

ZOOMLION 中联重科

中联重科股份有限公司
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

2015

Interim Report



* For identification purpose only

Important Notice

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.

Dr. Zhan Chunxin, Chairman of the Board of the Company, Ms. Du Yigang, Vice-president, and Ms. Kong Chunliang, head of financial management department, warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.

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 2015.



Zoomlion Heavy Industry Science and Technology Co., Ltd.

2015 Interim Report

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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: Fangda Partners
 27/F North Tower Beijing Kerry Centre, 1 Guanghua Road Chaoyang District,
 Beijing 100020, China
- 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 (“Baker Tilly China”)
 Address: Room 208, Block B, Huatong Building, B19 Chegongzhuang West Road,
 Haidian District, Beijing, PRC
- International auditors: KPMG
 Address: 8/F, Prince’s Building, 10 Chater Road, Central, Hong Kong

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	Changes
Operating income	10,571,350,008.70	13,988,787,862.47	-24.43%
Net (loss)/profit attributable to equity shareholders of the Company	-309,832,566.03	900,058,151.68	-134.42%
Net (loss)/profit after extraordinary gain and loss attributable to equity shareholders of the Company	-398,951,331.54	826,078,707.59	-148.29%
Net cash flow from operating activities	-4,180,598,034.42	-4,604,736,392.37	9.21%
Basic earnings per share (RMB/share)	-0.04	0.12	-133.33%
Diluted earnings per share (RMB/share)	-0.04	0.12	-133.33%
Weighted average return on net assets	-0.78%	2.14%	A decrease of 2.92 percentage points

Unit: RMB

	As at the end of the Reporting Period	As at the end of last year	Change in the end of the Reporting Period as compared with the end of last year
Total assets	100,788,488,692.08	93,757,955,793.25	7.50%
Net assets attributable to the equity shareholders of the Company	40,133,241,785.05	40,830,793,317.80	-1.71%

Extraordinary items and amounts

Unit: RMB

Items	Amounts
Loss on disposal of non-current assets (including written off of provision for impairment of assets)	14,837,632.65
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	68,211,255.18
Excess of interest in the fair value of investees' identifiable net assets over investment costs of subsidiaries, associates and joint ventures acquired	2,216,082.37
Gain/(loss) from debt restructuring	-23,607,352.34
Change in fair value of financial assets and liabilities held for trading and gain from disposal of financial assets held for sale other than financial assets and liabilities held under hedging arrangement in relation to normal business	25,828,019.34
Non-operating income and expenses other than those set out above	33,363,527.91
Less: Income tax effect	18,635,065.60
Minority interests after tax	13,095,334.00
Total	89,118,765.51

Principal Financial Data and Indicators

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

	For the six-month period ended 30 June	
	2015 RMB millions	2014 RMB millions
Revenue	10,571	13,989
(Loss)/profit before taxation	(304)	1,122
Income tax	(20)	(196)
(Loss)/profit for the period	(324)	926
(Loss)/profit attributable to:		
Equity shareholders of the Company	(299)	904
Non-controlling interests	(25)	22
Basic and diluted earnings per share (RMB)	(0.04)	0.12
Gearing ratio (%) (Note)	59.35%	54.60%

	As at	
	30 June 2015 RMB millions	31 December 2014 RMB millions
Non-current assets	22,296	23,847
Current assets	78,452	69,871
Current liabilities	35,999	25,211
Net current assets	42,453	44,660
Total assets less current liabilities	64,749	68,507
Total non-current liabilities	23,790	27,299
Net assets	40,959	41,208
Total equity attributable to equity shareholders of the Company	40,092	40,791
Non-controlling interests	867	417

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 total comprehensive income under IFRSs are analysed as follows:

Unit: RMB million

	Total comprehensive income		Total equity	
	Six months ended 30 June		As at	As at
	2015	2014	30 June 2015	30 June 2014
Under PRC accounting rules	-350	948	40,999	41,248
Items and amounts adjusted under IASs				
– Acquisition related costs incurred on prior year business combination (Note (1))			-40	-40
– Special reserve for safety production fund (Note (2))	11	4		
Under IFRSs	-339	952	40,959	41,208

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

BUSINESS REVIEW AND OUTLOOK

I. Overview

In the first half of 2015, the growth of the global economy was slower than expected. Economic growth in external demand experienced a severe situation. Under the new normal condition, the domestic economic growth was under huge down shift pressure and adjustment to economic structure was intensified. Downward pressure and challenges hindered the growth of economy. Construction machinery industry is facing the challenges of severe overcapacity, sluggish demand, significant drop in profit and the “deep adjustment”. The fundamentals of agricultural machinery industry continued to improve, with the operating income realizing an increase of 7.1% for the first half of 2015 as compared to the same period of last year, according to the data from the Association of Agricultural Machinery Manufacturers. There is a great growth potential in the environmental industry. However, the competition landscape featuring the lack of technical resolutions, domination by small to medium sized enterprises, homogeneous competition, high dispersion of market concentration and increase of new entries still existed in the industry.

During the Reporting Period, the Group’s revenue is RMB10.571 billion and the loss attributable to the parent company is approximately RMB299 million. Revenue of the Group in the first half of 2015 recorded a decrease of 24.43% as compared to the same period of last year, which was mainly due to the further shrinkage of market demand for the two major products in the construction machinery sector, namely concrete machinery and crane machinery, and the tightened sales policies maintained by the Group. However, the Group’s market share of concrete machinery and crane machinery still ranked among the top in the industry. The Group recorded an increase of revenue in two emerging sectors, namely the agricultural machinery and the environmental industry, as compared to the same period of last year, which accounted for 34.8% of the revenue of the Group and became a new growth point.

Facing the most complicated and worst external environment in history, the Group strictly adheres to the strategy of “Strategic improvement, management reform, product upgrading and business transformation”, and continues to pay efforts in improving efficiency, streamlining operation, increasing revenue, reducing costs and enhancing effectiveness, with an aim to explore the operating concepts and methods applicable for the new normal condition of macro economy with new thoughts and initiatives.

Management Discussion and Analysis

A. Review of the Group's business condition

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

In addition to the continuous efforts in the construction machinery sector, the Group also accelerated the pace of transformation and expanding to the environmental industry, agricultural machinery and financial service sectors, and have successfully transformed to an equipment manufacturer which integrated the four sectors, namely construction machinery, environmental industry, agricultural machinery and financial services.

Firstly, as regard to environmental industry, the Group has completed the transformation from a supplier of providing environmental and sanitation equipment to a comprehensive solution provider and investment operator in the environmental industry.

The Group achieved breakthroughs in the disposal of kitchen waste and construction waste as well as the industrialization of waste classification equipment in the sector of environmental industry. Particularly, the Group would introduce international advanced technology to the environmental industry through the acquisition of Italian company LADURNER. In addition, taking Huaian Chenjie (淮安晨潔) project as a pilot platform, the international advanced technology from LADURNER will be integrated into the operation of the project, which will become a sample project of kitchen waste treatment.

Secondly, as regard to the agricultural machinery sector, it experienced a good momentum of growth. In the first half of 2015, the revenue from agricultural machinery exceeded other industry players. Since the acquisition of Chery Heavy Industry, the agricultural machinery sector of the Group strived to become a domestic leading provider of overall solution for the mechanization of agricultural production, and has established a research center in North America to carry out the research and development of agricultural machinery products with functions of ploughing, seeding, cultivating, harvesting and drying. For research and development, the exemplary project of integration of agricultural machinery and agronomy for ultra high yield hybrid rice had successfully gained a significant position in agricultural machinery market. With the establishment of the Hebei Demonstration Base based on Internet Plus remote intelligent control technology, the agricultural machinery sector was pushed forward towards the direction of "intelligent agriculture and precise agriculture".

Management Discussion and Analysis

Thirdly, the value of “integration of industry and finance” was gradually realized. The finance company was formally established to provide high-quality, comprehensive and personalized financial service for its member companies. The finance company will carry out functions including funds centralized management, funds settlement, financing and financial service, and will develop into the Group’s global intensive capital management center, financial integration service center as well as integrated industrial and financial profit center. As a management holding platform of financial services business, the establishment of Zoomlion Capital Management Co., Ltd. will accelerate the integration of industry and finance of the Group, and provide comprehensive financial service and support for the Group, allowing it to develop into a world leading high-end equipment manufacturer.

2. *Accelerating the promotion of global market exploration and realizing new development at a high starting point*

In order to accelerate the promotion of corporate internationalization process of “going global” and “going integration”, the Group had established a office focused on “One Belt and One Road” with a view to maintain a close relationship with sizable construction companies that adhered to the “One Belt and One Road” policy. By taking the initiative to build a office at Sino-Belarus Industrial Park, the Company will commence a new starting point on the road of internationalization under the government policy of “One Belt and One Road”.

The differentiated marketing strategy of “one policy for one country” and “one policy for one district” in targeted regions like Pan-Pacific, Africa, Central Asia, Middle East and South Asia was comprehensively promoted to meet the specific needs of different markets. During the Reporting Period, under the background of industry decline in exports as a whole, the revenue from the export of the construction crane machinery, road construction and pile foundation machinery increased by 69% and 199% year on year, respectively.

3. *Further strengthening the reform of business model and cultivating new drivers for competitive edge*

The Group continued to explore and reform the traditional business model of equipment manufacturing industry, and had positively implemented and enriched the idea and plan of “Internet Plus”.

Management Discussion and Analysis

Firstly, the Group established a specialized organizational body with professional talents, with an aim to create and improve the innovative commercial platform; and secondly, the Company conducted trial operation in various fields. In terms of marketing, “Wechatmall” was officially operated online. Through this platform, the Group could directly interact with customers by mobile internet tools and big data analysis method, which would lay a solid foundation for precise marketing; in terms of smart service, the Group provided its customers with tailor-made smart services through mobile terminal equipment, Wechat and other applications under the support of the cloud platform; in terms of lean production, the Group transformed its production mode from make-to-forecast to mark-to-order, which will build a foundation for strengthening competitive advantages and enhancing operation efficiency.

4. *Consolidating industry leading position by self-initiated innovations*

The Group has been pushing forward its “Blue Number 5” Scheme and speeding up the industrialization of products in the fields of machine-made sand, dry mixed mortar, waste classification and construction waste treatment.

We aimed to facilitate the breakthrough in technologies for critical parts and components under the auspices of fundamental innovation. In addition to the extension of applications of carbon-fiber composite materials, the Group was committed to the research and development of smart sensors and systems so as to enhance the sophistication of smart products. Efforts were also made to improve the overall R&D and manufacturing capabilities of hydraulic cylinders and hydraulic valve.

During the Reporting Period, QAY800V743 all-terrain truck crane developed by the Group received the “Golden Award for Contribution to Application” in the “Top 50 Products of the Year for China’s Engineering Machinery 2015”. The launch of large-power tractors marked the progress of development of agricultural equipment towards high-end products. In the “Top 50 Products of the Year for China’s Agricultural Machinery 2014”, the Gu Wang TB60 combine wheat harvester, Gu Wang DC150 batch-processing circulating grain dryer and Gu Wang PQ45 fully hydraulic crawler rice combine harvester received the “Golden Award for Contribution to Application”, “Market Leader Award” and “Technological Innovation Award” respectively.

In the first half of 2015, the Group obtained 548 patents in the PRC, of which 332 were invention patents, representing an increase of 100% as compared with the same period of last year.

Management Discussion and Analysis

The consultation draft of the proposed global standards — the *Safety Standards for the Remote Operation of Lifting Machinery*, a project led by the Company, was completed, which will procure further breakthrough in turning the domestic standards into the global standards.

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

(1) Determined to control operational risks

Firstly, enhancing the risk control of trade receivables. Due to the market changes, we have adopted the diversified market management policies, including recovery measures designed for collecting overdue payments from clients so to reinforce debts collection efforts; the Group strived to strictly control the new risks in terms of multiple aspects, including tightening credit policy, strengthening assessment of credibility of customers, self-initiated elimination of low quality orders and enforcing the accountability for overdue payment collection.

Secondly, strengthening the management of equipment. The Group accelerated the disposal of second-hand equipment by introducing sales measure, such as value conservation leasing, franchise leasing, and after-sale leasing under the foundation of traditional sales methods, and expansion of sales channel for second-hand equipment by using the Group's WeChat, e-commercial channels and other Internet Plus platforms; efforts were also made to minimize the risk of losing track of the equipment by applying the technology of Internet of Things, and carrying out tracing, alerting, examination and testing of the equipment.

(2) Accelerating the upgrading and transformation of the Company's products

In order to sort out and improve the product spectrum, we had fully considered the product serialization, modularization, and cost effectiveness, use of general-purpose components and convenient service and maintenance, with a view to enhance the overall competitive edge of our products by maximizing and improving product performance, quality, costs control and services in an effective way.

(3) Promoting cost reduction and efficiency enhancement in all respects

Firstly, to promote cost reduction in the operation processes including design, procurement, manufacturing, selling, provision of service and function management etc.;

Secondly, to streamline the process and eliminate items with no added value so as to improve work efficiency;

Management Discussion and Analysis

Thirdly, to optimize the organizational structure, reduce management personnel, improve market resilience and decrease hidden management costs.

- (4) Strictly Implementing comprehensive budget management
The Group implemented comprehensive information management and control over the budget, in respect of comprehensive control over the production, procurement, capitals and fees etc., and real-time supervision and deployment, so as to carry out the concept of refined operation into practice.
- (5) Enhancing team building
The Group organized various activities to increase positive energy and foster craftsmanship spirit among employees, and took various measures to improve quality of the officers and key staff, enhance the accountability structure of the officers and key staff, stabilize the team of the officers and key staff and inspire the vitality and creativity of the employees.

B. Business Outlook for Future Development of the Company

(I) Industry development trend and market outlook

1. Construction machinery market

Due to the sluggish market sentiment on investment of fixed assets and properties, and the high rate of terminal equipment ownership in the PRC, in the second half of 2015, we will continue to face the issue of weak demand in the industry. Rebound and improvement of the industry in the near term will hardly be materialized. In the second half of 2015, as the Chinese government will adhere to the positive fiscal policies and also maintain optimal and stable monetary policies, moderate growth in infrastructure investment will be expected. The Chinese government will also encourage the commencement of the approved infrastructure investment projects, which will drive the demand from end users in some regions.

In terms of overseas market, construction machinery companies will leverage on the implementation of the national “One Belt and One Road” policy to enhance market exploration in Eastern Asia, South East Asia, Central Asia, Africa and South America, where market demands are strong, through strategic investments in foreign countries, supporting foreign projects and setting up localized factories.

Management Discussion and Analysis

2. Environmental industry market

In the second half of 2015, demand in the environmental and sanitation machinery market will remain stable. However, the environmental industry is having unprecedented growth opportunities, and will maintain the fast growing momentum. With the advancement of the initiatives for environmental protection, businesses involving daily waste classification, disposal of kitchen waste and construction waste, treatment of leachate, sewage and sludge will embrace brighter prospect. The rapid development of provincial and municipal PPP projects is expected to incubate certain medium to large-scale orders. It is expected that companies with higher technology innovation capabilities, better networks, stronger brand influence and sufficient capital will have a competitive edge.

3. Agricultural machinery market

The penetration of agricultural machinery is expected to continue its growing path against the backdrop of structural shift in rural labour force, agricultural modernization and centralization of production. Following the trend of integration among traditional agricultural machinery and Internet, Internet of Things and the technology of big data, the agricultural machinery will break through the boundary of conventional manufacturing industry, and bring about a new era of integration between agricultural machinery and agronomy, as well as the combination of smart services and manufacturing of equipment. The industrial segment of high-end agricultural machinery featuring all-round operation, large size and smart functions will enter the fast lane of development. Opportunities for capturing larger market share will arise for those industry players with advantages in terms of technology, brand, channel and capital.

(II) Major business objectives in the second half of 2015

In the second half of 2015, the Group intends to focus on the development of the “2+2+4” strategy. By relying on the capabilities in the product and capital markets, the Group will strive to achieve the integration between the manufacturing industry and the Internet, and the integration between industry and finance, with a view to further developing the four segments, namely the construction machinery, environmental industry, agricultural machinery and financial services sectors, and facilitating the transformation of the Group into a world class high-end equipment manufacturer.

Management Discussion and Analysis

II. Analysis of Financial Position

1. Analysis of Operating Income and Profit

In the first half of 2015, the Group's revenue was RMB10.571 billion. With respect to product segment, the Group recorded a significant decrease of revenue in concrete machinery and crane machinery products as compared to the same period of last year, resulting in a decrease in revenue. The Group's revenue recorded a decrease of 52.97% and 35.55% in concrete machinery and crane machinery products, respectively, mainly due to the further shrinkage of market demand for the two major products in the construction machinery sector, namely concrete machinery and crane machinery, and the tightened sales policies maintained by the Group.

The Group's revenue recorded an increase of 7.43% and 18.10% in two emerging sectors, namely the environmental industry and the newly acquired agricultural machinery, respectively, as compared to the same period of last year, which accounted for approximately 34.8% of the revenue of the Group and became a new growth point.

As a result of the foregoing, the Group's net loss attributable to shareholders of the parent company amounted to RMB299 million in the first half of 2015.

2. Cash Flow and Capital Expenditure

The Group financed the operations primarily through loans and borrowings. As of 30 June 2015, the Group had RMB14.072 billion in cash and cash equivalents, 90.88% of which were denominated in Renminbi. Cash and cash equivalents primarily consist of cash and deposits at bank.

(1) Operating activities

For the six months ended 30 June 2015, net cash used in operating activities was RMB4.527 billion, mainly due to the payments of purchase by suppliers exceeding over the sales proceeds during the current Reporting Period.

(2) Investing activities

For the six months ended 30 June 2015, net cash generated from investing activities was RMB1.108 billion, consisting primarily of: interest received of RMB345 million, cash inflow of RMB537 million as a result of a decrease in pledged deposits, cash inflow of RMB1.048 billion generated from acquisition of a subsidiary, partially offset by the cash outflow of RMB100 million for the purchases of property, plant and equipment and cash outflow of RMB1 billion for the acquisition of available-for-sale financial assets.

Management Discussion and Analysis

(3) Financing activities

For the six months ended 30 June 2015, net cash generated from financing activities was RMB3.063 billion, consisting primarily of: (1) new bank and other borrowings of RMB8.786 billion, offset by repayments of bank and other borrowings of RMB4.687 billion; (2) interest payments of RMB600 million; (3) payments to non-controlling share holders of RMB422 million due to the capital reduction of Zoomlion Heavy Machinery Co., Ltd., formerly Chery Heavy Industry Co., Ltd..

(4) Capital expenditures

In the first half of 2015, the capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB432 million.

(5) Credit policies

Please refer to notes 10 and 11 in the unaudited interim financial report for the details of credit policies adopted by the Company.

3. Commitments and Contingent Liabilities

As at 30 June 2015, our commitments consisted of capital commitments of RMB660 million and operating lease commitments of RMB315 million, of which RMB116 million was payable within one year.

Please refer to note 18 in the unaudited interim financial report for the details of our contingent liabilities as at 30 June 2015.

4. Pledge of Assets

Please refer to note 13 in the unaudited interim financial report for the details of our pledge of assets as at 30 June 2015.

Management Discussion and Analysis

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

Date of reception	Place of reception	Activity	Type of target group	Target group	Particulars and information provided
5 May 2015	Hong Kong	Strategic meeting	Institution	Macquarie	I. Main content
6 May 2015	Ningbo	Strategic meeting	Institution	Haitong International	1. The prospect of the industry in 2015; 2. The development history, historical operation condition and strategic plans of the Company;
11 May 2015	Chengdu	Strategic meeting	Institution	CLSA	3. The competition and comparison of advantages of various product segments in the industry;
15 May 2015	Shanghai	Strategic meeting	Institution	HSBC	
29 May 2015	Beijing	Strategic meeting	Institution	Morgan Stanley	
26 June 2015	Xiangtan	Strategic meeting	Institution	Galaxy 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 2014.

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 2015, 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 2015. The Company was not aware of any non-compliance of the Model Code by any Directors or Supervisors.

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 2015 prepared in accordance with the International Accounting Standard No. 34.

Changes in Share Capital and Shareholders

1. Change in share capital

Unit: share(s)

	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	14,930,171	0.19%	0	0	0	-898,124	-898,124	14,032,047	0.18%
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	14,930,171	0.19%	0	0	0	-898,124	-898,124	14,032,047	0.18%
Including: shares held									
by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
shares held by domestic natural persons	14,930,171	0.19%	0	0	0	-898,124	-898,124	14,032,047	0.18%
4. Foreign invested shares	0	0.00%	0	0	0	0	0	0	0.00%
Including: shares held									
by overseas legal persons	0	0.00%	0	0	0	0	0	0	0.00%
shares held by overseas natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares not subject to sales restriction	7,691,023,879	99.81%	0	0	0	898,124	898,124	7,691,922,003	99.82%
1. Ordinary shares denominated in RMB	6,260,994,993	81.25%	0	0	0	898,124	898,124	6,261,893,117	81.26%
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%

Changes in Share Capital and Shareholders

2. Number of shareholders of the Company and shareholdings

Unit: share(s)

Total number of holders of ordinary shares as at the end of the Reporting Period

593,923

Holders of ordinary shares with more than 5% interest or top ten shareholders

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Total number of ordinary share held as at the end of the Reporting Period	Changes during the Reporting Period	Number of ordinary shares subject to sales restriction	Number of ordinary shares not subject to sales restriction	Number of shares pledged or charged	Status	Number
HKSCC NOMINEES LIMITED	Overseas legal person	18.53%	1,427,665,483	8,720	0	1,427,665,483			
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	State-owned legal person	16.26%	1,253,314,876	0	0	1,253,314,876			
Changsha Hesheng Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	5.02%	386,517,443	0	0	386,517,443			
GOOD EXCEL GROUP LIMITED	Overseas legal person	2.19%	168,635,680	0	0	168,635,680			
Real Smart International Limited	Overseas legal person	2.19%	168,635,602	0	0	168,635,602			
Changsha Yifang Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	2.04%	156,864,942	-6,500,000	0	156,864,942			
Hony Capital Fund I (Tianjin), L.P.	Domestic non state-owned legal person	0.84%	64,600,000	-94,828,548	0	64,600,000			
China Jianyin Investment Co., Ltd.	State-owned legal person	0.32%	24,340,809	0	0	24,340,809			
Guangdong Hengjian Investment Holding Co. Ltd.	State-owned legal person	0.31%	24,000,000	-27,955,855	0	24,000,000			
China Merchants Securities Co., Ltd. – Anxin CSI One Belt and One Road Theme Index Classified Fund (招商證券股份有限公司 – 安信中證一帶一路主題指數分級證券投資基金)	Others	0.28%	21,420,435	21,420,435	0	21,420,435			
Description of the connected relationships or action in concert between the above shareholders	Changsha Hesheng Science and Technology Investment Co., Ltd., GOOD EXCEL GROUP LIMITED and Changsha Yifang Science and Technology Investment Co., Ltd. are parties acting in concert.								

Changes in Share Capital and Shareholders

Top ten holders of ordinary shares not subject to sales restriction

Name of shareholder	Number of ordinary shares not subject to sales restriction as at the end of the Reporting Period	Class of shares	Number
HKSCC NOMINEES LIMITED	1,427,665,483	Overseas-listed foreign-invested shares	1,427,665,483
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	168,635,680	Ordinary shares denominated in RMB	168,635,680
Real Smart International Limited	168,635,602	Ordinary shares denominated in RMB	168,635,602
Changsha Yifang Science and Technology Investment Co., Ltd.	156,864,942	Ordinary shares denominated in RMB	156,864,942
Hony Capital Fund I (Tianjin), L.P.	64,600,000	Ordinary shares denominated in RMB	64,600,000
China Jiayin Investment Co., Ltd.	24,340,809	Ordinary shares denominated in RMB	24,340,809
Guangdong Hengjian Investment Holding Co. Ltd.	24,000,000	Ordinary shares denominated in RMB	24,000,000
China Merchants Securities Co., Ltd. — Anxin CSI One Belt and One Road Theme Index Classified Fund (招商證券股份有限公司 — 安信中證一帶一路主題指數分級證券投資基金)	21,420,435	Ordinary shares denominated in RMB	21,420,435
Description of the connected relationships or action in concert among top ten holders of ordinary shares not subject to sales restriction, and between top ten holders of ordinary shares not subject to sales restriction and top ten holders of ordinary shares	Changsha Hesheng Science and Technology Investment Co., Ltd., GOOD EXCEL GROUP LIMITED and Changsha Yifang Science and Technology Investment Co., Ltd. are parties acting in concert.		

Changes in Share Capital and Shareholders

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

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

As at 30 June 2015, 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 shares issued (%)
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government	Beneficial	A shares	1,253,314,876	19.97	16.26
Changsha Hesheng Science and Technology Investment Co., Ltd. ⁽²⁾	Beneficial	A shares	386,517,443	6.16	5.02
Chinese Academy of Sciences ⁽³⁾⁽⁴⁾	Interests of controlled corporation	A shares	233,235,602	3.72	3.03
Chinese Academy of Sciences Holdings Co., Ltd. ⁽³⁾⁽⁴⁾	Interests of controlled corporation	A shares	233,235,602	3.72	3.03
Legend Holdings Limited ⁽⁴⁾⁽⁵⁾	Interests of controlled corporation	A shares	233,235,602	3.72	3.03
Rise Honour Investments Limited ⁽⁵⁾	Interests of controlled corporation	A shares	168,635,602	2.69	2.19
Hony Capital II L.P. ⁽⁵⁾	Interests of controlled corporation	A shares	168,635,602	2.69	2.19
Hony Capital II GP Ltd. ⁽⁵⁾	Interests of controlled corporation	A shares	168,635,602	2.69	2.19
Right Lane Limited ⁽⁵⁾	Interests of controlled corporation	A shares	168,635,602	2.69	2.19
Unique Element Corp. ⁽¹⁾⁽⁶⁾	Interests of controlled corporation	H shares	100,809,800(L)	7.04	1.31
Morgan Stanley ⁽¹⁾⁽⁷⁾	Interests of controlled corporation	H shares	83,469,942(L) 78,981,777(S)	5.83 5.52	1.08 1.02
UBS AG ⁽¹⁾⁽⁸⁾	Interests of controlled corporation	H shares	78,171,883(L) 27,748,000(S)	5.47 1.94	1.01 0.36
UBS Group AG ⁽¹⁾⁽⁹⁾	Person having a security interest in shares	H shares	47,379,152(L)	3.31	0.61
	Interests of controlled corporation		30,792,731(L) 27,748,000(S)	2.15 1.94	0.40 0.36

Changes in Share Capital and Shareholders

Notes: L refers to long position. S refers to short position.

- (1) The disclosure is based on the information available on the website of SEHK (www.hkexnews.com.hk).
- (2) Changsha Hesheng Science and Technology Investment Co., Ltd. is an investment entity controlled and owned by the management of the Group.
- (3) Chinese Academy of Sciences Holdings Co., Ltd. holds 36% interests of Legend Holdings Limited, while Chinese Academy of Sciences Holdings Co., Ltd. is wholly owned by Chinese Academy of Sciences.
- (4) Legend Holdings Limited is deemed to be interested in 159,428,548 A shares held by Hony Capital Fund I (Tianjin), L.P. Legend Holdings Limited is deemed to be interested in 233,235,602 A shares.
- (5) Real Smart International Limited is beneficially interested in 168,635,602 A shares. Real Smart International Limited is a 67.71% owned subsidiary of Rise Honour Investments Limited. Rise Honour Investments Limited is controlled by Hony Capital II L.P., which is controlled by Hony Capital II GP Ltd.. Hony Capital II GP Ltd. is wholly-owned by Right Lane Limited, which is a wholly-owned company of Legend Holdings Limited.
- (6) As stated in the form of disclosure of shareholder's interests submitted by Unique Element Corp. on 23 December 2014 (the date of the relevant event set out in the form was 22 December 2014), these shares were held via Unique Element Corp. and its affiliates.
- (7) As stated in the form of disclosure of shareholder's interests submitted by Morgan Stanley on 2 July 2015 (the date of the relevant event set out in the form was 30 June 2015), these shares were held via Morgan Stanley and its affiliates.
- (8) As stated in the form of disclosure of shareholder's interests submitted by UBS AG on 25 June 2015 (the date of the relevant event set out in the form was 23 June 2015), these shares were held via UBS AG and its affiliates.
- (9) As stated in the form of disclosure of shareholder's interests submitted by UBS Group AG on 25 June 2015 (the date of the relevant event set out in the form was 23 June 2015), these shares were held via UBS Group AG and its affiliates.

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

For the six months ended 30 June 2015, 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)	Number of restricted shares granted at the beginning of the Reporting Period	Number of restricted shares granted at the end of the Reporting Period	Number of restricted shares granted at the end of the Reporting Period
Zhan Chunxin	Chairman and Chief Executive Officer	Incumbent	5,152,036	0	0	5,152,036	0	0	0
Hu Xinbao	Director	Incumbent	0	0	0	0	0	0	0
Zhao Linghuan	Director	Incumbent	0	0	0	0	0	0	0
Li Jianqiang	Independent Director	Incumbent	0	0	0	0	0	0	0
Zhao Songzheng	Independent Director	Incumbent	0	0	0	0	0	0	0
Liu Guiliang	Independent Director	Incumbent	0	0	0	0	0	0	0
Qiu Zhongwei	Director	Resigned	0	0	0	0	0	0	0
Qian Shizheng	Independent Director	Resigned	0	0	0	0	0	0	0
Wang Zhile	Independent Director	Resigned	0	0	0	0	0	0	0
Fu Zheng	Chairman of Supervisory Board	Incumbent	0	0	0	0	0	0	0
Liu Quan	Supervisor	Incumbent	1,068,052	0	0	1,068,052	0	0	0
Liu Chi	Employee Supervisor	Incumbent	379,211	0	0	379,211	0	0	0
Cao Yonggang	Chairman of Supervisory Board	Resigned	0	0	0	0	0	0	0
Luo Anping	Employee Supervisor	Resigned	450,055	0	0	450,055	0	0	0
Zhang Jianguo	Vice President	Incumbent	1,203,943	0	250,000	953,943	0	0	0
Yin Zhengfu	Vice President	Incumbent	842,750	0	149,900	692,850	0	0	0
Xiong Yanming	Vice President	Incumbent	672,393	0	168,098	504,295	0	0	0
Su Yongzhuan	Vice President	Incumbent	778,900	0	194,725	584,175	0	0	0
Fang Minghua	Vice President	Incumbent	670,776	0	167,695	503,081	0	0	0
He Jianming	Chief Tax Assets Officer	Incumbent	92,503	0	23,126	69,377	0	0	0
Wang Jinfu	Vice President	Incumbent	0	0	0	0	0	0	0
Sun Changjun	Chief Legal Officer	Incumbent	754,076	0	0	754,076	0	0	0
Huang Qun	Vice President	Incumbent	423,200	0	0	423,200	0	0	0
Chen Peiliang	Vice President	Incumbent	495,200	0	0	495,200	0	0	0
Guo Xuehong	Vice President	Incumbent	737,650	0	0	737,650	0	0	0
Li Jiangtao	Vice President	Incumbent	761,710	0	190,428	571,282	0	0	0
Wang Yukun	Chief Information Officer	Incumbent	709,500	0	176,500	533,000	0	0	0
Liu Jie	Vice President	Incumbent	0	0	0	0	0	0	0
Du Yigang	Vice President	Incumbent	0	0	0	0	0	0	0
Fu Ling	Chief Engineer	Incumbent	50,000	0	0	50,000	0	0	0
Du Youqi	Senior President	Resigned	576,511	0	0	576,511	0	0	0
Wang Chunyang	Senior President	Resigned	610,814	0	100,000	510,814	0	0	0
Xu Wuquan	Senior President	Resigned	790,426	0	0	790,426	0	0	0
Hong Xiaoming	Vice President and the person in charge of financial affairs	Resigned	495,300	0	123,825	371,475	0	0	0
Chen Xiaofei	Vice President	Resigned	594,400	0	148,600	445,800	0	0	0
Shen Ke	Secretary of the Board of Directors	Incumbent	450,000	0	112,500	337,500	0	0	0
Total	—	—	18,759,406	0	1,805,397	16,954,009	0	0	0

Directors, Supervisors and Senior Management

II. Changes in Directors, Supervisors and Senior Management

Name	Position held	Changes	Date	Reason
Qian Shizheng	Independent Director	Expiry of term of office	29 June 2015	Expiry of term of office
Wang Zhile	Independent Director	Expiry of term of office	29 June 2015	Expiry of term of office
Qiu Zhongwei	Director	Expiry of term of office	29 June 2015	Expiry of term of office
Liu Quan	Director	Expiry of term of office	29 June 2015	Elected as Supervisor at expiration of term of office
Cao Yonggang	Chairman of Supervisory Board	Expiry of term of office	29 June 2015	Expiry of term of office
Luo Anping	Employee Supervisor	Expiry of term of office	29 June 2015	Expiry of term of office
Liu Chi	Supervisor	Expiry of term of office	29 June 2015	Elected as Employee Supervisor at expiration of term of office
Du Youqi	Senior President	Expiry of term of office	29 June 2015	Expiry of term of office
Wang Chunyang	Senior President	Expiry of term of office	29 June 2015	Expiry of term of office
Xu Wuquan	Senior President	Expiry of term of office	29 June 2015	Expiry of term of office
Hong Xiaoming	Vice President and the person in charge of financial affairs	Expiry of term of office	29 June 2015	Expiry of term of office
Chen Xiaofei	Vice President	Expiry of term of office	29 June 2015	Expiry of term of office
Hu Xinbao	Director	Elected	29 June 2015	Elected as Director at expiration of term of office
Zhao John Huan	Director	Elected	29 June 2015	Elected as Director at expiration of term of office
Lai Kin Keung	Independent Director	Elected	29 June 2015	Elected as Independent Director at expiration of term of office
Zhao Songzheng	Independent Director	Elected	29 June 2015	Elected as Independent Director at expiration of term of office
Liu Guiliang	Independent Director	Elected	29 June 2015	Elected as Independent Director at expiration of term of office
Fu Zheng	Chairman of Supervisory Board	Elected	29 June 2015	Elected as Chairman of Supervisory Board at expiration of term of office
Liu Quan	Supervisor	Elected	29 June 2015	Elected as Supervisor at expiration of term of office
Liu Chi	Employee Supervisor	Elected	29 June 2015	Elected as Employee Supervisor at expiration of term of office
Wang Jinfu	Vice President	Appointed	29 June 2015	Appointed by the Board
Liu Jie	Vice President	Appointed	29 June 2015	Appointed by the Board
Du Yigang	Vice President	Appointed	29 June 2015	Appointed by the Board
Fu Ling	Chief Engineer	Appointed	29 June 2015	Appointed by the Board

Directors, Supervisors and Senior Management

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

Each of the directors, supervisors and chief executives' interests in shares of the Company as at 30 June 2015 are set out in the section headed "Changes in Shareholdings of Directors, Supervisors and Senior Management".

As at 30 June 2015, 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 shares	Number of shares	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%

As at 30 June 2015, 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 2015, 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 60, 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 2015, 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 2015 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

28 August 2015

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2015

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2015 RMB millions	2014 RMB millions
Revenue	3	10,571	13,989
Cost of sales and services		(8,042)	(9,937)
Gross profit		2,529	4,052
Other revenues and net income/(loss)		72	(33)
Sales and marketing expenses		(1,145)	(1,165)
General and administrative expenses		(1,217)	(1,158)
Research and development expenses		(216)	(216)
Profit from operations		23	1,480
Net finance costs	4(a)	(360)	(372)
Gain on disposal of associates		30	7
Share of profits less losses of associates		3	7
(Loss)/profit before taxation	4	(304)	1,122
Income tax	5	(20)	(196)
(Loss)/profit for the period		(324)	926
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		(18)	25
Change in fair value of available-for-sale financial assets		3	1
Total other comprehensive income for the period		(15)	26
Total comprehensive income for the period		(339)	952

Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2015

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2015 RMB millions	2014 RMB millions
(Loss)/profit attributable to:			
Equity shareholders of the Company		(299)	904
Non-controlling interests		(25)	22
(Loss)/profit for the period		(324)	926
Total comprehensive income attributable to:			
Equity shareholders of the Company		(314)	930
Non-controlling interests		(25)	22
Total comprehensive income for the period		(339)	952
Basic and diluted earnings per share (RMB)	6	(0.04)	0.12

The notes on pages 35 to 60 form part of the interim financial report.

Consolidated Balance Sheet (Unaudited)

As at 30 June 2015
(Expressed in RMB)

	Note	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Non-current assets			
Property, plant and equipment	8	8,306	6,781
Lease prepayments	8	2,453	1,960
Intangible assets		2,148	1,347
Goodwill	8	1,971	1,661
Interests in associates		224	228
Other financial assets		129	471
Trade and other receivables	10	3,053	3,697
Receivables under finance lease	11	2,629	4,476
Pledged bank deposits		610	520
Other non-current assets		—	2,088
Deferred tax assets		773	618
Total non-current assets		22,296	23,847
Current assets			
Inventories	9	13,405	10,376
Trade and other receivables	10	33,637	30,639
Receivables under finance lease	11	14,031	12,202
Other current assets		1,681	280
Pledged bank deposits		1,626	1,891
Cash and cash equivalents	12	14,072	14,483
Total current assets		78,452	69,871
Total assets		100,748	93,718
Current liabilities			
Loans and borrowings	13(a)	14,692	5,687
Trade and other payables	14	21,279	19,494
Income tax payable		28	30
Total current liabilities		35,999	25,211
Net current assets		42,453	44,660
Total assets less current liabilities		64,749	68,507

Consolidated Balance Sheet (continued) (Unaudited)

As at 30 June 2015

(Expressed in RMB)

	Note	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Non-current liabilities			
Loans and borrowings	13(b)	22,469	25,925
Other non-current liabilities		757	899
Deferred tax liabilities		564	475
Total non-current liabilities		23,790	27,299
NET ASSETS		40,959	41,208
CAPITAL AND RESERVES			
Share capital		7,706	7,706
Reserves		32,386	33,085
Total equity attributable to equity shareholders of the Company		40,092	40,791
Non-controlling interests		867	417
TOTAL EQUITY		40,959	41,208

Approved and authorised for issue by the board of directors on 28 August 2015.

Zhan Chunxin

Chairman and Chief Executive Officer

Du Yigang

Vice-president

The notes on pages 35 to 60 form part of the interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2015

(Expressed in RMB)

	Attributable to equity shareholders of the Company								Total equity RMB millions
	Statutory						Non-controlling Total interests RMB millions	Total equity RMB millions	
	Share capital RMB millions	Capital reserve RMB millions	surplus reserve RMB millions	Exchange reserve RMB millions	Other reserves RMB millions	Retained earnings RMB millions			
Balance at 1 January 2014	7,706	13,172	2,902	(110)	2	17,907	41,579	433	42,012
Changes in equity for the six-month period ended 30 June 2014:									
Cash dividends	—	—	—	—	—	(1,156)	(1,156)	—	(1,156)
Safety production fund	—	—	—	—	4	(4)	—	—	—
Dividends declared 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 and 1 July 2014	7,706	13,172	2,902	(85)	7	17,651	41,353	453	41,806
Changes in equity for the six-month period ended 31 December 2014:									
Appropriation	—	—	4	—	—	(4)	—	—	—
Safety production fund	—	—	—	—	(4)	4	—	—	—
Contribution from non-controlling interests	—	—	—	—	—	—	—	2	2
Acquisition of non-controlling interests	—	(19)	—	—	—	—	(19)	(38)	(57)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(12)	(12)
Total comprehensive income for the period	—	—	—	(235)	2	(310)	(543)	12	(531)
Balance at 31 December 2014	7,706	13,153	2,906	(320)	5	17,341	40,791	417	41,208

Consolidated Statement of Changes in Equity (continued) (Unaudited)

For the six-month period ended 30 June 2015

(Expressed in RMB)

	Attributable to equity shareholders of the Company								Total equity RMB millions
	Statutory						Total	Non-controlling interests	
	Share capital	Capital reserve	surplus reserve	Exchange reserve	Other reserves	Retained earnings			
	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	
Balance at 1 January 2015	7,706	13,153	2,906	(320)	5	17,341	40,791	417	41,208
Changes in equity for the six-month period ended 30 June 2015:									
Cash dividends (Note 15)	—	—	—	—	—	(385)	(385)	—	(385)
Safety production fund (Note 20(b))	—	—	—	—	11	(11)	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	897	897
Share repurchase of Zoomlion Heavy Machinery Co., Ltd.	—	—	—	—	—	—	—	(422)	(422)
Total comprehensive income for the period	—	—	—	(18)	3	(299)	(314)	(25)	(339)
Balance at 30 June 2015	7,706	13,153	2,906	(338)	19	16,646	40,092	867	40,959

The notes on pages 35 to 60 form part of the interim financial report.

Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2015

(Expressed in RMB)

	For the six-month period ended 30 June	
	2015 RMB millions	2014 RMB million
Operating activities		
(Loss)/profit before taxation	(304)	1,122
Adjustments for:		
Depreciation of property, plant and equipment	293	248
Amortisation of lease prepayments	24	15
Amortisation of intangible assets	82	42
Gain on disposal of associates	(30)	(7)
Share of profits less losses of associates	(3)	(7)
Interest income	(345)	(377)
Interest expenses	851	578
(Gain)/loss on disposal of property, plant and equipment, intangible assets and lease prepayments	(15)	3
(Gain)/loss on re-measurement of derivative financial instruments at fair value	(25)	14
	528	1,631
Increase in inventories	(1,678)	(1,731)
Decrease/(increase) in trade and other receivables	46	(728)
Decrease in receivables under finance lease	18	1,452
Decrease in trade and other payables	(3,356)	(2,750)
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	—	(2,353)
Cash used in operations	(4,442)	(4,479)
Income tax paid	(85)	(503)
Net cash used in operating activities carried forward	(4,527)	(4,982)

Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2015

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2015 RMB millions	2014 RMB million
Net cash used in operating activities brought forward		(4,527)	(4,982)
Investing activities			
Payment for purchase of property, plant and equipment		(100)	(293)
Lease prepayments		(19)	(73)
Payment for purchase of intangible assets		(41)	(32)
Dividends received from associates		7	6
Purchase of available-for-sale financial assets		(1,000)	—
Acquisition of subsidiaries, net of cash acquired	8	1,048	(234)
Entrusted loan repayments received		300	—
Proceeds from disposal of property, plant and equipment, intangible assets and lease prepayments		31	16
Interest received		345	377
Decrease in pledged bank deposits		537	521
Net cash generated from investing activities		1,108	288
Financing activities			
Proceeds from loans and borrowings		8,786	7,987
Repayments of loans and borrowings		(4,687)	(3,428)
Dividend payment		(1)	—
Interest paid		(600)	(607)
Dividends paid by subsidiaries to non-controlling interests		—	(4)
Payment to non-controlling shareholders as a result of the reduction of Zoomlion Heavy Machinery Co., Ltd.'s paid-in capital	8	(422)	—
Acquisition of non-controlling interests		(13)	—
Net cash generated from financing activities		3,063	3,948
Net decrease in cash and cash equivalents		(356)	(746)
Cash and cash equivalents at beginning of period		14,483	16,657
Effect of foreign exchange rate changes		(55)	(4)
Cash and cash equivalents at end of period	12	14,072	15,907

The notes on pages 35 to 60 form part of the interim financial report.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

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, agricultural 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 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 2(b).

The preparation of an 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 2014 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 Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

2 Basis of preparation (continued)

(b) The IASB has issued the following amendments to IFRSs 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 19, Employee benefits "Defined benefit plans: Employee contributions"
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Revenue

	For the six-month period ended 30 June	
	2015 RMB millions	2014 RMB millions
Sales of		
Construction machinery		
— Concrete machinery	2,836	6,030
— Crane machinery	2,585	4,011
— Others	1,163	1,641
Environmental industry	1,765	1,643
Agricultural machinery	1,914	—
Financial services income	308	664
	10,571	13,989

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

4 (Loss)/profit before taxation

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

(a) Net finance costs:

	For the six-month period ended 30 June	
	2015 RMB millions	2014 RMB millions
Finance income:		
Interest income	(345)	(377)
(Gain)/loss on re-measurement of derivative financial instruments at fair value	(25)	14
	(370)	(363)
Finance costs:		
Interest on loans and borrowings	851	578
Net exchange (gain)/loss	(121)	157
	730	735
	360	372

(b) Staff costs:

	For the six-month period ended 30 June	
	2015 RMB millions	2014 RMB millions
Salaries, wages and other benefits	1,162	1,160
Contributions to retirement schemes	142	123
	1,304	1,283

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

4 (Loss)/profit before taxation (continued)

(c) Other items:

	For the six-month period ended 30 June	
	2015 RMB millions	2014 RMB millions
Cost of inventories sold	8,042	9,935
Depreciation of property, plant and equipment	293	248
Amortisation of lease prepayments	24	15
Amortisation of intangible assets	82	42
Operating lease charges	84	98
Product warranty costs	55	97
Impairment losses		
– trade receivables	390	184
– receivables under finance lease	39	82
– inventories	35	97

5 Income tax

(a) Taxation charged/(credited) to profit or loss:

	For the six-month period ended 30 June	
	2015 RMB millions	2014 RMB millions
Current tax – PRC income tax	79	175
Current tax – Income tax in other tax jurisdictions	4	2
Deferred taxation	(63)	19
	20	196

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

5 Income tax (continued)

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	For the six-month period ended 30 June	
	2015 RMB millions	2014 RMB millions
(Loss)/profit before taxation	(304)	1,122
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the Company (note (a))	(76)	281
Tax effect of non-deductible expenses	94	8
Current year loss for which no deferred tax assets was recognized	28	25
Tax effect of non-taxable income	(21)	(8)
Reduction in tax rate (note (b))	26	(69)
Additional deduction for qualified research and development expenses (note (c))	(31)	(41)
Actual income tax expense	20	196

Notes:

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

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2014: 16.5%).

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

(b) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The Company and certain of its subsidiaries obtained or renewed its status as high-technology enterprises in 2014 and accordingly are subject to income tax at 15% for the years from 2014 to 2016. The newly acquired Zoomlion Heavy Machinery Co., Ltd and certain of its subsidiaries are also qualified as high technology enterprises and are subject to income tax at 15% in 2015. And a subsidiary of the Company was qualified as software developer and is entitled to income tax exemption for the years from 2013 to 2014 and a 12.5% preferential tax rate for the years from 2015 to 2017.

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

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

6 Basic and diluted earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2015 is based on the loss attributable to equity shareholders of the Company of RMB299 million (six-month period ended 30 June 2014: profit attributable to equity shareholders of the Company of RMB904 million), and the number of ordinary shares in issue of 7,706 million during the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: 7,706 million shares).

There were no dilutive potential ordinary shares in issue as at 30 June 2015 (30 June 2014: 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 2015 is set out below.

	For the six-month period ended 30 June	
	2015 RMB millions	2014 RMB millions
Reportable segment revenue:		
Construction machinery		
– Concrete machinery	2,836	6,030
– Crane machinery	2,585	4,011
– Others (note)	1,163	1,641
Environmental industry	1,765	1,643
Agricultural machinery	1,914	—
Financial services	308	664
Total	10,571	13,989
Reportable segment profit:		
Construction machinery		
– Concrete machinery	521	1,439
– Crane machinery	738	1,112
– Others (note)	205	350
Environmental industry	516	489
Agricultural machinery	241	—
Financial services	308	662
Total	2,529	4,052

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

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

7 Segment reporting (continued)

Reconciliation of segment profit

	For the six-month period ended 30 June	
	2015 RMB millions	2014 RMB millions
Total segment profit	2,529	4,052
Other revenues and net income/(loss)	72	(33)
Sales and marketing expenses	(1,145)	(1,165)
General and administrative expenses	(1,217)	(1,158)
Research and development expenses	(216)	(216)
Net finance costs	(360)	(372)
Gain on disposal of associates	30	7
Share of profits less losses of associates	3	7
(Loss)/profit before taxation	(304)	1,122

8 Goodwill and business combination

	2015 RMB millions	2014 RMB millions
Balance at 1 January	1,661	1,796
Acquired through business combination	413	36
Effect of exchange rate difference	(103)	(171)
Balance at 30 June/31 December	1,971	1,661

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

8 Goodwill and business combination (continued)

On 4 January 2015, the Company completed the acquisition of 67.51% interests in Zoomlion Heavy Machinery Co., Ltd, formerly Chery Heavy Industry Co., Ltd, and its subsidiaries (collectively “Zoomlion Heavy Machinery Group”) with a cash consideration of RMB2,349 million (RMB2,088 million and RMB261 million were paid in 2014 and 2015 respectively). Zoomlion Heavy Machinery Group is engaged in the manufacturing of agricultural machinery with its sales primarily made in China. The purpose of the business combination was to broaden the Group’s product line. The acquisition was accounted for under the acquisition method. During the six-month period ended 30 June 2015, the Group acquired net identifiable assets of RMB2,868 million, mainly including property, plant and equipment of RMB1,475 million, lease prepayment of RMB511 million, trade and other receivables of RMB2,184 million, inventory of RMB1,380 million, cash and cash equivalent of RMB1,279 million, etc. as a result of the this business combination. As the allocation of purchase price to identifiable assets acquired and liabilities assumed has not been completed by the end of June 2015, the items were reported in their provisional amounts in the interim financial statements. On 5 February 2015, Zoomlion Heavy Machinery Co., Ltd. reduced its paid-in capital by RMB1,300 million, among which RMB422 million were paid to its non-controlling shareholders.

Apart from the above, during the six-month period ended 30 June 2015, the Company completed the acquisitions of certain entities where the Company used to have significant influence with a total cash consideration of RMB29 million to broaden its sales agent network. No goodwill was resulted from these acquisitions.

9 Inventories

	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Raw materials	2,739	2,435
Work in progress	1,434	1,125
Finished goods(Including second-hand machinery)	9,232	6,816
	13,405	10,376

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

10 Trade and other receivables

	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Trade receivables	33,408	31,574
Less: provision for impairment (Note (b))	(2,146)	(1,780)
	31,262	29,794
Less: trade receivables due after one year	(3,053)	(3,697)
	28,209	26,097
Bills receivable (Note(c))	2,003	1,816
	30,212	27,913
Amounts due from related parties (Note 19(b))	333	657
Prepayments for purchase of raw materials	211	204
Prepaid expenses	459	413
VAT recoverable	1,096	580
Deposits	448	310
Others	878	562
	33,637	30,639

During the six-month period ended 30 June 2015, no trade receivables were factored to banks or other financial institutions (six-month period ended 30 June 2014: RMB4,688 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 2015, the Group have not made any repurchase of assets from banks and other financial institutions under such commitment (six-month period ended 30 June 2014: Nil).

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

10 Trade and other receivables (continued)

(a) Ageing analysis of trade receivables

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

	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Within 1 month	3,709	4,475
Over 1 month but less than 3 months	3,435	5,431
Over 3 months but less than 1 year	11,659	11,104
Over 1 year but less than 2 years	9,657	6,758
Over 2 years but less than 3 years	2,320	1,775
Over 3 years but less than 5 years	482	251
	31,262	29,794

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

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

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:

	Note	2015 RMB millions	2014 RMB millions
Balance at 1 January		1,780	1,451
Impairment losses recognised		390	450
Reclassification from impairment of receivable under finance lease	11(c)	—	15
Uncollectible amounts written off		(24)	(136)
Balance at 30 June/31 December		2,146	1,780

During the six-month period ended 30 June 2015, the Group recognised RMB390 million impairment losses on its trade receivables. This related to those receivables within the ageing more than two years and certain small-sized customers facing financial difficulties as a result of the prolonged economic downturn in the construction sector.

- (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. The Group from time to time endorse bills receivable to suppliers in order to settle trade payables.

As at 30 June 2015, 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 2015, 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 RMB347 million (31 December 2014: RMB300 million).

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

10 Trade and other receivables (continued)

- (c) During the six-month period ended 30 June 2015, bills receivable of RMB1,695 million (six-month period ended 30 June 2014: RMB3,992 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.

11 Receivables under finance lease

	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Gross investment	17,709	17,876
Unearned finance income	(356)	(544)
	17,353	17,332
Less: provision for impairment (Note(c))	(693)	(654)
	16,660	16,678
Less: receivables under finance lease due after one year	(2,629)	(4,476)
Receivables under finance lease due within one year	14,031	12,202

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of un-reimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for a period ranging from 2 to 5 years (2014: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 25% of the product price (2014: 5% to 25%) and pay a security deposit ranging from 1% to 10% of the product price (2014: 1% to 10%). At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

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 2015 RMB millions	As at 31 December 2014 RMB millions
Present value of the minimum lease payments		
Within 1 year	14,538	12,670
Over 1 year but less than 2 years	1,707	2,775
Over 2 years but less than 3 years	691	1,313
Over 3 years	417	574
	17,353	17,332
Unearned finance income		
Within 1 year	283	405
Over 1 year but less than 2 years	44	84
Over 2 years but less than 3 years	17	34
Over 3 years	12	21
	356	544
Gross investment		
Within 1 year	14,821	13,075
Over 1 year but less than 2 years	1,751	2,859
Over 2 years but less than 3 years	708	1,347
Over 3 years	429	595
	17,709	17,876

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

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 2015 RMB millions	As at 31 December 2014 RMB millions
Not yet due	11,523	12,214
Less than 1 month past due	427	415
1 to 3 months past due	794	747
3 to 12 months past due	2,525	2,443
12 to 24 months past due	1,649	1,310
More than 24 months past due	435	203
Total past due	5,830	5,118
	17,353	17,332
Less: provision for impairment	(693)	(654)
	16,660	16,678

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

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

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:

	Note	2015 RMB millions	2014 RMB millions
Balance at 1 January		654	731
Impairment losses recognized/(reversed)		39	(62)
Reclassification to impairment of trade receivables	10(b)	—	(15)
Balance at 30 June/31 December		693	654

12 Cash and cash equivalents

	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Cash at bank and on hand		
– RMB denominated	12,788	12,784
– USD denominated	779	726
– EUR denominated	371	875
– HKD denominated	46	23
– Other currencies	88	75
	14,072	14,483

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

13 Loans and borrowings

(a) Short-term loans and borrowings:

	Note	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Secured short-term bank loans			
– RMB denominated		508	—
Unsecured short-term bank loans			
– RMB denominated		249	800
– EUR denominated		2,630	134
– USD denominated		6,214	2,930
Add: Current portion of long-term bank loans	13(b)	5,091	1,823
		14,692	5,687

(b) Long-term loans and borrowings:

	Note	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Unsecured long-term bank loans			
– RMB denominated	(i)	3,034	2,835
– EUR denominated	(ii)	1,600	1,737
– USD denominated	(iii)	6,785	7,038
Unsecured bond	(iv)	1,098	1,098
RMB medium-term notes	(v)	8,992	8,991
Guaranteed USD senior notes	(vi)	6,051	6,049
		27,560	27,748
Less: Current portion of long-term bank loans	13(a)	(5,091)	(1,823)
		22,469	25,925

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

13 Loans and borrowings (continued)

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

Notes:

- (i) As at 30 June 2015, RMB denominated unsecured long-term bank loan of RMB343 million (31 December 2014: RMB457 million) 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 2015, the Group was in compliance with these financial covenants.

As at 30 June 2015, RMB denominated unsecured long-term bank loan of RMB794 million (31 December 2014: RMB524 million) bore interest at 4.20% to 4.93% per annum and will be repayable by half-yearly instalments through 2015.

As at 30 June 2015, RMB denominated unsecured long-term bank loan of RMB898 million (31 December 2014: RMB800 million) bore interest at 4.93% to 6.15% per annum and will be repayable by half-yearly instalments through 2016.

As at 30 June 2015, RMB denominated unsecured long-term bank loan of RMB126 million (31 December 2014: RMB156 million) bore interest at 6.15% per annum and will be repayable by half-yearly instalments through 2017.

As at 30 June 2015, RMB denominated unsecured long-term bank loan of RMB873 million (31 December 2014: RMB500 million) bore interest at 6.15% to 6.60% per annum and will be repayable in full in 2017.

- (ii) As at 30 June 2015, EUR denominated unsecured long-term bank loans of RMB1,386 million (31 December 2014: RMB1,491 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 2015, EUR denominated unsecured long-term bank loans of RMB213 million (31 December 2014: RMB244 million) 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 RMB1 million (31 December 2014: RMB2 million) will be repayable by quarterly instalments through 2017.

- (iii) As at 30 June 2015, USD denominated unsecured long-term bank loan of RMB1,225 million (31 December 2014: RMB1,652 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 financial covenants of the Group. As at 30 June 2015, the Group was in compliance with these financial covenants.

As at 30 June 2015, USD denominated unsecured long-term bank loan of RMB131 million (31 December 2014: RMB263 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 financial covenants of the Group. As at 30 June 2015, the Group was in compliance with these financial covenants.

As at 30 June 2015, USD denominated unsecured long-term bank loan of RMB2,201 million (31 December 2014: RMB2,203 million) bore interest at 3.23% per annum and will be fully repayable in 2017. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2015, the Group was in compliance with these financial covenants.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

13 Loans and borrowings (continued)

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

- (iii) As at 30 June 2015, USD denominated unsecured long-term bank loan of RMB367 million (31 December 2014: RMB367 million) bore interest at 2.80% per annum and will be fully repayable in 2017. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2015, the Group was in compliance with these financial covenants.

The remaining USD denominated unsecured long-term bank loans of RMB2,861 million (31 December 2014: RMB2,369 million) bore interest ranging from 1.47% 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 bore interest at a fixed rate of 6.5% per annum and will mature in April 2016.

- (v) In October 2014, the Company issued 5-year RMB medium-term notes with principal amount of RMB9,000 million. The notes bore interest at a fixed rate of 5.8% per annum and will mature in October 2019. Interest on the notes will be payable yearly in arrears in October of each year, beginning from October 2015.

- (vi) 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(b)(i) and 13(b)(iii) above, none of the Group's loans and borrowings contains any financial covenants.

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For the six-month period ended 30 June 2015

14 Trade and other payables

	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Trade creditors	8,977	7,319
Bills payable	5,612	6,141
Trade creditors and bills payable (note)	14,589	13,460
Amounts due to related parties (Note 19(b))	26	32
Receipts in advance	1,119	983
Payable for acquisition of property, plant and equipment	673	536
Accrued staff costs	208	515
VAT payable	132	143
Security deposits	853	880
Product warranty provision	87	93
Sundry taxes payable	91	263
Payables for factoring discount	44	78
Dividend payable (Note 15)	385	—
Cash collected on behalf of banks	428	703
Interest payable	464	220
Payables to acquire non-controlling interests in certain subsidiaries	483	—
Other accrued expenses and payables	1,697	1,588
	21,279	19,494

Note:

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

	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Due within 1 month or on demand	5,106	5,490
Due after 1 month but within 3 months	4,880	3,404
Due after 3 months but within 6 months	3,311	3,915
Due after 6 months but within 12 months	1,292	651
	14,589	13,460

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

15 Capital, reserves and dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2015, a final cash dividend of RMB0.05 per share based on 7,706 million ordinary shares in issue totalling RMB385 million in respect of the year ended 31 December 2014 was declared, of which RMB314 million was paid till the interim report date, and the remaining balance of RMB71 million will be paid before 31 December 2015.

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2015, the Company would repurchase 143 million of H shares, which represents approximately 10% of the total number of H shares in issue of the Company. 30 million shares have been repurchased till the interim report date.

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 RMB11 million as at 30 June 2015 (31 December 2014: RMB8 million).

The Group's available-for-sale investments in the asset management plan, derivative financial instrument assets and derivative financial instrument liabilities are measured at fair value using the Level 2 valuations. The fair value of the Group's available-for-sale investments in the asset management plan, derivative financial instrument assets and derivative financial instrument liabilities were RMB1,351 million, RMB4 million and RMB3 million respectively as at 30 June 2015 (31 December 2014: RMB350 million, Nil and RMB7 million).

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For the six-month period ended 30 June 2015

16 Fair value measurement of financial instruments (continued)

(a) Financial instruments measured at fair value (continued)

As at 30 June 2015 and 31 December 2014, the Group does not have significant financial instruments using the Level 3 valuations.

During the six-month period ended 30 June 2015 and the year ended 31 December 2014, 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 2015 and 31 December 2014 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount at 30 June 2015	Fair value at 30 June 2015 categorised into level 1	Carrying amount at 31 December 2014	Fair value at 31 December 2014 categorised into level 1
Guaranteed USD senior notes	6,051	5,692	6,049	5,831
RMB medium-term notes	8,992	9,503	8,991	9,078

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 2015

17 Commitments

(a) Capital commitments

As at 30 June 2015, the Group had capital commitments as follows:

	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Authorised and contracted for		
– property, plant and equipment	210	313
– intangible assets	13	22
– equity investment	432	261
	655	596
Authorised but not contracted for		
– property, plant and equipment	5	4

(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 2015, the future minimum lease payments under operating lease are as follows:

	As at 30 June 2015 RMB millions	As at 31 December 2014 RMB millions
Within 1 year	116	113
After 1 but within 2 years	80	86
After 2 but within 3 years	55	57
After 3 but within 4 years	27	44
After 4 but within 5 years	16	15
Thereafter	21	26
	315	341

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

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 2015, the Group's maximum exposure to such guarantees was RMB11,428 million (31 December 2014: RMB14,525 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 2015, the Group made payments of RMB299 million (six-month period ended 30 June 2014: RMB244 million) to the banks 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 2015, the Group's maximum exposure to such guarantees was RMB2,789 million (31 December 2014: RMB2,736 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 2015, there was no payment made for repossession of machinery incurred (six-month period ended 30 June 2014: Nil) under the guarantee arrangement as a result of customer default.

Certain customers of the Group finance their purchase of the Group's agricultural machinery products through cargo-backed loans in the form of bank acceptance notes provided by the banks. The Group undertakes the joint liability guarantee for the customers. In the event of customer default, the Group is required to make payments to the banks for the outstanding amount due from the customers when the bank acceptant notes are due. As at 30 June 2015, the Group's maximum exposure to such guarantees was RMB89 million (31 December 2014: Nil).

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For the six-month period ended 30 June 2015

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	
	2015 RMB millions	2014 RMB millions
Transactions with associates:		
Sales of products	100	344
Purchase of raw materials	5	17

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 2015

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 2015 RMB millions	As at 31 December 2014 RMB millions
Total equity reported under PRC GAAP	40,999	41,248
— Acquisition-related costs incurred on prior year business combination	(40)	(40)
Total equity reported under IFRSs	40,959	41,208

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

	For the six-month period ended 30 June	
	2015 RMB millions	2014 RMB millions
Total comprehensive income for the period reported under PRC GAAP	(350)	948
— Safety production fund (Note)	11	4
Total comprehensive income for the period reported under IFRSs	(339)	952

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.

Notes to the Interim Financial Report

For the six-month period ended 30 June 2015

21 Post balance sheet event

The Company's wholly-owned subsidiary, Changsha Zoomlion Environmental and Sanitation Machinery Co., Ltd., entered into a Share Purchase Agreement on 5 June 2015 to acquire 96% equity interest of Huaian Chenjie Environmental Engineering Co., Ltd. with a cash consideration of RMB45.74 million. The acquisition has been completed on 1 July 2015. As the initial accounting for the business combination has not been completed till the interim report date, the fair value at the identifiable assets, liabilities and contingent liabilities acquired during this transaction was not disclosed.



