,514
Net finance costs	4(a)	(372)	64
Gain on disposal of an associate		7	—
Share of profits less losses of associates		7	28
Profit before taxation	4	1,122	3,606
Income tax	5	(196)	(600)
Profit for the period		926	3,006
Other comprehensive income for the period (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		25	(55)
Change in fair value of available-for-sale equity securities		1	(1)
Total other comprehensive income for the period		26	(56)
Total comprehensive income for the period		952	2,950

Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2014
(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2014 RMB millions	2013 RMB millions
Profit attributable to:			
Equity shareholders of the Company		904	2,923
Non-controlling interests		22	83
Profit for the period		926	3,006
Total comprehensive income attributable to:			
Equity shareholders of the Company		930	2,860
Non-controlling interests		22	90
Total comprehensive income for the period		952	2,950
Basic and diluted earnings per share (RMB)	6	0.12	0.38

The notes on pages 34 to 56 form part of the interim financial report.

Consolidated Balance Sheet (Unaudited)

As at 30 June 2014
(Expressed in RMB)

	Note	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Non-current assets			
Property, plant and equipment		6,833	6,847
Lease prepayments		1,668	1,610
Intangible assets		1,493	1,320
Goodwill	8	1,825	1,796
Interests in associates		209	195
Other financial assets		148	146
Trade and other receivables	10	3,870	3,610
Receivables under finance lease	11	5,896	7,407
Pledged bank deposits		843	974
Deferred tax assets		626	644
Total non-current assets		23,411	24,549
Current assets			
Inventories	9	11,133	8,747
Other current assets		244	306
Trade and other receivables	10	27,251	26,569
Receivables under finance lease	11	12,083	10,228
Pledged bank deposits		2,051	2,441
Cash and cash equivalents	12	15,907	16,657
Total current assets		68,669	64,948
Total assets		92,080	89,497
Current liabilities			
Loans and borrowings	13(a)	10,153	8,397
Trade and other payables	14	22,849	23,891
Income tax payable		111	437
Total current liabilities		33,113	32,725
Net current assets		35,556	32,223
Total assets less current liabilities		58,967	56,772

Consolidated Balance Sheet (continued) (Unaudited)

As at 30 June 2014

(Expressed in RMB)

	Note	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Non-current liabilities			
Loans and borrowings	13(b)	15,714	12,750
Other non-current liabilities		921	1,542
Deferred tax liabilities		526	468
Total non-current liabilities		17,161	14,760
NET ASSETS		41,806	42,012
CAPITAL AND RESERVES			
Share capital		7,706	7,706
Reserves		33,647	33,873
Total equity attributable to equity shareholders of the Company		41,353	41,579
Non-controlling interests		453	433
TOTAL EQUITY		41,806	42,012

Approved and authorised for issue by the board of directors on 29 August 2014.

Zhan Chunxin

Chairman and Chief Executive Officer

Hong Xiaoming

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

The notes on pages 34 to 56 form part of the interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2014

(Expressed in RMB)

	Attributable to equity shareholders of the Company								Total equity RMB millions	
	Share capital RMB millions	Statutory					Retained earnings RMB millions	Non-controlling interests RMB millions		Total RMB millions
		Capital reserve	surplus reserve	Exchange reserve	Other reserves					
		RMB millions	RMB millions	RMB millions	RMB millions	RMB millions				
Balance at 1 January 2013	7,706	14,606	2,613	(59)	(2)	15,898	40,762	387	41,149	
Cash dividends	—	—	—	—	—	(1,541)	(1,541)	—	(1,541)	
Safety production fund	—	—	—	—	17	(17)	—	—	—	
Acquisition of non-controlling interests	—	(5)	—	—	—	—	(5)	(18)	(23)	
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(2)	(2)	
Total comprehensive income for the period	—	—	—	(62)	(1)	2,923	2,860	90	2,950	
Balance at 30 June 2013	7,706	14,601	2,613	(121)	14	17,263	42,076	457	42,533	
Balance at 1 January 2014	7,706	13,172	2,902	(110)	2	17,907	41,579	433	42,012	
Cash dividends (Note 15)	—	—	—	—	—	(1,156)	(1,156)	—	(1,156)	
Safety production fund (Note 20(b))	—	—	—	—	4	(4)	—	—	—	
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(2)	(2)	
Total comprehensive income for the period	—	—	—	25	1	904	930	22	952	
Balance at 30 June 2014	7,706	13,172	2,902	(85)	7	17,651	41,353	453	41,806	

The notes on pages 34 to 56 form part of the interim financial report.

Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2014
(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2014 RMB millions	2013 RMB million
Operating activities			
Profit before taxation		1,122	3,606
Adjustments for:			
Depreciation of property, plant and equipment		248	221
Amortisation of lease prepayments		15	14
Amortisation of intangible assets		42	35
Gain on disposal of an associate		(7)	—
Share of profits less losses of associates		(7)	(28)
Interest income		(377)	(294)
Interest expense		578	452
Loss on disposal of property, plant and equipment, and intangible assets		3	5
Loss/(gain) on re-measurement of derivative financial instruments at fair value		14	(3)
Impairment loss of property, plant and equipment		—	2
		1,631	4,010
(Increase)/decrease in inventories		(1,731)	309
Increase in trade and other receivables		(728)	(5,107)
Decrease in receivables under finance lease		1,452	2,356
(Decrease)/increase in trade and other payables		(2,750)	460
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	11	(2,353)	—
Cash (used in)/generated from operations		(4,479)	2,028
Income tax paid		(503)	(1,165)
Net cash (used in)/generated from operating activities carried forward		(4,982)	863

Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2014

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2014 RMB millions	2013 RMB million
Net cash (used in)/generated from operating activities brought forward		(4,982)	863
Investing activities			
Payment for purchase of property, plant and equipment		(293)	(419)
Lease prepayments		(73)	(108)
Payment for purchase of intangible assets		(32)	(51)
Dividends received from associates		6	1
Payment for equity investments		—	(22)
Payment for acquisition of a subsidiary, net of cash acquired		(239)	—
Cash acquired in the step acquisition of a domestic company		5	—
Proceeds from disposal of property, plant and equipment, and intangible assets		16	28
Interest received		377	294
Decrease in pledged bank deposits		521	386
Net cash generated from investing activities		288	109
Financing activities			
Proceeds from loans and borrowings		7,987	4,076
Repayments of loans and borrowings		(3,428)	(6,647)
Interest paid		(607)	(487)
Dividends paid by subsidiaries to non-controlling interests		(4)	(20)
Payment for acquisition of non-controlling interests		—	(14)
Net cash generated from/(used in) financing activities		3,948	(3,092)
Net decrease in cash and cash equivalents		(746)	(2,120)
Cash and cash equivalents at beginning of period		16,657	20,084
Effect of foreign exchange rate changes		(4)	(58)
Cash and cash equivalents at end of period	12	15,907	17,906

The notes on pages 34 to 56 form part of the interim financial report.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

1 Principal activities of reporting entity

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

2 Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2(b).

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

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

- (b) The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period. Of these, the following developments are relevant to the Group’s consolidated financial statements:

- Amendments to IAS 32, Offsetting financial assets and financial liabilities
- Amendments to IAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting
- IFRIC 21, Levies

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

2 Basis of preparation (continued)

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

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IAS 36.

Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

3 Turnover

	For the six-month period ended 30 June	
	2014 RMB millions	2013 RMB millions
Sales of		
Concrete machinery	6,030	8,929
Crane machinery	4,011	6,603
Environmental and sanitation machinery	1,643	1,411
Road construction and pile foundation machinery	603	927
Earth working machinery	409	642
Other machinery products	629	830
Finance income under finance lease	664	823
	13,989	20,165

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

4 Profit before taxation

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

(a) Net finance costs:

	For the six-month period ended 30 June	
	2014 RMB millions	2013 RMB millions
Finance income:		
Interest income	(377)	(294)
Loss/(gain) on re-measurement of derivative financial instruments at fair value	14	(3)
	(363)	(297)
Finance costs:		
Interest on loans and borrowings	578	451
Net exchange loss/(gains)	157	(218)
	735	233
	372	(64)

(b) Staff costs:

	For the six-month period ended 30 June	
	2014 RMB millions	2013 RMB millions
Salaries, wages and other benefits	1,160	1,396
Contributions to retirement schemes	123	132
	1,283	1,528

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

4 Profit before taxation (continued)

(c) Other items:

	For the six-month period ended 30 June	
	2014 RMB millions	2013 RMB millions
Cost of inventories sold	9,935	13,690
Depreciation of property, plant and equipment	248	221
Amortisation of lease prepayments	15	14
Amortisation of intangible assets	42	35
Operating lease charges	98	101
Product warranty costs	97	113
Impairment losses		
— trade receivables	184	239
— receivables under finance lease	82	93
— inventories	97	32

5 Income tax

Income tax in the consolidated statements of comprehensive income represents:

	For the six-month period ended 30 June	
	2014 RMB millions	2013 RMB millions
Current tax — PRC income tax	175	570
Current tax — Income tax in other tax jurisdictions	2	2
Deferred taxation	19	28
	196	600

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

5 Income tax (continued)

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

	For the six-month period ended 30 June	
	2014 RMB millions	2013 RMB millions
Profit before taxation	1,122	3,606
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (note (a))	281	902
Tax effect of non-deductible expenses	8	5
Tax effect of non-taxable income	(8)	(5)
Tax effect of tax concessions (note (b))	(44)	(253)
Additional deduction for qualified research and development expenses (note (c))	(41)	(49)
Actual income tax expense	196	600

Notes:

- (a) The PRC statutory income tax rate is 25% (2013: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2013: 16.5%).

The Company's overseas subsidiaries are subject to income tax at rates from 19.0% to 31.4% (2013: 27.5% to 31.4%).

- (b) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. In 2011, the Company and certain of its subsidiaries were recognised as high-technology enterprises and accordingly were subject to income tax at 15% for the years from 2011 to 2013.

The 15% preferential tax rate applicable to high-technology enterprises is subject to renewal approval jointly by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations. The Company and the subsidiaries have begun the renewal approval process. It is probable that they are qualified as high-technology enterprises. Management therefore believes 15% represents the best estimate of the annual tax rate of these entities for the year ending 31 December 2014.

In 2013, 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 in the PRC, a 50% additional tax deduction is allowed for qualified research and development expenses.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

6 Basic and diluted earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2014 is based on the profit attributable to equity shareholders of the Company of RMB904 million (six-month period ended 30 June 2013: RMB2,923 million), and the number of ordinary shares in issue of 7,706 million during the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: 7,706 million shares).

There were no dilutive potential ordinary shares in issue as at 30 June 2014 (30 June 2013: Nil).

7 Segment reporting

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six-month period ended 30 June 2014 is set out below.

	For the six-month period ended 30 June	
	2014 RMB millions	2013 RMB millions
Reportable segment revenue:		
Concrete machinery	6,030	8,929
Crane machinery	4,011	6,603
Environmental and sanitation machinery	1,643	1,411
Road construction and pile foundation machinery	603	927
Earth working machinery	409	642
Finance lease services	664	823
Total reportable segment revenue	13,360	19,335
Revenue from all other segments	629	830
Total	13,989	20,165
Reportable segment profit:		
Concrete machinery	1,439	2,809
Crane machinery	1,112	1,819
Environmental and sanitation machinery	489	396
Road construction and pile foundation machinery	202	345
Earth working machinery	22	149
Finance lease services	662	822
Total reportable segment profit	3,926	6,340
Profit from all other segments	126	134
Total	4,052	6,474

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

7 Segment reporting (continued)

Reconciliation of segment profit

	For the six-month period ended 30 June	
	2014 RMB millions	2013 RMB millions
Total segment profit	4,052	6,474
Other revenues and net loss	(33)	(103)
Sales and marketing expenses	(1,165)	(1,526)
General and administrative expenses	(1,158)	(1,115)
Research and development expenses	(216)	(216)
Net finance costs	(372)	64
Gain on disposal of an associate	7	—
Share of profits less losses of associates	7	28
Consolidated profit before taxation	1,122	3,606

8 Goodwill and business combination

	2014 RMB millions	2013 RMB millions
Balance at 1 January	1,796	1,803
Acquired through business combination	34	—
Impairment loss	—	(25)
Effect of exchange rate difference	(5)	18
Balance at 30 June/31 December	1,825	1,796

In April 2014, the Company completed the acquisitions of m-tec mathis technik GmbH and its subsidiaries (collectively “m-tec Group”) with a cash consideration of EUR41 million (equivalent to RMB346 million). M-tec Group is engaged in the manufacturing of concrete machinery with its sales primarily in Europe and China. The purpose of the business combination was to broaden the Group’s product line.

The acquisition was accounted for under the acquisition method. As the allocation of purchase price to identifiable assets acquired and liabilities assumed has not been completed by the end of June 2014, the items were reported in their provisional amounts in the interim financial statements.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

9 Inventories

	2014 RMB millions	2013 RMB millions
Raw materials	3,365	3,590
Work in progress	1,739	1,516
Finished goods (Note 11)	6,029	3,641
	11,133	8,747

10 Trade and other receivables

	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Trade receivables (Note 11)	29,141	28,671
Less: provision for impairment (Note (b))	(1,597)	(1,451)
	27,544	27,220
Less: trade receivables due after one year	(3,870)	(3,610)
	23,674	23,610
Bills receivable (Note (c))	824	848
	24,498	24,458
Amounts due from related parties (Note 19(b))	712	604
Prepayments for purchase of raw materials	259	251
Prepaid expenses	410	398
VAT recoverable	705	371
Deposits	245	125
Others	422	362
	27,251	26,569

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

10 Trade and other receivables (continued)

During the six-month period ended 30 June 2014, trade receivables of RMB4,688 million (six-month period ended 30 June 2013: RMB2,021 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 six-month period ended 30 June 2014, the Group have not made any repurchase of assets from banks and other financial institutions under such commitment (six-month period ended 30 June 2013: Nil).

(a) Ageing analysis of trade receivables

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

	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Within 1 month	4,963	5,091
Over 1 month but less than 3 months	5,754	5,599
Over 3 months but less than 1 year	10,219	11,392
Over 1 year but less than 2 years	5,517	4,648
Over 2 years but less than 3 years	943	379
Over 3 years but less than 5 years	148	111
	27,544	27,220

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. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 48 months, customers are normally required to make an upfront payment ranging from 10% to 30% of the product price.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

10 Trade and other receivables (continued)

(b) Impairment of trade receivables

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

	2014 RMB millions	2013 RMB millions
Balance at 1 January	1,451	871
Impairment losses recognised	184	591
Uncollectible amounts written off	(38)	(11)
Balance at 30 June/31 December	1,597	1,451

- (c) Bills receivable represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 6 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable.

As at 30 June 2014, 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 30 June 2014, 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 RMB164 million (31 December 2013: RMB765 million).

During the six-month period ended 30 June 2014, bills receivable of RMB3,992 million (six-month period ended 30 June 2013: RMB1,546 million) 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 Interim Financial Report

For the six-month period ended 30 June 2014

11 Receivables under finance lease

	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Gross investment	19,506	19,515
Unearned finance income	(741)	(1,149)
	18,765	18,366
Less: provision for impairment (Note (c))	(786)	(731)
	17,979	17,635
Less: receivables under finance lease due after one year	(5,896)	(7,407)
Receivables under finance lease due within one year	12,083	10,228

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. Customers are normally required to make an upfront payment ranging from 5% to 25% of the product price and pay a security deposit ranging from 1% to 10% of the product price. 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 six-month period ended 30 June 2014, no receivables under finance lease were factored to banks (six-month period ended 30 June 2013: RMB6,912 million without recourse and were 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 six-month period ended 30 June 2014, the Group made payments of RMB2,353 million (six-month period ended 30 June 2013: Nil) to banks to repurchase the repossessed equipment and/or related beneficial rights to the outstanding debt balance due from customers. As a result, the Group recorded RMB557 million as inventories for the repossessed equipment and recorded the remaining RMB1,796 million as receivables. During the six-month period ended 30 June 2014, the Group renegotiated the terms of settlement with certain customers and changed the collateral requirements on these customers. The relevant finance lease arrangements were terminated, taking into consideration of the manner of repayment and collateral pledged with the Group. Accordingly, RMB1,361 million were reclassified from receivables under finance lease to trade receivables during the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: Nil).

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

11 Receivables under finance lease (continued)

(a) Ageing analysis of receivables under finance lease

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

	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Present value of the minimum lease payments		
Within 1 year	12,582	10,643
Over 1 year but less than 2 years	3,360	3,726
Over 2 years but less than 3 years	1,926	2,504
Over 3 years	897	1,493
	18,765	18,366
Unearned finance income		
Within 1 year	526	751
Over 1 year but less than 2 years	127	230
Over 2 years but less than 3 years	61	109
Over 3 years	27	59
	741	1,149
Gross investment		
Within 1 year	13,108	11,394
Over 1 year but less than 2 years	3,487	3,956
Over 2 years but less than 3 years	1,987	2,613
Over 3 years	924	1,552
	19,506	19,515

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

11 Receivables under finance lease (continued)

(b) Overdue analysis

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

	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Not yet due	14,480	13,741
Less than 1 month past due	385	461
1 to 3 months past due	687	749
3 to 12 months past due	2,010	2,126
12 to 24 months past due	967	1,186
More than 24 months past due	236	103
Total past due	4,285	4,625
	18,765	18,366
Less: provision for impairment	(786)	(731)
	17,979	17,635

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 Interim Financial Report

For the six-month period ended 30 June 2014

11 Receivables under finance lease (continued)

(c) Impairment of receivables under finance lease

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

	2014 RMB millions	2013 RMB millions
Balance at 1 January	731	299
Impairment losses recognised	82	432
Uncollectible amounts written off	(27)	—
Balance at 30 June/31 December	786	731

12 Cash and cash equivalents

	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Cash at bank and on hand		
— RMB denominated	13,492	15,310
— USD denominated	1,623	617
— EUR denominated	476	587
— HKD denominated	202	27
— Other currencies	114	116
	15,907	16,657

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

13 Loans and borrowings

(a) Short-term loans and borrowings:

	Note	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Secured short-term bank loans			
– RMB denominated	(i)	198	832
Unsecured short-term bank loans			
– RMB denominated	(ii)	2,111	10
– JPY denominated		14	5
– EUR denominated	(iii)	320	96
– USD denominated	(iv)	5,404	5,097
Add: Current portion of long-term bank loans	13(b)	2,106	2,357
		10,153	8,397

Notes:

(i) The RMB denominated secured short-term bank loans as at 30 June 2014 were secured by certain bills receivable with a carrying value of RMB198 million (31 December 2013: secured by certain trade receivables with a carrying value of RMB832 million).

(ii) As at 30 June 2014, RMB denominated unsecured short-term loan of RMB190 million (31 December 2013: Nil) bore interest at 6.00% per annum. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2014, the Group was in compliance with these financial covenants.

As at 30 June 2014, the remaining RMB denominated unsecured short-term bank loans of RMB1,921 million (31 December 2013: RMB10 million) bore interest ranging from 5.10% to 6.00% per annum.

(iii) As at 30 June 2014, EUR denominated unsecured short-term bank loans of RMB320 million (31 December 2013: RMB96 million) bore interest ranging from 1.44% to 2.67% per annum.

(iv) As at 30 June 2014, USD denominated unsecured short-term bank loans of RMB923 million (31 December 2013: RMB2,134 million) bore interest at 1.83% per annum. Such loans were subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2014, the Group was in compliance with these financial covenants.

As at 30 June 2014, the remaining USD denominated unsecured short-term bank loans of RMB4,481 million (31 December 2013: RMB2,963 million) bore interest ranging from 1.43% to 4.33% per annum.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

13 Loans and borrowings (continued)

(b) Long-term loans and borrowings:

	Note	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Unsecured long-term bank loans			
— RMB denominated	(i)	3,680	1,282
— EUR denominated	(ii)	1,956	1,687
— USD denominated	(iii)	5,012	5,029
Unsecured bond	(iv)	1,097	1,096
Guaranteed USD senior notes	(v)	6,075	6,013
		17,820	15,107
Less: Current portion of long-term bank loans	13(a)	(2,106)	(2,357)
		15,714	12,750

Notes:

- (i) As at 30 June 2014, RMB denominated unsecured long-term bank loan of RMB700 million (31 December 2013: Nil) bore interest at 6.15% per annum and will be repayable by half-yearly instalments through 2016. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2014, the Group was in compliance with these financial covenants.

As at 30 June 2014, RMB denominated unsecured long-term bank loan of RMB999 million (31 December 2013: RMB1,000 million) bore interest at 4.20% per annum and will be repayable by half-yearly instalments through 2015.

As at 30 June 2014, RMB denominated unsecured long-term bank loan of RMB499 million (31 December 2013: RMB100 million) bore interest at 4.93% per annum and will be repayable by half-yearly instalments through 2016.

As at 30 June 2014, RMB denominated unsecured long-term bank loan of RMB300 million (31 December 2013: Nil) bore interest at 6.15% per annum and will be repayable by half-yearly instalments through 2017.

As at 30 June 2014, RMB denominated unsecured long-term bank loan of RMB500 million (31 December 2013: Nil) bore interest at 6.15% per annum and will be repayable in full in 2016.

As at 30 June 2014, RMB denominated unsecured long-term bank loan of RMB500 million (31 December 2013: Nil) bore interest at 6.15% per annum and will be repayable in full in 2017.

The remaining RMB denominated unsecured long-term bank loan of RMB182 million (31 December 2013: RMB182 million) bore interest at 4.93% per annum and will be repayable in full in 2015.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

13 Loans and borrowings (continued)

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

- (ii) As at 30 June 2014, EUR denominated unsecured long-term bank loans of RMB1,678 million (31 December 2013: RMB1,684 million) bore interest ranging from 1.68% to 1.98% per annum and will be repayable in full in June 2016.

As at 30 June 2014, EUR denominated unsecured long-term bank loans of RMB275 million (31 December 2013: Nil) bore interest at 4.27% per annum and will be repayable by half-yearly instalments through 2022.

The remaining EUR denominated unsecured long-term bank loans of RMB3 million (31 December 2013: RMB3 million) will be repayable by quarterly instalments through 2017.

- (iii) As at 30 June 2014, USD denominated unsecured long-term bank loan of RMB941 million (31 December 2013: RMB933 million) bore interest at 3.23% per annum and had maturity of 3 months from the balance sheet date. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 30 June 2014, the Group was in compliance with these financial covenants.

As at 30 June 2014, USD denominated unsecured long-term bank loan of RMB1,692 million (31 December 2013: RMB1,707 million) bore interest at 2.33% per annum and will be repayable by half-yearly instalments through 2016. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 30 June 2014, the Group was in compliance with these financial covenants.

As at 30 June 2014, USD denominated unsecured long-term bank loan of RMB271 million (31 December 2013: RMB274 million) bore interest at 3.00% per annum and will be repayable by half-yearly instalments through 2015. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 30 June 2014, the Group was in compliance with these financial covenants.

As at 30 June 2014, USD denominated unsecured long-term bank loan of RMB184 million (31 December 2013: RMB183 million) bore interest at 2.90% per annum and will be fully repayable in 2015. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2014, the Group was in compliance with these financial covenants.

The remaining USD denominated unsecured long-term bank loans of RMB1,924 million (31 December 2013: RMB1,932 million) bore interest ranging from 1.96% to 3.23% per annum and had maturities ranging from 1 month to 26 months from the balance sheet date.

- (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.
- (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 were 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 half-yearly 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 were 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 half-yearly in arrears in June and December of each year, beginning from June 2013.

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

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

14 Trade and other payables

	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Trade creditors	8,709	8,629
Bills payable	7,265	7,027
Trade creditors and bills payable (note)	15,974	15,656
Amounts due to related parties (Note 19(b))	24	27
Receipts in advance	1,197	1,066
Payable for acquisition of property, plant and equipment	599	750
Accrued staff costs	285	676
VAT payable	41	616
Security deposits	890	1,091
Product warranty provision	99	116
Sundry taxes payable	212	303
Payables for factoring discount	226	478
Dividend payable (Note 15)	1,156	—
Cash collected on behalf of banks	697	1,550
Provision for financial guarantees obligation	255	248
Other accrued expenses and payables	1,194	1,314
	22,849	23,891

Note:

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

	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Due within 1 month or on demand	6,374	6,091
Due after 1 month but within 3 months	4,907	4,760
Due after 3 months but within 6 months	3,856	4,020
Due after 6 months but within 12 months	837	785
	15,974	15,656

15 Profit appropriation and dividend payable

Pursuant to the shareholders' approval at the Annual General Meeting held on 27 June 2014, a final cash dividend of RMB0.15 per share based on 7,706 million ordinary shares in issue totalling RMB1,156 million in respect of the year ended 31 December 2013 was declared.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

16 Fair value measurement of financial instruments

(a) Financial instruments measured at fair value

The fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis was 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.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group's available-for-sale listed equity securities are measured at fair value using the Level 1 valuations. The fair value of the Group's available-for-sale listed equity securities was RMB5 million as at 30 June 2014 (31 December 2013: RMB4 million).

As at 30 June 2014 and 31 December 2013, the Group does not have significant financial instruments using the Level 2 and the Level 3 valuations.

During the six-month period ended 30 June 2014 and the year ended 31 December 2013, there were no transfers between Level 1 and Level 2, or transfers into or 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.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2013 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	30 June 2014 RMB millions		31 December 2013 RMB millions	
	Carrying amount	Fair value	Carrying amount	Fair value
Senior notes	6,075	6,180	6,013	5,898

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 Interim Financial Report

For the six-month period ended 30 June 2014

17 Commitments

(a) Capital commitments

As at 30 June 2014, the Group had capital commitments as follows:

	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Authorised and contracted for		
– property, plant and equipment	389	623
– intangible assets	6	22
– lease prepayments	–	66
	395	711
Authorised but not contracted for		
– property, plant and equipment	10	94

(b) Operating lease commitments

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

As at 30 June 2014, the future minimum lease payments under operating lease are as follows:

	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Within 1 year	120	133
After 1 but within 2 years	78	76
After 2 but within 3 years	61	67
After 3 but within 4 years	39	47
After 4 but within 5 years	25	40
Thereafter	30	37
	353	400

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

18 Contingent liabilities

(a) Financial guarantees issued

Certain customers of the Group from time to time may finance their purchase of the Group's machinery products through bank loans, and the Group provides guarantees to the banks for the amount drawn by customers. Under the guarantee arrangement, in the event of customer default, the Group is required to repossess the machinery collateralising the bank loans, and is entitled to sell the machinery and retain any net proceeds in excess of the guarantee payments made to the banks. As at 30 June 2014, the Group's maximum exposure to such guarantees was RMB15,770 million (31 December 2013: RMB15,044 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 six-month period ended 30 June 2014, the Group made payments of RMB244 million (six-month period ended 30 June 2013: RMB123 million) to the banks for repossession of machinery under the guarantee arrangement as a result of customer default.

Certain of the Group's finance lease contracts with end-user customers are jointly provided by the Group's leasing subsidiaries and a third-party leasing company. Under the joint leasing arrangement, the Group provides guarantee to the third-party leasing company that in the event of customer default, the Group is required to make payment to the leasing company for its share of the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing company. As at 30 June 2014, the Group's maximum exposure to such guarantees was RMB65 million (31 December 2013: RMB142 million). The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. For the six-month period ended 30 June 2014, the Group made no payments (six-month period ended 30 June 2013: 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 30 June 2014, the Group's maximum exposure to such guarantees was RMB2,356 million (31 December 2013: RMB2,526 million). The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. For the six-month period ended 30 June 2014, there was no payment made for repossession of machinery incurred (six-month period ended 30 June 2013: Nil) under the guarantee arrangement as a result of customer default.

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For the six-month period ended 30 June 2014

18 Contingent liabilities (continued)

(b) Contingent liability in respect of legal claims

The Group is a defendant in certain lawsuits as well as the named party in certain proceedings arising in the ordinary course of business. Management has assessed the likelihood of any unfavourable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

19 Related party transactions

(a) Transactions with related parties

	For the six-month period ended 30 June	
	2014 RMB millions	2013 RMB millions
Transactions with associates:		
Sales of products	344	1,097
Purchase of raw materials	17	16

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.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2014

20 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

	As at 30 June 2014 RMB millions	As at 31 December 2013 RMB millions
Total equity reported under PRC GAAP	41,846	42,052
— Acquisition-related costs incurred on prior year business combination	(40)	(40)
Total equity reported under IFRSs	41,806	42,012

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

	For the six-month period ended 30 June	
	2014 RMB millions	2013 RMB millions
Total comprehensive income for the period reported under PRC GAAP	948	2,933
— Safety production fund (Note)	4	17
Total comprehensive income for the period reported under IFRSs	952	2,950

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 purchased 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.

21 Post balance sheet event

The Company proposed to acquire 60% equity interest of Chery Heavy Industry Co., Ltd. with a cash consideration of RMB2,088 million and the related equity exchange contract has been entered into on 19 August 2014. The completion of the proposed acquisition is subject to the approval from the relevant government authorities and the completion of equity transfer registration.

