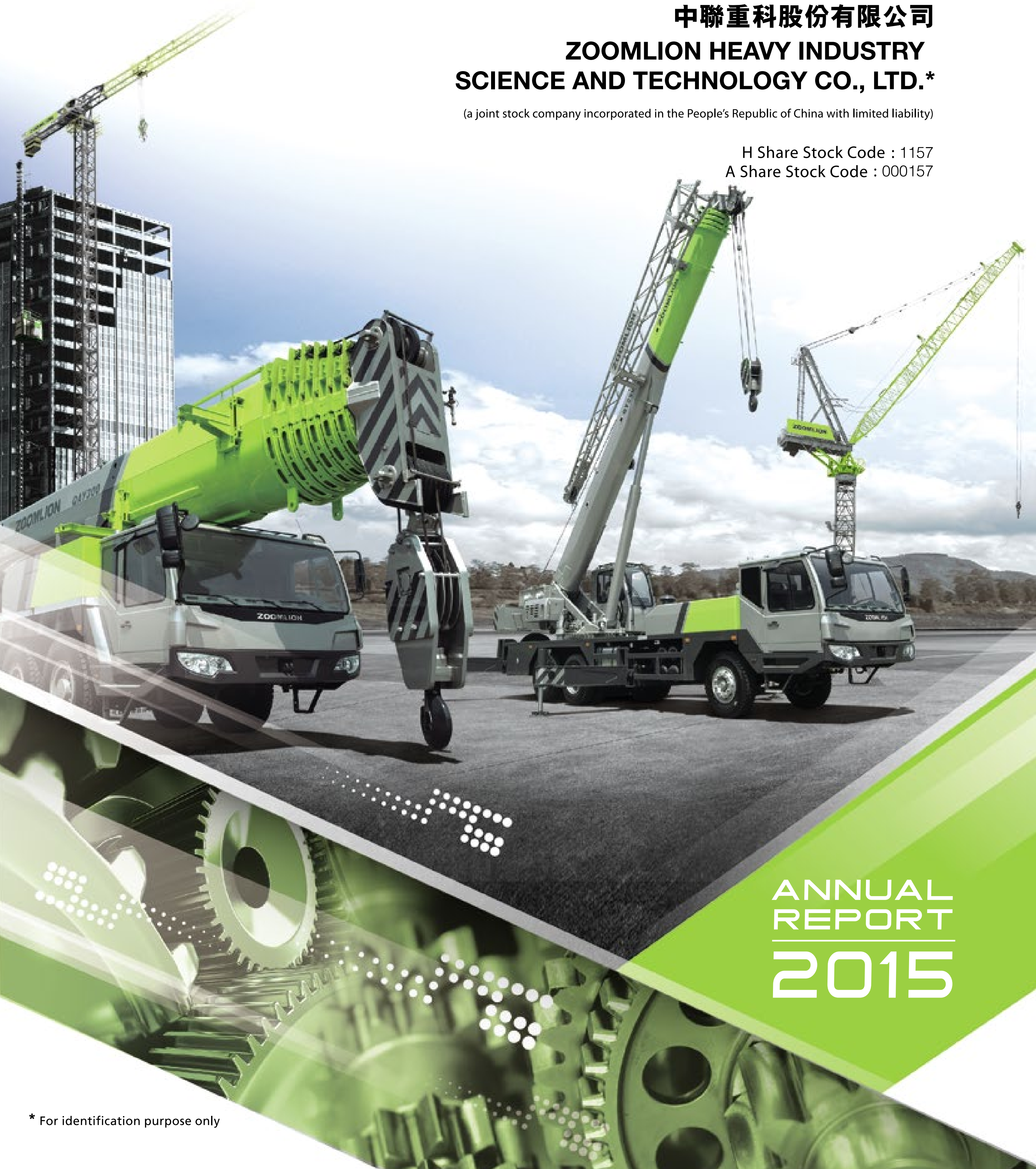
ZOOMLION
中联重科

中聯重科股份有限公司
ZOOMLION HEAVY INDUSTRY SCIENCE AND TECHNOLOGY CO., LTD.*

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

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



ANNUAL REPORT 2015

* For identification purpose only

Important notice

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

- Zhan Chunxin, Chairman of the Board, Du Yigang, Vice President and Jiang Yuan, the person in charge of the accounting affairs warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.

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

This report has been prepared in English and Chinese respectively. In case of discrepency, the Chinese version shall prevail, except for the financial statements prepared in accordance with International Financial Reporting Standards, where the English version shall prevail.

Definition

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

"The Company" or "Zoomlion" refers to Zoomlion Heavy Industry Science and Technology Co., Ltd.

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

ZOOMLION
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Zoomlion Heavy Industry Science and Technology Co., Ltd.

2015 Annual Report

Contents

Company Profile

I. Company Information

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

Legal representative of the Company: Zhan Chunxin

Secretary of the Board of Directors/Company Secretary: Shen Ke
Representative of securities affairs: Guo Tao
Contact address: No. 361 Yinpen South Road, Changsha, Hunan Province
Telephone: (86 731) 85650157
Fax: (86 731) 85651157
E-mail: 157@zoomlion.com

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

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

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

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

II. Other relevant information

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

Legal Advisors
As to PRC law: Fangda Partners
27/F North Tower Beijing Kerry Centre | 1 Guanghua Road Chaoyang District, Beijing, the PRC
As to Hong Kong law: Norton Rose Fulbright Hong Kong
38/F, Jardine House, 1 Connaught Place, Central, Hong Kong

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

Chairman's Statement

Chairman
Zhan Chunxin

Chairman's Statement

Dear Shareholders,

In 2015, China's economy broke away from conventions and established new initiatives in the midst of a painful transition. Adjustments and changes continued to take place upon reflection in the machinery equipment manufacturing industry at hard times. With the trust and support of our Shareholders, Zoomlion continued its pursuit of transformation and upgrading as well as management reform to achieve stability in enterprise operation, control over operational risks and renewal of momentum during this tough yet amazing year.

In the time of upheaval, we were faced with both challenges and opportunities. In a fluctuating market, we were spurred and motivated. Witnessing the historic moment of intense competition, we were inspired that the key to stay competitive in the market is not capitalization of chances but our own strengths. Looking back on 2015, Zoomlion had been focusing on management reform to continuously step up its efforts in market rectification, risk management, cost reduction, efficiency enhancement, manpower optimization and steady improvement of operation. Upon comprehensive deepening of the "2+2+4" Strategy, a new momentum for development was gathered under the mutual support of products and capital, integration of manufacturing sector and internet, and the parallel growth of industry and financial market. Starting from understanding, we had made solid and sound progress in adapting to and navigating the New Normal and strengthened our capability. Zoomlion's strategic vision of transforming into a world leading high end multi-sectors equipment manufacturer is now being realized step by step under the complementary effect of its four segments, namely construction machinery, environmental industry, agricultural machinery and financial services.

2016 will be another year of transformation and upgrading as well as comprehensive deepening of internationalization. It will also be a year of celebration of great ideas and establishment of new market pattern. We learnt from experience that, by elimination of failing enterprises with their production capacities lagging behind, new room for development will be created at the market for those which have overcome challenges. Leveraging the latest strategic opportunities, Zoomlion will continue to focus on Product 4.0 to meet the requirements in respect of technology, quality and costs with its excellent craftsmanship, in order to manufacture more reliable, intelligent and environmental friendly products. The reform of market system will be further deepened to bring the market and resources forward and extend the services, enabling the enterprise to keep abreast of the market. Moreover, the implementation of new business model will also be expedited to realize online launch of products, cloud storage of data and grasp of market information, so as to create a business environment of mutual benefit shared with our customers and partners. Following the vision of "One Belt One Road" and quickening the pace of "going global", we will explore the possibility of production capacity cooperation to bring about a change from "quantity-oriented approach" to "quality-oriented approach" for business development. We are confident that the most promising future awaits us after we made the most arduous journey and surmounted the most critical challenges.

Chairman's Statement

In the next five years, China will adhere to a path of innovative, coordinated, green, open and shared development, encourage a system that nurtures innovation, and move from being a big manufacturer to a strong manufacturer. China will highlight green and low-carbon development and ensure that its people live in a beautiful China with clean air, green eco-system and clear water. All these initiatives provide Zoomlion with favourable opportunities and vast room for its regulated, healthy, steady and sustainable development. As China becomes increasingly open and prosperous, Zoomlion will definitely tap into the global environment of the industry and join the world to build a better home.

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

Chairman
Zhan Chunxin

31 March 2016

Principal Financial Data and Indicators

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

(1) Major financial data and indicators

Unit: RMB

	2015	2014	change	2013
Operating income	**20,753,346,644.02**	25,851,195,135.57	-19.72%	38,541,775,254.36
Net profit attributable to shareholders of the Company	**83,467,424.87**	594,068,242.20	-85.95%	3,838,972,797.15
Net profit attributable to equity shareholders of the Company after extraordinary items	**-449,019,403.74**	318,289,572.95		3,715,833,541.57
Net cash flow from operating income	**-3,334,495,101.94**	-7,690,132,991.82	56.64%	736,769,778.08
Basic earning per share	**0.01**	0.08	-87.50%	0.50
Diluted earning per share	**0.01**	0.08	-87.50%	0.50
Return on net assets	**0.21%**	1.43%	reduced by 1.22 percentage point	9.21%

	End of 2015	End of 2014	change	End of 2013
Total assets	**93,723,020,007.67**	93,757,955,793.25	-0.04%	89,537,157,719.77
Net assets attributable to shareholders of the Company	**39,936,600,440.37**	40,830,793,317.80	-2.19%	41,619,087,301.05

Principal Financial Data and Indicators

(2) Extraordinary items and amounts

Unit: RMB

Items	2015	2014	2013
Gain/(loss) on disposal of non-current assets (including written off of provision for impairment of assets)	**110,509,862.86**	-7,810,779.43	-21,579,314.51
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	**525,215,862.97**	306,889,004.92	110,668,309.33
Excess of interest in the fair value of investees' identifiable net assets over investment costs of the acquired subsidiaries	**2,216,081.87**	2,180,689.36	—
(Loss)/gain from debt restructuring	**-42,117,484.30**	3,283,352.83	-8,857,820.57
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	**36,450,955.66**	-11,194,074.61	3,423,993.72
Non-operating income and expenses other than those set out above	**42,598,544.97**	36,679,912.51	59,229,910.54
Less: Income tax effect	**101,534,202.29**	53,297,678.82	19,128,092.71
Minority interests after tax	**40,852,793.13**	951,757.51	617,730.22
Total	**532,486,828.61**	275,778,669.25	123,139,255.58

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

Unit: RMB million

Revenue and Profit	2015	2014	2013	2012	2011
Revenue	**20,753**	25,851	38,542	48,071	46,323
Profit before taxation	**39**	863	4,527	8,858	9,602
Income tax	**58**	(235)	(570)	(1,329)	(1,429)
Profit for the year	**97**	628	3,957	7,529	8,173
Profit attributable to:					
Equity shareholders of the Company	**89**	594	3,844	7,330	8,066
Non-controlling interests	**8**	34	113	199	107
Basic and diluted earnings per share (RMB)	**0.01**	0.08	0.50	0.95	1.05
Gearing ratio (Note)	**56.70%**	56.03%	53.06%	53.73%	50.25%

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

Unit: RMB million

Assets and Liabilities	End of 2015	End of 2014	End of 2013	End of 2012	End of 2011
Non-current assets	**22,667**	23,847	24,549	25,691	23,701
Current assets	**71,016**	69,871	64,948	63,243	47,842
Current liabilities	**30,173**	25,211	32,725	34,109	26,652
Net current assets	**40,843**	44,660	32,223	29,134	21,190
Total assets less current liabilities	**63,510**	68,507	56,772	54,825	44,891
Non-current liabilities	**22,941**	27,299	14,760	13,676	9,296
Net assets	**40,569**	41,208	42,012	41,149	35,595
Total equity attributable to equity shareholders of the Company	**39,896**	40,791	41,579	40,762	35,407
Non-controlling interest	**673**	417	433	387	188

Principal Financial Data and Indicators

III. Reconciliation of Financial Data under PRC GAAP and IFRSs

Unit: RMB million

	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	Current year	**Last year**	**Current year**	**Last year**
Under PRC GAAP	83	594	39,936	40,831
Items and amounts adjusted under IFRSs				
Acquisition related costs incurred on prior year business combination[1]	—	—	(40)	(40)
Special reserve for production safety[2]	6	—	—	—
Under IFRSs	89	594	39,896	40,791

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

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

Report of the Board of Directors

The Board of Directors of the Company is pleased to announce the Report of the Board of Directors for the year ended 31 December 2015 together with the audited financial statements of the Group.

I. Overview

In 2015, the growth of the global economy was sluggish and the external demand experienced a severe situation. Under the new normal condition, the domestic economic growth was under huge downward pressure. Among the industry segments in which the Company operates business, the construction machinery industry is still undergoing a painful transition entailed by the profound structure adjustment. The fundamentals of agricultural machinery industry continued to improve, with its growth rate ahead of that of GDP. There is a great growth potential in the environmental industry. However, the competition landscape featuring immature technical resolutions and high dispersion of market concentration existed in the environmental industry.

During the reporting period ("Reporting Period"), the Company recorded a revenue of approximately RMB20.753 billion and a net profit attributable to shareholders of the parent company of approximately RMB89 million. As compared to last year, the decrease of 19.72% in revenue of the Company in 2015 is mainly attributable to the weak demand in the market of the two major products in the construction machinery industry, namely concrete machinery and crane machinery as well as the tightened sales policies implemented by the Company. However, the two major products maintained their market dominance in their respective industry and we managed to control the risk exposure in the construction machinery industry. The revenue of the two major emerging sectors, namely agricultural machinery sector following the acquisition of Zoomlion Heavy Machinery Co., Ltd. and environmental industry, achieved a double-digit growth, which accounted for 37.68% of the revenue of the Company and became a new drivers to our results.

Further discussion and analysis of these activities as required by Schedule 5 to the Company Ordinance, including a discussion of the principal risks and uncertainties facing the Company and an indication of likely future developments in the Company's business, can be found in the Management Discussion and Analysis set out on pages 24 to 39 of the Annual Report. This discussion forms part of this Director's Report.

In such complicated economic environment, the Company adhered to the "2+2+4 Strategy" to continue its transformation and upgrading as well as management reform, in order to optimize operational mindset, stabilize operational quality and gather momentum for development.

Report of the Board of Directors

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

   In addition to the continuous efforts in the construction machinery sector, the Company also accelerated transformation to the environmental industry, agricultural machinery and financial services sectors, and have successfully transformed into an equipment manufacturer which integrated the four sectors.

   (1) As regard to the construction machinery sector, with the aim of improving operational quality, the Company worked to cut excessive industrial capacity, control risks, reduce costs, and bolster weak spots.

   (2) As regard to the environmental industry sector, the Company, on the basis of its continuous Top One place in China in terms of environmental and sanitation equipment, transformed itself from an equipment supplier to a comprehensive solution provider and investment operator in the environmental industry.

   Firstly, implementing the development strategy of "going out, taking back". The Company will be able to obtain internationally advanced technologies in fields of waste water treatment, soil remediation and anaerobic fermentation through the proposed acquisition of LADURNER, an Italian company. In addition, the Company took Huaian Chenjie project as a pilot platform to integrate anaerobic fermentation technology from LADURNER and the Company's project operation experience, which became a sample project of kitchen waste treatment in China.

   Secondly, involving in environment improvement in multiple dimensions and at multiple levels. Implementing the full county environment improvement mode, the Company signed full county environment improvement framework agreements with key national ecological functional districts and counties for the provision of comprehensive full environment improvement services such as disposal of rubbish, waste water treatment and soil remediation. Besides that, the Company respectively signed strategic cooperation agreements with Shenzhen Energy & Environment Co., Ltd., and Beijing Yuantaida Environment Technology Co., Ltd. for in-depth cooperation in fields of rubbish terminal disposal and building waste resource recovery.

(3) As regard to the agricultural machinery sector, the Company aims at developing itself into a "full mechanization agricultural equipment solution provider" with quality improvement and upgrading. In 2015, the Company accelerated management integration in the sector, and the growth of revenue from agricultural machinery exceeded other industry players. The Company was leading in China in terms of market shares of dryer and wheat harvester.

Firstly, the Company intensified its investment into development of new technology and new product, and into technology renovation, and brought technological benefits of R&D centers both in China and the North America into full play to achieve research and development of agricultural machineries covering all processes from ploughing, seeding, cultivating, and harvesting to drying. The Company developed a batch of strategic products with independent core intelligent technologies.

Secondly, the Company explored innovations in intelligent agriculture. The Company promoted integration of agricultural machinery and agronomy by launching the demonstrative farmer, demonstrative center, and demonstrative base program, which were classified on the basis of characteristics of agricultural production and operation. The exemplary project of integration of agricultural machinery and agronomy for ultra high yield hybrid rice 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".

(4) Financial service sector was improved gradually. Zoomlion Capital, which has been incorporated, will serve as a platform for managing financial services, thus promoting the Company's integration of production and financing, and providing all-dimensional financial service and support for developing the Company into a global high-end equipment manufacturer. 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 centralized fund management, fund settlement, financing and financial service.

Report of the Board of Directors

2. Sustaining efforts in promoting integration of manufacturing industry and internet

   The Company preliminarily realized transformation from manufacturing to "manufacturing plus service", and gradually established the business mode of "Product on Internet, Data in Cloud, and Market on Hand". The Company accelerated integration of information technology and industrialization, and made efforts to promote business mode reform and foster new competitive driving force. Firstly, the Company integrated, analyzed and applied key data in core business systems such as ERP, CRM, CSS, Internet of Things, WeChat, and online mall to realize "comprehensive, in-depth and integrated application of information technology"; secondly, the WeChat Mall, an online trading platform established by the Company, formally went live, allowing for online product exhibition and purchase and sales of parts; and thirdly, the Company became proximity to customers through application of mobile Internet tool and big data analysis to provide customized intelligent services for customers, laying good foundation for precise marketing.

3. Making great achievements in independent innovations and leading technology development in the industry

   In 2015, the Company was granted 758 invention patents, which is the first in the industry and ranks No. 8 across the country. The Company received three excellence awards for patents in China, and the title of "Intellectual Property Right Demonstration Enterprise of China". The Company led to draft one international standard, i.e., Construction Machinery and Equipment Concrete and Mortar Precasting Machinery Part I Terminology and Commercial Specification, participated in amending four international standards, and cast votes with respect to 17 international standards, securing more representation and a greater say for the Company in international standards.

   During the reporting period, the Company saw remarkable achievements in technology innovations, and promoted product upgrading by launching product 4.0. Adhering to the guidance of development strategy of "Made in China 2025", the Company promoted product family optimization and upgrading with focus on "reliability, green and intelligence", and it launched products that are competitive in technology, quality, service and cost:

   Construction machinery: the Company successfully delivered the full terrain crane with the world's largest tonnage (2,000 t) to the user, which played an important role in wind power development in China; sales agreement for the second 3,200 t crawler crane was signed, contributing to development of nuclear power in China; QAY800V743 full terrain crane was granted the Gold Medal for Application Contribution of Top 50 China Construction Machinery Annual Products, and Key Technology and Application of Rescue and Fire Fighting Vehicle for High-rising Buildings and Key Technology and Application of Large Aerial Fire Fighting Vehicle respectively granted First Prize of China Machinery Industry Science and Technology Award and First Prize of Hunan Science and Technology Progress Award. Playing a leadership role, the Company also undertaken two projects listed in the National Key Technology Research and Development Program of the Ministry of Science and Technology of China: the Development of Large Multi-function Integrated Rescue Equipment, and the Research on Key Technology and Demonstration of Application of Robotic Intelligent Welding Line of Truss Members of Construction Hoist. Successful development of core intelligent parts such as bus electro-hydraulic proportional multi-way valve and digital hydraulic cylinder provides support for intelligent product development.

Agricultural machinery: the Company led the National and Local Combined Engineering Research Center for Modern Agricultural Equipment. High-end large-horsepower tractor that the Company develops received positive response in Hanover Germany Agriculture, taking the lead to develop high-end agricultural machinery. In the "Top 50 China Construction Machinery Annual Products", the Gu Wang TB60 combine wheat harvester, Gu Wang DC150 batchprocessing 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.

Environment industry: the Company led to organize the Hunan Engineering Research Center for Bio-organic Waste Treatment; the Company was designated as the technical equipment support unit for equipment kit for pre-treatment of kitchen waste and mobile percolating treatment equipment listed in the Major EP Technical Equipment Encouraged by the State (2014 revision). The innovative dry sweeper truck capable to clean curb is the first of its kind in China. Multi-function anti-dust truck with injection distance of 120m developed by the Company boasts domestic advanced technology. Domestic waste pre-treatment technology of "waste selection + waste compression", which is the first in China, allows for landfill of less domestic waste, dramatically improving quality of waste incineration.

4. Accelerating global market exploration

Firstly, the Company adhered to the national strategy of "One Belt and One Road", along which the Company has established production bases and trade platforms. The Company has established China — Belarus Industrial Park, subsidiary in Thailand and subsidiary in Pakistan to orderly promote cooperation in production capacity with key countries along the "One Belt and One Road". China — Belarus Industrial Park allows for local production and assembly of products, from which the first batch of equipment including 40 t truck crane, 60 t truck crane and 16 t sweeper truck has been released. The Company will make good use of geological and platform advantages of the park to establish a base for research, development and manufacturing covering the East Europe and the Central Asia regions on the Silk Road Economic Belt.

Report of the Board of Directors

Secondly, the Company accelerated “going global” and “going integration” to develop the Company into an international one. The Company fully promoted 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 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 17.47% and 27.98% year on year, respectively.

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

In 2015, the Company focused on management reform, and continued to make efforts in risk control, cost reduction & efficiency improvement, team development, and brand management, bringing about reinforcement of and improvement in operational quality.

(1) Initial success was made in risk control

Firstly, the Company tightened credit policy, strengthened client credit evaluation, introduced client credit classification, waived low-quality order on its own initiative, and determined responsibilities for call to strictly control additional risks; secondly, the Company formulated the debt recovery strategy of “One Policy for One Customer” for overdue customers to enhance the collectibility.

(2) Cost reduction and efficiency improvement became normal

The Company promoted cost reduction in the operation processes including design, procurement, manufacturing, selling, provision of service and function management, etc.; strictly implemented the linkage between operation costs and HR costs and operational results; promoted order-based planned production mode, strengthened inventory control, and optimized organization and management process to reduce levels of management, thus improving efficiency.

(3) New breakthroughs were made in team development

The Company conducted the “Best Craftman” campaign. The Company strengthened development of leaders and backbone staff through check, training and incentive of backbone staff and improved their sense of responsibility and cohesion in order to develop a forward-looking nuclear force.

(4) Influence of brand was increased continuously

During the reporting period, the Company was mainly granted the following honors:

- With brand value of RMB33.571 billion, Zoomlion ranked No. 74 of Top 500 Most Valuable Chinese Brands (Second Round) by World Brand Lab, and its brand value was increased by 26% compared with 2014.

- Four overall self-dumping supply trucks appeared in the formation in "September 3 Parade" on the 70th anniversary day of the victory of the Chinese people's war of resistance against Japanese aggression. More than ten high-end equipment contributed to CCTV global live of the parade.

- The Listed Company with the Best Sustainable Investment Value, Leadership Price for the Listed Company with the Best Influence, and Prize for Outstanding Contribution of Golden Secretary to the Board, of the 10th Competitive Power and Public Trust of Listed Companies in China.

- China Trademark Gold Medal • Trademark Application Prize granted by the State Administration of Industry and Commerce and World Intellectual Property Organization, which is the highest prize in field of trademark.

- China Merger & Acquisition • Golden Parasol Prize, the first in China.

- The President Zhan Chunxin was granted the Most Influential Industry Leader Prize of China Construction Machinery.

II. Analysis of Financial position

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

Report of the Board of Directors

III. Outlook for 2016

(I) Industry development trend and market outlook

1. Construction machinery market

In 2016, the central government will continue implementing the positive fiscal policies and also maintain optimal and stable monetary policies. With regional development, Coordinated Development for the Beijing-Tianjin-Hebei Region, Yangtze River Economic Belt development and construction of infrastructure such as high-speed rail, inter-city rail, and subway derived therefrom, stable room for development of domestic construction machinery industry will be expected, however, influenced by China's reform of the supply side, excess industry capacity and high inventory of terminal equipment, the construction machinery industry is still in the stage of absorption to simultaneously deal with the slowdown in economic growth, make difficult structural adjustments, and absorb the effects of previous economic stimulus policies.

In terms of overseas market, inclusion of the renminbi in its Special Drawing Rights (SDR) basket and the national "One Belt and One Road" policy will boost exports of construction machineries, and construction machinery companies will 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. An enterprise that makes arrangements with respect to the "One Belt and One Road" in advance will stand out from competitions.

2. Environmental industry market

With promotion of urbanization and improvement in urban management, waste disposal market will become a new growth point. Medium-large dump sites will see tremendous demands, and conventional environment & sanitation mechanical product will still see stable market growth. The environmental industry is having unprecedented growth opportunities, and will maintain the fast growing momentum. Ecological civilization is included in the ten objectives stated in the *CPC Central Committee's Proposal for Formulating the 13th Five-Year Plan for China's Economic and Social Development* for the first time. Businesses involving daily waste classification, disposal of kitchen waste and construction waste, treatment of leachate, sewage and sludge will embrace brighter prospect. It is expected that companies with higher technology innovation capabilities, stronger brand influence and sufficient capital will have a competitive edge.

3. **Agricultural machinery market**

In the No. 1 Central Document 2016, the central government stressed policies and measures such as large-scale promotion of construction of high-standard farmlands, acceleration of full mechanical production of major crops, acceleration of land transfer, and mortgage of right of contracting and operation of land. With inclusion of agricultural equipment into the list of 10 key industries for Made in China 2025, the country will continue intensifying investment into and support of agricultural machinery, providing good climate and opportunity for development of agricultural machinery.

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 be developed rapidly. Opportunities for capturing larger market share will arise for those industry players with advantages in terms of technology, brand, channel and capital.

(II) Main operation thoughts for 2016

To secure continuous promotion of the Company's "2+2+4" strategy, the Company will mainly rely on the following operation thoughts in 2016:

For the construction machinery sector, the Company will continue centering on efficiency and benefit by striving for promoting reform and integration of regional markets, collecting receivables, eliminating inventory, and improving and promoting products 4.0, and by strictly implementing all-round budget management and control to reduce costs and improve efficiency. The Company will allocate more resources to realize the objective of international company, and will fully gear into the "One Belt and One Road" to achieve "going global" of products and capital.

Quality growth achieved in environment industry sector. When it comes to environment & sanitation machinery, the Company will promote innovative management mode and incentive mechanism for R&D, marketing and production, and reinforce its scale advantage and industry leader position; and in terms of environment industry, the Company will focus on urban and rural domestic waste, kitchen waste, waste water treatment and soil remediation, and will integrate resources to establish an industry federation in which Zoomlion will be at core to rapidly realize leaping-style growth of environment industry businesses.

When it comes to agricultural machinery sector, the Company will focus on "addition" and "subtraction" in terms of resource allocation, business mode, operation management and product development to promote business and management transformation and upgrading, thus developing the Company into a full mechanization agricultural equipment solution provider.

Report of the Board of Directors

When it comes to financial service sector, the Company will take Zoomlion Capital as the core financial control platform, and will be devoted to becoming a financial service provider covering fields such as asset management, finance company, insurance, industry fund and industry finance by means of shareholding, participation, merger and acquisition, thus contributing to the growth of the industry.

IV. Profit Distribution and Bonus Dividend

At the annual general meeting of 2013 held on 27 June 2014, the Company considered and approved "Resolution regarding the Amendments to the Articles of Association". Profit distribution policies, especially the differentiated cash dividend policy, are defined specifically in the Articles of Association. The Company has emphasised on shareholders' returns and strictly complied with the relevant requirements of regulatory authorities. Since its listing in 2000, the Company has distributed cash dividend in every year. The Company's reserves available for distribution to shareholders amounted to RMB13.909 billion as at 31 December 2015 (31 December 2014: RMB14.181 billion). As at 31 December 2015, the accumulative cash dividend distributed by Zoomlion amounted to RMB7,934,160,920 and issued 3,761,030,000 bonus shares and allotted 2,496,947,000 additional shares.

According to the profit distribution plan for 2015 of the Company, based on the total share capital of 7,664,132,250 shares, the Company will pay cash dividend of RMB0.15 (tax inclusive) for every share and will not issue bonus shares by capitalisation of the capital reserve.

According to the Law on Corporate Income Tax of the People's Republic of China and its implementing rules which came into effect on 1 January 2008 and other relevant rules, the Company is required to withhold 10% corporate income tax before distributing the 2015 dividend to non-resident enterprise shareholders as appearing on the H Share register of members of the Company. Any shares registered in the name of the non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax. Cash dividend payable to H Share non-resident enterprises after the deduction of the said corporate income tax is RMB0.135 per share (for reference only). Cash dividend payable to the shareholder of H Shares will be paid in Hong Kong dollars. The Company assumes no responsibility and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any dispute over the mechanism of withholding. Shareholders are recommended to consult their taxation advisors regarding their holding and disposing of H shares of the Company for the PRC, Hong Kong and other tax effects involved.

According to the profit distribution plan for 2014 of the Company, based on the total share capital of 7,705,954,050 shares, the Company will pay cash dividend of RMB0.05 (tax inclusive) for every share and will not issue bonus shares by capitalisation of the capital reserve.

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

V. Pre-emptive Rights

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

VI. Property, Plant and Equipment

Movements of the property, plant and equipment of the Company during the reporting period are set out in note 11 to the financial statements prepared under IFRSs.

VII. Major suppliers and customers

Total purchases by the Company from the top five suppliers amounted to RMB1,606,668,153.64, accounting for 9.84% of the aggregate annual purchase of the Company and total purchases by the Company from the largest supplier accounted for 5.87% of the aggregate annual purchase of the Company. To the best knowledge of the directors, during the reporting period, none of the directors, supervisors, their associates or shareholders holding more than 5% of the Company's share capital in issue had an interest in the top five suppliers of the Company. During the Reporting Period, the Company considered that it has maintained a good and stable relationship with its key suppliers.

Total sales to the top five customers of the Company amounted to RMB819,523,356.51, accounting for 3.95% of the aggregate annual sales of the Company and the total sales to the largest customer of the Company accounted for 1.16% of the aggregate annual sales of the Company. To the best knowledge of the directors, during the reporting period, none of the directors, supervisors, their close associates or shareholders holding more than 5% of the Company's share capital in issue had an interest in the top five customers of the Company. During the Reporting Period, the Company considered that it has maintained a good and stable relationship with its key customers.

VIII. Principal Risks and Uncertainties

Policy Risk: The equipment manufacturing industry relates closely to the investment in infrastructure while changes in the national macro policies and the pace of domestic economic development will directly affect customers' demand and further affect the product sales of the Company.

Market Risk: The slowdown in the pace of recovery of the global economy, the sluggish growth of domestic economy, the increasingly fierce market competition and the fluctuations in prices of raw materials and components may have an impact to the scale and benefits of the sales of the Company.

Credit Risk: The Company has a large customer base. Customers can choose the methods of payment such as settlement by full payment, bank mortgage, payment by installments and finance lease, and this may have an impact to the Company's business expansion and the recoverability of payments in future since the creditworthiness of different customers varies.

Report of the Board of Directors

Currency Risk: The Company holds a certain amount of foreign currencies, such as US dollars, Euro and Japanese Yen. As the prices of the exported products of the Company and the imported raw materials of the Company are mainly quoted and settled in US dollars, any fluctuation in the exchange rate of the relevant currency will have certain impact on the financial position of the Company.

IX. Donations

During the reporting period, the charity donations and other donations of the Company amounted to approximately RMB4.58 million in aggregate.

X. Human Resources

As at 31 December 2015, the Company had employed a total of 19,141 employees. Details of the Company's staff costs and employee benefit plans for 2015 are disclosed in notes 5(b) and 23 to the financial statements prepared under IFRSs respectively.

The Company offers a comprehensive range of staff facilities and fringe benefits to attract, retain and motivate employees. Besides, the Company established labor union to safeguard the rights and interests of its employees. During the reporting period, the Company considered that it has maintained a good relationship with its employees and the employee turnover rate was at an acceptable level.

XI. Charge on Assets

Details of the Company's charge on assets are set out in note 20 to the financial statements prepared under IFRSs.

XII. Permitted Indemnity Provision

Subject to and as permitted by applicable laws, every director of the Company and some of its associated companies (as defined under the Companies Ordinance, Cap. 622) shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to their respective Articles of Associations and/or contracts with the directors. Such provisions were in force during the financial year ended 31 December 2015 and remained in force as of the date of this report.

XIII. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company continues to keep abreast with the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. The Company does not produce material waste nor emit material quantities of pollutants during its operation. During the reporting period, the Company has complied with the relevant environmental laws and regulations applicable to it in all material respects, including permit requirements.

XIV. COMPLIANCE WITH LAWS AND REGULATIONS

The Company's operations are mainly carried out by the parent company and the Company's subsidiaries in the PRC. Our operations shall mainly comply with relevant laws and regulations in the PRC. During the Reporting Period, the Company did not contravene any relevant laws and regulations that exert a significant impact on the Company.

Management Discussion and Analysis

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

Overview

The Company is principally engaged in the research and development, manufacturing, sale and provision of services of construction machinery, environmental sanitation machinery and agricultural machinery, as well as the investment and operation of environmental solutions and other financial services such as finance lease. Construction machinery, including concrete machinery, crane machinery, road construction machinery, infrastructure construction machinery, road building and maintenance machinery and forklift truck, is mainly

Management Discussion and Analysis

for infrastructure and real estate construction service. Serving to provide equipments and operational services for environmental treatment, the Company is mainly engaged in the manufacturing of environmental sanitation machinery, making investments in environmental treatment projects and the provision of environmental solutions, which include sorting and disposal of solid wastes, disposal of domestic wastes and involve comprehensive investment and operational project of urban environmental treatment. Agricultural machinery industry, including farming machinery, harvesting machinery, drying machinery and agricultural equipment, is mainly for provision of complete package of services for breeding, field preparation, sowing, field management, harvesting, drying and storage.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for 2015.

	Year Ended 31 December	
	2015	2014
	RMB	RMB
	millions	millions
Revenue	**20,753**	25,851
Cost of sales and services	**(15,146)**	(18,642)
Gross profit	**5,607**	7,209
Other income	**676**	164
Sales and marketing expenses	**(2,502)**	(3,036)
General and administrative expenses	**(2,271)**	(2,347)
Research and development expenses	**(320)**	(443)
Profit from operations	**1,190**	1,547
Net finance costs	**(1,182)**	(692)
Gain on disposal of associates	**30**	7
Share of profits less losses of associates	**1**	1
Profit before taxation	**39**	863
Income tax	**58**	(235)
Profit for the year	**97**	628
Profit attributable to:		
Equity shareholders of the Company	**89**	594
Non-controlling interests	**8**	34

Management Discussion and Analysis

Revenue

We generate revenue primarily from the following operating segments:

Construction machinery segment (consist of concrete machinery sub-segment, crane machinery sub-segment and others);

Environmental industry segment;

Agricultural machinery segment; and

Financial services segment.

The following table sets forth the breakdown of our consolidated revenue by our operating segments for 2015:

	Year Ended 31 December	
	2015	2014
	RMB	RMB
	millions	millions
Reportable segment revenue:		
Construction machinery		
— Concrete machinery	**5,476**	10,555
— Crane machinery	**4,574**	7,423
— Others	**2,314**	2,919
Environmental industry	**4,525**	4,024
Agricultural machinery	**3,295**	—
Financial services	**569**	930
Total	**20,753**	25,851

In 2015, the growth of the global economy was sluggish and the external demand experienced a severe situation. Under the new normal condition, the domestic economic growth was under huge downward pressure. Among the industry segments in which the Company operates business, the construction machinery industry is still undergoing a painful transition entailed by the profound structure adjustment. The fundamentals of agricultural machinery industry continued to improve, with its growth rate ahead of that of GDP. There is a great growth potential in the environmental industry. However, the competition landscape featuring immature technical resolutions and high dispersion of market concentration existed in the industry.

Management Discussion and Analysis

During the Reporting Period, the Company recorded a revenue of approximately RMB20.753 billion and a net profit attributable to shareholders of the parent company of approximately RMB89 million. As compared to last year, the decrease of 19.72% in revenue of the Company in 2015 is mainly attributable to the weak demand in the market of the two major products in the construction machinery industry, namely concrete machinery and crane machinery as well as the tightened sales policies implemented by the Company. However, the two major products maintained their market dominance in their respective industry and we were managed to preliminarily control the risk exposure. The revenue of the two major emerging sectors, namely agricultural machinery following the acquisition of Zoomlion Heavy Machinery Co., Ltd. and environmental industry, achieved a double-digit growth, which accounted for 37.68% of the revenue of the Company and became a new drivers of our results.

The following table sets forth the breakdown of our revenue by geographic sales location for 2015:

	Year Ended 31 December	
	2015	2014
	RMB	RMB
	millions	millions
Revenue from external customers		
— Mainland PRC	**18,198**	22,956
— Outside PRC	**2,555**	2,895
Total	**20,753**	25,851

Cost of sales and services

Our cost of sales and services primarily consists of:

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

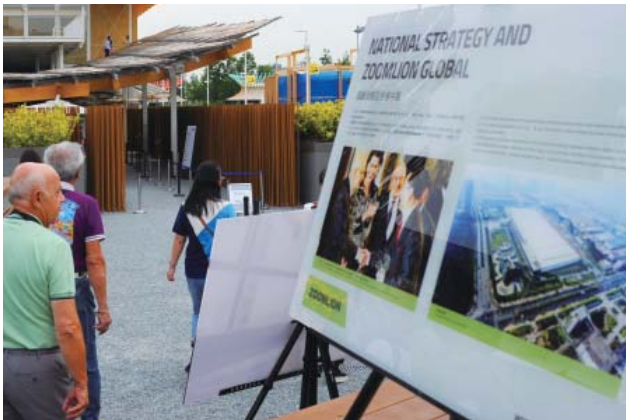
Staff costs, including salaries and benefits for personnel directly involved in manufacturing activities;

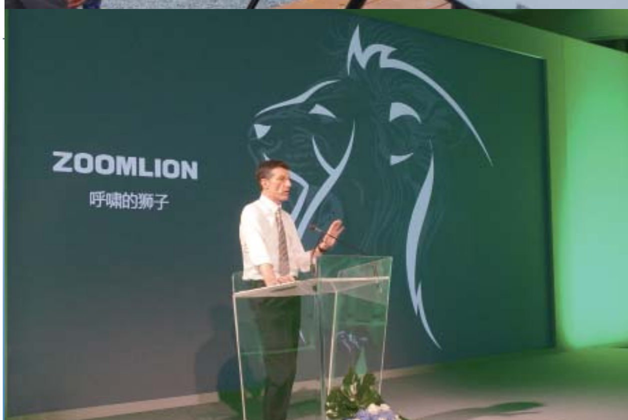
Depreciation and amortization of property, plant and equipment used for manufacturing purposes;

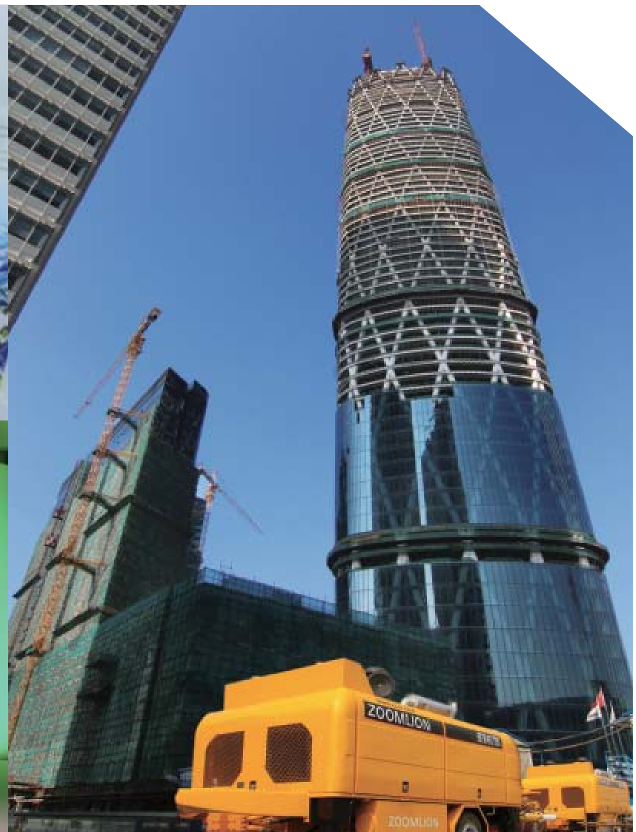
Costs of finance lease services, including fees, other surcharges and interest related to factoring of receivables under finance lease; and

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

Management Discussion and Analysis







Management Discussion and Analysis

The following table sets forth the major components of our cost of sales and services for 2015:

	Year Ended 31 December	
	2015	2014
	RMB millions	RMB millions
Raw materials	**13,628**	17,139
Staff costs	**837**	886
Depreciation and amortization	**409**	326
Costs of financial lease services	**—**	2
Others	**272**	289
Total cost of sales and services	**15,146**	18,642

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

Due to the decrease in the volume of the Company's sales, our cost of sales and services reduced by 18.75% from RMB18,642 million for the year ended 31 December 2014 to RMB15,146 million for the year ended 31 December 2015.

Management Discussion and Analysis

Gross profit

The following table sets forth the gross profit by operating segments for the period indicated.

	Year Ended 31 December	
	2015	2014
	RMB	RMB
	millions	millions
Reportable segment profit:		
Construction machinery		
— Concrete machinery	**1,149**	2,368
— Crane machinery	**1,423**	2,063
— Others	**529**	650
Environmental industry	**1,417**	1,200
Agricultural machinery	**520**	—
Financial services	**569**	928
Total	**5,607**	7,209

Our gross profit decreased by 22.22% from RMB7,209 million for the year ended 31 December 2014 to RMB5,607 million for the year ended 31 December 2015. Our gross profit margin decreased from 27.89% for the year ended 31 December 2014 to 27.02% for the year ended 31 December 2015. The variance of gross profit margin by segment is detailed as follows: 1) The gross profit margin of concrete machinery segment decreased from 22.43% for the year ended 31 December 2014 to 20.98% for the year ended 31 December 2015, which was mainly due to the decrease in the sales mix of truck-mounted concrete pumps with high gross margin resulted from shrinking market demand for the year of 2015; 2) The gross profit margin of crane machinery segment increased from 27.79% for the year ended 31 December 2014 to 31.11% for the year ended 31 December 2015 as the demand for all-terrain truck cranes with high gross margin was stimulated by wind power construction projects, leading to higher shares of such products in the sales mix compared to the year of 2014; 3) The gross profit margin of other machinery products remained relatively stable for the year of 2015 compared with that of 2014; 4) The gross profit margin of environmental industry segment increased from 29.82% for the year ended 31 December 2014 to 31.31% for the year ended 31 December 2015, which was caused by the newly-introduced products of road sweepers and washing vehicles with high gross margin as well as the decrease in the purchase price for the year of 2015; and 5) The gross profit margin of agricultural machinery segment was 15.78% for the year of 2015, which is lower than that of other segments.

Management Discussion and Analysis

Other income

Our other income increased from the net gain of RMB164 million for the year ended 31 December 2014 to a net gain of RMB676 million for the year ended 31 December 2015, which is mainly due to more subsidy income received by the agricultural machinery and other segments in 2015.

Sales and marketing expenses

Our sales and marketing expenses decreased by 17.59% from RMB3,036 million for the year ended 31 December 2014 to RMB2,502 million for the year ended 31 December 2015. Sales and marketing expenses as a percentage of our revenue increased from 11.74% for the year ended 31 December 2014 to 12.06% for the year ended 31 December 2015 primarily due to the decrease in our sales, which resulted in the increase of fixed sales and marketing expenses, such as rental expenses and personnel expenses, as a percentage of consolidated revenue.

General and administrative expenses

Our general and administrative expenses decreased by 3.24% from RMB2,347 million for the year ended 31 December 2014 to RMB2,271 million for the year ended 31 December 2015. General and administrative expenses as a percentage of our revenue increased from 9.08% for the year ended 31 December 2014 to 10.94% for the year ended 31 December 2015 primarily due to the combined impact of reduction of the Company's operating expenses and the increase in provision for impairment of receivables and inventory.

Research and development expenses

The Company continued investing in research and development activities to prepare for further development during the trough of the industry. For the year ended 31 December 2015, research and development expenses amounted to a total of RMB514 million, which is RMB55 million higher than that of 2014. Considering the continuous economic benefit from the results of certain research and development in future, the Company capitalized research and development expenses of RMB194 million that meet the capitalization criteria during the year ended 31 December 2015.

Profit from operations

As a result of the foregoing, our profit from operations dropped by 23.08% from RMB1,547 million for the year ended 31 December 2014 to RMB1,190 million for the year ended 31 December 2015. Our operating margin fell from 5.98% for the year ended 31 December 2014 to 5.73% for the year ended 31 December 2015.

Net finance costs

Our net finance costs for the year ended 31 December 2014 was RMB692 million and our net finance costs for the year ended 31 December 2015 was RMB1,182 million. The fluctuation was due to the change of exchange rate and the incidental increase in interest-bearing liabilities.

Income tax

Our income tax changed from RMB235 million income tax expenses for the year ended 31 December 2014 to RMB58 million income tax credit for the year ended 31 December 2015 primarily due to the decrease in taxable income and reversal of deferred tax liabilities.

Management Discussion and Analysis

Profit for the year

As a result of the foregoing, our profit for the year decreased by 84.55% from RMB628 million for the year ended 31 December 2014 to RMB97 million for the year ended 31 December 2015. Our net profit margin dropped from 2.43% for the year ended 31 December 2014 to 0.47% for the year ended 31 December 2015.

Profit attributable to shareholders of the Company

As a result of the foregoing, our profit attributable to shareholders of the Company decreased by 85.02% from RMB594 million for 2014 to RMB89 million for 2015.

Cash Flow and Capital Expenditure

During 2015, we financed our operations primarily through cash proceeds from loans and borrowings and issuance of the Super Short-Term Notes). As of 31 December 2015, we had RMB11,487 million in cash and cash equivalents, most of which were denominated in Renminbi. Our cash and cash equivalents primarily consist of cash and demand deposits.

The following table sets forth a summary of our consolidated cash flows for 2015:

	Year Ended 31 December	
	2015	2014
	RMB millions	RMB millions
Net cash used in operating activities	**(4,012)**	(8,411)
Net cash generated from/(used in) investing activities	**3,070**	(1,891)
Net cash (used in)/generated from financing activities	**(2,042)**	8,230
Net decrease in cash and equivalents	**(2,984)**	(2,072)
Effect of foreign exchange rate changes	**(12)**	(102)
Cash and cash equivalents at the beginning of the year	**14,483**	16,657
Cash and cash equivalents at the end of the year	**11,487**	14,483

Operating activities

In 2015, net cash used in operating activities was RMB4,012 million derived primarily from the profit before taxation of RMB39 million, adjusted to reflect interest expenses of RMB1,706 million and depreciation and amortisation of RMB829 million, and net of following items: (i) the increase in trade and other receivables of RMB2,657 million; (ii) the decrease in trade and other payables of RMB6,468 million; and (iii) the income tax payment of RMB140 million, and the effect of decrease in inventories of RMB2,221 million.

Management Discussion and Analysis

Investing activities

In 2015, net cash generated from investing activities was RMB3,070 million, consisting primarily of: (i) payments for the purchases of property, plant, equipment and land of RMB386 million; (ii) payment for acquisition of available-for-sale financial assets of RMB1,000 million. And added (i) net cash inflow impact of RMB1,046 million arising from acquisition of subsidiaries; (ii) recovery of entrusted loan of RMB900 million; (iii) a decrease in pledged bank deposits of RMB724 million; and (iv) interest income of RMB678 million.

Financing activities

In 2015, net cash used in financing activities was RMB2,042 million, consisting primarily of the proceeds from loans and borrowings of RMB19,924 million, offset by: (i) repayments of loans and borrowings of RMB19,085 million; (ii) cash dividends paid to equity shareholders of RMB378 million; (iii) interest payments of RMB1,674 million; (iv) payment on the acquisition of minority interest of RMB661 million; (v) dividends paid to minority shareholders of RMB40 million; and (vi) payment for the repurchase of own shares of RMB128 million.

Capital Expenditures

For the year ended 31 December 2015, our capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB1,525 million.

Commitments and Contingent Liabilities

As at 31 December 2015, our commitment consisted of capital commitments that have been authorised and contracted for in the amount of RMB574 million, and operating lease commitments of RMB245 million, of which RMB99 million was payable within one year.

As at 31 December 2015, we had contingent liabilities of RMB8,186 million in connection with financial guarantees provided for certain bank loans obtained by our customers to finance their purchases of our products. Under the guarantee contracts, if the customers defaulted, we are entitled to repossess the product which had been purchased and pledged by the customers. For the year ended 31 December 2015, due to our customers' default, we paid RMB947 million, to the banks under our guarantees.

Starting from 1 January 2013, our certain customers financed their purchase of our machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, we provide guarantee to the third-party leasing companies that in the event of customer default, we are required to make payment to the leasing companies for the outstanding lease payments due from the customer. At the same time, we are entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 31 December 2015, our maximum exposure to such guarantees was RMB2,089 million. The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. For the year ended 31 December 2015, there was no payment made for repossession of machinery incurred under the guarantee arrangement as a result of customer default.

Management Discussion and Analysis

Our certain customers finance their purchase of our agricultural machinery products through cargo-backed loans in the form of bank acceptance notes provided by the banks. We undertake the joint liability guarantee for the customers. In the event of customer default, we are required to make payments to the banks for the outstanding amount due from the customers when the bank acceptant notes are due. As at 31 December 2015, our maximum exposure to such guarantees was RMB117 million.

Working Capital and Indebtedness

The table below sets forth the details of our current assets and liabilities as of 31 December 2015:

	As of 31 December	
	2015	2014
	RMB millions	RMB millions
Current assets		
Inventories	**14,083**	10,376
Other current assets	**449**	280
Trade and other receivables	**30,493**	30,639
Receivables under finance lease	**12,644**	12,202
Pledged bank deposits	**1,860**	1,891
Cash and cash equivalents	**11,487**	14,483
Total current assets	**71,016**	69,871
Current liabilities		
Loans and borrowings	**13,273**	5,687
Trade and other payables	**16,813**	19,494
Income tax payable	**87**	30
Total current liabilities	**30,173**	25,211

Our net current asset decreased from RMB44,660 million as at 31 December 2014 to RMB40,843 million as at 31 December 2015, mainly attributable to the increase of long-term loans due within one year and other borrowings.

Our outstanding loans and borrowings increased by 11.12% from RMB31,612 million as at 31 December 2014 to RMB35,154 million as at 31 December 2015, mainly attributable to the increase of EUR and USD denominated short-term bank loans.

	As of 31 December	
	2015	2014
	RMB	RMB
	millions	millions
Secured short-term bank loans		
— RMB denominated	**148**	—
— EUR denominated	**4**	—
Unsecured short-term bank loans		
— RMB denominated	**200**	800
— EUR denominated	**3,980**	134
— USD denominated	**3,491**	2,930
Add: current portion of long-term loans and borrowings	**5,450**	1,823
	13,273	5,687
Unsecured long-term bank loans		
— RMB denominated	**3,836**	2,835
— EUR denominated	**1,651**	1,737
— USD denominated	**5,317**	7,038
Unsecured RMB bond	**1,099**	1,098
RMB medium-term notes	**8,993**	8,991
Guaranteed USD senior notes	**6,435**	6,049
	27,331	27,748
Less: current portion of long-term loans and borrowings	**(5,450)**	(1,823)
	21,881	25,925

Management Discussion and Analysis

As at 31 December 2015, our RMB and US dollar unsecured short-term and long-term loans and borrowings with an aggregate outstanding principal amounts of RMB3,691 million and RMB25,680 million, respectively, are subject to certain restrictive financial covenants. As of 31 December 2015, we have not breached any of these restrictive financial covenants. If we were unable to comply with such restrictive financial covenants and were not exempted by the lending banks, we might be ordered to repay the bank loans immediately, and our liquidity will be adversely affected.

As at 31 December 2015, our facilities from 32 domestic and overseas financial institutions amounted to approximately RMB79,500 million have not been utilized.

Liquidity Risk

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

The following table sets out the remaining contractual maturities of the financial liabilities as of 31 December 2015, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current prevailing rates as of 31 December 2015) and the earliest date the Company would be required to repay, other than endorsed bills with full recourse which were derecognised by the Company:

	As at 31 December 2015					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	35,154	39,589	14,613	8,201	13,697	3,078
Trade and other payables	16,813	16,813	16,813	–	–	–
Other non-current liabilities	621	621	–	189	216	216
Interest rate swap (net settled)	25	25	25	–	–	–
	52,613	57,048	31,451	8,390	13,913	3,294
Financial guarantees issued						
Maximum amount guaranteed	144	10,475	10,475	–	–	–

	As at 31 December 2014					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	31,612	36,672	6,795	7,283	18,076	4,518
Trade and other payables	19,494	19,494	19,494	—	—	—
Other non-current liabilities	899	903	—	343	386	174
Interest rate swap (net settled)	—	—	—	—	—	—
	52,005	57,069	26,289	7,626	18,462	4,692
Financial guarantees issued						
Maximum amount guaranteed	242	17,266	17,266	—	—	

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

Credit Risk

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

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

Management Discussion and Analysis

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's background and financial strengths, past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as the economic environment in which the customer operates. Trade receivables under credit sales arrangement are normally due within 1 to 3 months from the date of billing, and an upfront payment ranging from 20% to 30% (2014: 20% to 30%) of the product price is normally required from the customer. 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. Collaterals such as properties, machinery or third party guarantees are generally required for customers with lower credit ratings. In addition, credit insurance coverage is required for overseas sales. Certain customers are required to pay by letters of credit.

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

Debtors overdue by 3 months or more are handled by risk management department which is responsible for recovering debts through legal and other actions, including repossession and subsequent sale of machineries in case of customer default. Actions taken for different type of overdue debts are assessed by considering the customers' current financial position, future business plan, the fair value of pledged assets and possibility of additional collateral.

Please refer to notes 16, 17 and 27 of the financial statements prepared under IFRSs for more quantitative information about the Company's credit risk.

Interest Rate Risk

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

Please refer to note 27 of the financial statements prepared under IFRSs for more quantitative information about the Company's interest rate risk.

Currency Risk

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

Please refer to note 27 of the financial statements prepared under IFRSs for more quantitative information about the Company's currency risk.

Capital Management

The Company's primary objectives for managing capital are to safeguard the Company's ability to continue operation as a going concern, so that it can continue to provide investment returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Company regularly reviews and manages its capital structure so as to maintain a balance between the high shareholders' returns (that might be possible with higher levels of borrowings) and the security and advantages afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Company monitors its capital structure on the basis of the debt-to-equity ratio. For this purpose, the Company defines debt as total loans and borrowings and defines equity as all components of equity attributable to equity shareholders of the Company.

Please refer to note 26 of the financial statements prepared under IFRSs for more information about the Company's capital management.

Significant Events

I. Significant Connected Transactions of the Company during the Year

(I) The Company had no significant connected transaction according to the relevant domestic regulations.

(II) Under the Listing Rules of Hong Kong, the continuing connected transactions of the Company during 2015 were as follows:

Framework sales agreement with Dongfeng Motor Corporation

Dongfeng Motor Corporation holds 11.14% of the equity interest in Hunan Zoomlion Axle Co., Ltd., a subsidiary of the Company, and is therefore a substantial shareholder of Hunan Zoomlion Axle Co., Ltd. and a connected person of the Company. Dongfeng Motor Corporation was established in 1969 and is currently one of the top three automakers in China. Its main businesses include production and sale of passenger vehicles, commercial vehicles, engine, auto parts and components, and equipment in the PRC. To regulate the sales and purchase arrangement between the Company and Dongfeng Group after the Listing, the Company has entered into a framework sales agreement (the "Dongfeng Framework Sales Agreement") dated 6 December 2010 with Dongfeng Motor Corporation and such agreement was expired on 23 December 2013. The Company entered into the Dongfeng Sales Renewal Agreement dated 13 August 2013 to renew the terms and conditions set out in the Dongfeng Framework Sales Agreement. Such agreement has taken effect from 1 January 2013 and has a term of three years. Pursuant to the Dongfeng Framework Sales Agreement, Dongfeng Group will purchase axles and other auto components produced by the Company from time to time. In 2015, total sales of the Company to Dongfeng Group amounted to approximately RMB380 million (excluding value-added tax).

Dongfeng Purchase Renewal Agreement with Dongfeng Motor Corporation

The Company entered into a framework purchase agreement (the "Dongfeng Framework Purchase Agreement") dated 6 December 2010 with Dongfeng Motor and such agreement was expired on 23 December 2012. On 13 August 2013, the Company entered into the Dongfeng Purchase Renewal Agreement to renew the terms and conditions set out in the Dongfeng Framework Purchase Agreement. The Dongfeng Purchase Renewal Agreement has taken effect from 1 January 2013 and has a term of three years. Pursuant to the Dongfeng Purchase Renewal Agreement, the Company will purchase steel springs, chassis, engines and other auto components from the Dongfeng Group from time to time. In 2015, the total purchases from the Dongfeng Group amounted to approximately RMB1,085 million (excluding VAT).

The independent non-executive directors unanimously confirmed that the continuing connected transactions of the Company for the year 2015 were:

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

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

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

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

In respect of the significant connected transactions disclosed above (the "Transactions"), KPMG has carried out procedures in respect of the Transactions entered into by the Company for the year ended 31 December 2015 and issued a letter to the Board of the Company, stating that: (1) they were not aware that the Transactions have not been approved by the Board; (2) they were not aware of any matter which would make them believe that the Transactions were not in accordance with the pricing policies of the Company in any material aspect in connection with the Transactions involving the provision of goods or services by the Company; (3) they were not aware of any matter which would make them believe that the Transactions were not in accordance with the relevant agreements governing the Transactions in any material aspect; (4) they were not aware of any matter which would make them believe that the respectively annual aggregate amount of each of the Transactions would exceed the annual cap as set by the Company.

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

II. Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies

On 19 August 2014, the Company entered into an equity exchange contract with Wuhu Construction Investment Company Limited, Chery Holding Co., Ltd. and Wuhu Yuanda Venture Capital Company Limited for the acquisition of 1.8 billion shares in Zoomlion Heavy Machinery Co., Ltd. (formerly known as Chery Heavy Industry Co., Ltd.), representing 60% of the equity interest in Zoomlion Heavy Machinery Co., Ltd..

On 30 December 2014, the Company entered into a share transfer agreement with Wuhu Ruitong Investment Company Limited for acquisition of 225,300,000 shares of Zoomlion Heavy Machinery Co., Ltd., representing 7.51% of the equity interest in Zoomlion Heavy Machinery Co., Ltd..

On 4 January 2015, the Company completed the acquisition of 67.51% interests in Zoomlion Heavy Machinery Co., Ltd. and its subsidiaries with a cash consideration of RMB2,349 million.

Save as disclosed above, during the Reporting Period, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

Significant Events

III. Other Significant Events

Acquisition of Ladurner Ambiente S.p.A

On 1 June 2015, the Company and Mandarin Capital entered into the Memorandum of Understanding in respect of the proposed acquisition of Ladurner Ambiente S.p.A.

On 22 December 2015, the Company and Mandarin Capital Partners II ("Mandarin Capital II") entered into an equity purchase agreement (the "Agreement"), pursuant to which the Company and Mandarin Capital II will jointly make an investment of EUR66.20 million (equivalent to approximately RMB470 million) to acquire 75% of the equity interests in Ladurner Ambiente S.p.A. (the "Target Company") by purchasing its existing and newly issued shares. The Company will invest EUR50.31 million (equivalent to approximately RMB356 million) to acquire 57% of the equity interests in the Target Company. Please refer to the announcements issued by the Company dated 1 June 2015 and 24 December 2015 for further details.

Acquisition of Terex

On 4 December 2015, the Company made a non-binding offer to acquire the issued shares in Terex Corporation (NYSE: TEX) ("Terex"), at US$30.00 per share in cash, representing a 41% premium over the last closing price of Terex prior to the offer (US$21.22) (the "Proposed Transaction"). The Company has prepared a concrete financing plan for the Proposed Transaction and plans to utilize its own cash on hand (representing 40% of the overall financing plan) and bank debt financing (representing 60% of the overall financing plan) to complete the Proposed Transaction. For the debt bank financing portion, letters of support have been received from relevant banks.

On 23 March 2016, the Company made a revised and updated non-binding offer to the board of directors of Terex, pursuant to which the Company increased the offer price from US$30 per share of Terex in cash to US$31 per share of Terex in cash. The Proposed Transaction, if it materializes, would constitute a notifiable transaction of the Company under the Listing Rules of Hong Kong and the consummation of which would be subject to a number of conditions precedent including, without limitation, the obtaining of relevant regulatory approvals and the review of various regulatory authorities as well as shareholders' approval of the Company. Please refer to the announcements issued by the Company dated 27 January 2016, 17 February 2016 and 24 March 2016 for further details.

Changes in Share Capital and Shareholders

I. Changes in Share Capital (as at 31 December 2015)

1. Changes in Share Capital

	Before this change		Increase (+)/Decrease (-) in this change					After this change	
	Number	Percentage	New shares	Bonus issue	Bonus shares from capital reserve	Others	Sub-total	Number	Percentage
I. Shares subject to sales restriction	14,930,171	0.19%	0	0	0	-3,498,752	-3,498,752	11,431,419	0.15%
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	-3,498,752	-3,498,752	11,431,419	0.15%
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	-3,498,752	-3,498,752	11,431,419	0.15%
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	-38,323,048	-38,323,048	7,652,700,831	99.85%
1. Ordinary shares denominated in RMB	6,260,994,993	81.25%	0	0	0	3,498,752	3,498,752	6,264,493,745	81.74%
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	-41,821,800	-41,821,800	1,388,207,086	18.11%
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	-41,821,800	-41,821,800	7,664,132,250	100.00%

Reasons for changes in share capital

According to the requirement, the lock up on the shares held by the senior management of the Company has expired.

The Company repurchased 41,821,800 H Shares and cancelled such repurchased shares according to the requirement.

Changes in Share Capital and Shareholders

II. Shareholders

1. Number of shareholders of the Company and shareholdings

Total number of shareholders as at the end of the Reporting Period: 460,740

Unit: shares

Name of shareholder	Nature of shareholder	Percentage of shareholding	Total number of share held as at the end of the reporting period	Changes during the Reporting Period
HKSCC NOMINEES LIMITED	Overseas legal person	18.08%	1,385,690,083	-41,966,680
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	State-owned legal person	16.35%	1,253,314,876	0
Changsha Hesheng Science and Technology Investment Co., Ltd	Domestic non state-owned legal person	5.04%	386,517,443	0
China Securities Finance Corporation Limited	State-owned legal person	3.01%	230,408,951	230,408,951
GOOD EXCEL GROUP LIMITED	Overseas legal person	2.20%	168,635,680	0
Real Smart International Limited	Overseas legal person	2.20%	168,635,602	0
Changsha Yifang Science and Technology Investment Co., Ltd	State-owned legal person	2.05%	156,864,942	0
Central Huijin Asset Management Ltd.	State-owned legal person	1.51%	115,849,400	115,849,400
Hony Capital Fund I (Tianjin), L.P.	Domestic non state-owned legal person	0.84%	64,600,000	-94,828,548
China Jianyin Investment Co., Ltd.	State-owned legal person	0.32%	24,340,809	0

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

Changes in Share Capital and Shareholders

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

As at 31 December 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 Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or required to be recorded in the register to be kept by the Company pursuant to Section 336 of the 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 owner	A shares	1,253,314,876	19.97	16.35
Changsha Hesheng Science and Technology Investment Co., Ltd.[2]	Beneficial owner	A shares	386,517,443	6.16	5.04
Unique Element Corp.[1][3]	Interests of controlled corporation	H shares	100,809,800(L)	7.26	1.32
Norges Bank	Beneficial owner	H shares	82,801,968 (L)	5.96	1.08
Morgan Stanley[1][4]	Interests of controlled corporation	H shares	82,666,522(L)	5.95	1.08
			81,870,255(S)	5.89	1.07
UBS Group AG[1][5]	Person having a security interest in shares	H shares	40,483,952(L)	2.92	0.53
	Interests of controlled corporation		35,312,883(L)	2.54	0.46
			18,301,500(S)	1.32	0.24

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) 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.

(4) As stated in the form of disclosure of shareholder's interests submitted by Morgan Stanley on 4 January 2016 (the date of the relevant event set out in the form was 31 December 2015), these shares were held via Morgan Stanley and its affiliates.

(5) As stated in the form of disclosure of shareholder's interests submitted by UBS Group AG on 24 December 2015 (the date of the relevant event set out in the form was 22 December 2015), these shares were held via UBS Group AG and its affiliates.

Save as disclosed above, as at 31 December 2015, so far as the directors and chief executive of the Company were aware, no 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 Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

Changes in Share Capital and Shareholders

III. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2015, the Company repurchased its own listed shares traded on the SEHK as follows:

Date/month/year	Number of share repurchased	Highest price paid per share RMB Yuan	Lowest price paid per share RMB Yuan	Aggregate price paid RMB millions
10 July 2015	19,853,800	3.33	3.05	64
22 July 2015	3,016,800	3.26	3.24	10
23 July 2015	1,684,000	3.35	3.28	6
30 July 2015	5,503,200	3.31	3.17	18
16 September 2015	1,950,000	2.51	2.47	5
17 September 2015	2,704,000	2.53	2.46	7
22 September 2015	3,066,000	2.60	2.51	8
24 September 2015	2,144,000	2.54	2.44	5
25 September 2015	1,900,000	2.58	2.44	5
	41,821,800			128

The repurchase was approved by the shareholders at the Annual General Meeting held on 29 June 2015, whereupon a resolution on the "General Mandate to Repurchase Certain H Shares of the Company" was passed. The total amount paid on the repurchased shares of approximately RMB128 million was fully paid in cash. These repurchased shares were purchased on the SEHK and had all been cancelled as of 31 December 2015.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities in the year ended 31 December 2015.

Directors, Supervisors, Senior Management and Employees

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

Name	Post	Employment Status	Sex	Age	Date of commencement of tenure	Date of termination of tenure	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)	Other changes (share)	Number of Shares held at the end of the Reporting Period (share)
Zhan Chunxin	Chairman and Chief Executive Officer	incumbent	M	60	29 June 2015	29 June 2018	5,152,036	0	0	0	5,152,036
Hu Xinbao	Director	incumbent	M	47	29 June 2015	29 June 2018	0	0	0	0	0
Zhao John Huan	Director	incumbent	M	53	29 June 2015	29 June 2018	0	0	0	0	0
Lai Kin Keung	Independent Director	incumbent	M	65	29 June 2015	29 June 2018	0	0	0	0	0
Zhao Songzheng	Independent Director	incumbent	M	54	29 June 2015	29 June 2018	0	0	0	0	0
Liu Guiliang	Independent Director	incumbent	F	52	29 June 2015	29 June 2018	0	0	0	0	0
Qiu Zhongwei	Director	resigned	M	47	22 July 2010	29 June 2015	0	0	0	0	0
Qian Shizheng	Independent Director	resigned	M	63	22 July 2010	29 June 2015	0	0	0	0	0
Wang Zhile	Independent Director	resigned	M	67	22 July 2010	29 June 2015	0	0	0	0	0
Fu Zheng	Chairman of Supervisory Board	incumbent	F	47	29 June 2015	29 June 2018	0	0	0	0	0
Liu Quan	Supervisor	incumbent	M	52	29 June 2015	29 June 2018	1,068,052	0	0	0	1,068,052
Liu Chi	Employee Supervisor	incumbent	M	58	29 June 2015	29 June 2018	379,211	0	0	0	379,211
Cao Yonggang	Chairman of Supervisory Board	resigned	M	43	22 July 2010	29 June 2015	0	0	0	0	0
Luo Anping	Employee Supervisor	resigned	M	54	22 July 2010	29 June 2015	450,055	0	0	0	450,055
Zhang Jianguo	Vice President	incumbent	M	56	29 June 2015	29 June 2018	1,203,943	0	250,000	0	953,943
Yin Zhengfu	Vice President	incumbent	M	59	29 June 2015	29 June 2018	842,750	0	149,900	0	692,850
Xiong Yanming	Vice President	incumbent	M	51	29 June 2015	29 June 2018	672,393	0	168,098	0	504,295
Su Yongzhuan	Vice President	incumbent	M	43	29 June 2015	29 June 2018	778,900	0	194,725	0	584,175
Fang Minghua	Vice President	incumbent	M	58	29 June 2015	29 June 2018	670,776	0	167,695	0	503,081
He Jianming	Chief Taxation Assets Officer	incumbent	M	52	29 June 2015	29 June 2018	92,503	0	23,126	0	69,377
Wang Jinfu	Vice President	incumbent	M	59	29 June 2015	29 June 2018	0	0	0	0	0
Sun Changjun	Chief Legal Officer	incumbent	M	53	29 June 2015	29 June 2018	754,076	0	0	0	754,076
Huang Qun	Vice President	incumbent	F	49	29 June 2015	29 June 2018	423,200	0	0	0	423,200
Chen Peiliang	Vice President	incumbent	M	43	29 June 2015	29 June 2018	495,200	0	0	0	495,200
Guo Xuehong	Vice President	incumbent	M	53	29 June 2015	29 June 2018	737,650	0	0	0	737,650
Li Jiangtao	Vice President	incumbent	M	52	29 June 2015	29 June 2018	761,710	0	190,428	0	571,282
Wang Yukun	Chief Information Officer	incumbent	M	49	29 June 2015	29 June 2018	709,500	0	176,500	0	533,000
Liu Jie	Vice President	incumbent	F	47	29 June 2015	29 June 2018	0	0	0	0	0
Du Yigang	Vice President	incumbent	F	40	29 June 2015	29 June 2018	0	0	0	0	0
Fu Ling	Chief Engineer	incumbent	F	48	29 June 2015	29 June 2018	50,000	0	0	0	50,000
Du Youqi	Senior President	resigned	F	57	22 July 2010	29 June 2015	576,511	0	0	0	576,511
Wang Chunyang	Senior President	resigned	M	60	22 July 2010	29 June 2015	610,814	0	100,000	0	510,814
Xu Wuquan	Senior President	resigned	M	58	22 July 2010	29 June 2015	790,426	0	0	0	790,426
Hong Xiaoming	Vice President and the person in charge of financial affairs	resigned	F	52	22 July 2010	29 June 2015	495,300	0	123,825	0	371,475
Chen Xiaofei	Vice President	resigned	M	52	22 July 2010	29 June 2015	594,400	0	148,600	0	445,800
Shen Ke	Secretary of the Board of Directors	incumbent	M	44	29 June 2015	29 June 2018	450,000	0	112,500	0	337,500
Total	–	–	–	–	–	–	18,759,406	0	1,805,397	0	16,954,009

Directors, Supervisors, Senior Management and Employees

II. Biography of directors, supervisors and senior management

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

Mr. Hu Xinbao (胡新保), male, born in 1968, is a non-executive director of our Company. Mr. Hu Xinbao is the general manager of 湖南國有資產經營管理有限公司 since December 2015. Mr. Hu Xinbao was deputy director of the General Office of the State-Owned Assets Supervision and Administration Commission of Hunan Province from September 2004 to October 2006; and member of party committee and chairman of the supervisory committee of Hunan Xingxiang Stateowned Assets Operation Co., Ltd. (湖南興湘國有資產經營有限公司) from October 2006 to June 2008; and member of party committee and deputy general manager of Hunan Province Xing Xiang Investment Holding Group Co., Ltd. (湖南興湘投資控股集團有限公司) (formerly known as Hunan Xingxiang State-owned Assets Operation Co., Ltd.) from June 2008 to December 2015. Mr. Hu Xinbao graduated from Hunan Agricultural College with a bachelor's degree in agricultural and economic management in 1992. Mr. Hu Xinbao has a job title of accountant.

Directors, Supervisors, Senior Management and Employees

Mr. Zhao John Huan (趙令歡), male, aged 53, a non-executive director of our Company, holds a master's degree in business administration from the Kellogg School of Management of Northwestern University in the United States, master's degrees in electronic engineering and physics from Northern Illinois University in the United States and a bachelor's degree in physics from Nanjing University. He is currently a director and executive vice president of Legend Holdings Corporation, and the chairman and president of Hony Capital Limited. In addition, he currently holds the following directorship: a non-executive director of Lenovo Group Limited and the chairman of the board of directors of China Glass Holdings Limited (both listed on the Hong Kong Stock Exchange), a non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. (listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange), the deputy chairman of Shanghai Chengtou Holding Co., Ltd. and a director of 上海錦江國際酒店發展股份有限公司 (both listed on the Shanghai Stock Exchange). He was previously an executive director of CSPC Pharmaceutical Group Limited (listed on the Hong Kong Stock Exchange), an independent director of Fiat Industrial S.P.A. (listed on the MTA Italian Stock Exchange), a non-executive director of Wumart Stores, Inc., New China Life Insurance Company Ltd. and Chinasoft International Limited (all listed on the Hong Kong Stock Exchange).

Mr. Lai Kin Keung (黎建強), male, born in 1950, is an independent non-executive director of the Company. Mr. Lai Kin Keung is currently the president of Asia Association on Risk and Crises Management and chair professor of management science at City University of Hong Kong. Mr. Lai Kin Keung is also an independent non-executive director of Hanbo Enterprises Holdings Ltd., which is listed on the Hong Kong Stock Exchange. Mr. Lai Kin Keung is the founding chairman of the Operational Research Society of Hong Kong established in Hong Kong in 1979. He is the certified senior enterprise risk manager of Asia Association of Risk and Crisis Management, a member of the Hong Kong Professionals and Senior Executives Association, a fellow of the Hong Kong Institute of Directors and a fellow of the Asia Pacific Industrial Engineering and Management Society. Lai Kin Keung was the dean of the College of Business Administration at Hunan University from February 2005 to February 2008 and a member of the 10th Hunan Provincial Committee of Chinese People's Political Consultative Conference in 2008, and appointed as the Chang Jiang Scholar Chair Professor by the Ministry of Education in 2009. Mr. Lai Kin Keung received the 2009 Joon S.Moon Distinguished International Alumni Award and 2014 Civil and Environmental Engineering (CEE) Distinguished Alumni Award from Michigan State University, US in February 2009 and January 2014, respectively. Lai Kin Keung obtained the Doctor of Philosophy's degree in civil engineering from Michigan State University, US in September 1997.

Mr. Zhao Songzheng (趙嵩正), male, born in 1961, is an independent non-executive director of the Company. Mr. Zhao Songzheng is currently a professor of the Management College at Northwestern Polytechnical University and the Doctor of Philosophy tutor since 1999. During his teaching career, Mr. Zhao Songzheng chaired various scientific research and development projects at state and provincial levels and received two Provincial Science and Technology Advancement Awards (Grade III), Educational Award of Shaanxi Province (Grade I) and (Grade II) each, Science and Technology Advancement Award of Xian City (Grade I), Management Award of Shaanxi Province (Grade I), Science and Technology

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Advancement Awards in Education of Shaanxi Province (Grade I) and (Grade III) respectively, and obtained six copyrights for national software products and published over 100 academic papers.

Ms. Liu Guiliang (劉桂良), female, born in 1963, is an independent non-executive director of the Company. Ms. Liu is a graduate tutor, certified accountant and certified asset appraiser. Ms. Liu Guiliang has been a professor of Hunan University since May 2007. Ms. Liu Guiliang obtained a bachelor's degree in industrial financial accounting from the industrial economy department of Hunan College of Finance and Economics in July 1983. She then taught in Hunan College of Finance and Economics after graduation. She was deputy secretary of communist youth league committee of Hunan College of Finance and Economics from July 1983 to June 1987, and deputy professor of accounting department at Hunan College of Finance and Economics (which was merged with Hunan University in April 2000) from July 1987 to May 2007. Currently, she serves as an independent director of Hunan Er-kang Pharmaceutical Co., Ltd., Sotech Machinery Co., Ltd., Xiandai Investment Co., Ltd and Guangdong Yizumi Precision Machinery Co., Ltd.

Ms. Fu Zheng (傅筝), female, born in 1968, is the chairman of supervisory board of the Company. Ms. Fu Zheng has been the chairman of the Supervisory Committee of Stateowned Assets of Hunan Province from July 2013 till now. Ms. Fu Zheng was deputy secretary of party committee and researcher of the State Administration for Science, Technology and Industry for National Defence of Hunan Province from February 2008 to April 2010; and deputy secretary of party committee of the State Administration for Science, Technology and Industry for National Defence of Hunan Province from April 2010 to December 2012; and deputy head of disciplinary inspection unit and director of supervisory office of the State Administration for Science, Technology and Industry for National Defence at provincial level delegated by party disciplinary committee and supervisory department of Hunan Province from December 2012 to July 2013. Ms. Fu Zheng obtained a master's degree in public management from Xiangtan University in 2007.

Mr. Liu Quan (劉權), male, born in 1963, is a supervisor of the Company. Mr. Liu Quan has been appointed as a director of our Company since August 1999. Currently, Mr. Liu Quan is a vice president of the environmental industry group of the Company, a director of Zoomlion Financing and Leasing (Beijing) Co., Ltd., a director of Changde Zoomlion Hydraulic Co., Ltd. and a supervisor of Hunan Zoomlion Crawling Crane Ltd. Mr. Liu Quan has become an expert entitled to special government subsidy granted by the State Council since April 1999. Mr. Liu Quan has previously served various senior positions in Research Institute and our Group, including the head of the concrete machinery research institute of Research Institute from 1993 to 1995, deputy general manager of the concrete machinery branch of our Company from 1999 to 2001, and chief engineer and chief researcher of our Company from 2002 to 2005. Mr. Liu Quan has received various titles and awards, including the Science and Technology Advancement Award of Hunan Province (Grade I) and (Grade III) in October 1997 and December 2001 respectively, National Science and Technology Advancement Award (Grade III) in December 1998, National Labour Day Medallion in April 2003, the 2005 Huaxia Construction, Science and Technology Award (Grade II) in January 2006, and Outstanding Leader in National Quality Management Group

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Activities in September 2006. Mr. Liu Quan received his bachelor's degree in construction machinery from Harbin University of Civil Engineering and Architecture in 1984 and attended the EMBA program of Business School of Hunan University from 2005 to 2008.

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

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

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

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

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

Mr. Xiong Yanming (熊焰明), male, born in 1964, is a vice president of our Company. Currently, Mr. Xiong is a director of Hunan Zoomlion Axle Co., Ltd. and Hunan Teli Hydraulic Co., Ltd. Mr. Xiong has become a senior engineer specialized in construction machinery as recognised by the Ministry of Construction since December 1999 and obtained the qualification certificate of senior professional manager of machinery enterprises as conferred by China Machinery Enterprise Management Association in December 2004. He was previously an assistant engineer and engineer of Research Institute from 1985 to 1998. Mr. Xiong was a member of the 1st session of the Supervisory Board of our Company from August 1999 to March 2001, deputy general manager of our Company from April 2001 to July 2002, executive vice president of our Company from August 2002 to July 2006, member of the 2nd session of the Board of Directors of our Company from September 2004 to July 2006. Mr. Xiong has received various awards, including Hunan Province Technology Innovation Advanced Individuals Award in 1999, Changsha City Advancement Award in Technological Development (Grade II) in 1999, the Award of Succeeding Leader for Academics and Technology of Changsha City in 2007 and the Outstanding Leaders' Award in the Hunan Province Quality Group Activity in 2009. He has also received the Outstanding Personage Award by the Dealers Committee of China Construction Machinery — DCCCM 10th Anniversary (Facilitating Advancement of the Dealers System) in 2013. Mr. Xiong obtained a bachelor's degree in port machinery design and manufacturing from Wuhan Marine Engineering College (currently known as Wuhan University of Technology) in Wuhan City, the PRC in 1985 and a master's degree in executive business administration under the BiMBA project from Peking University in Beijing, the PRC in June 2007.

Dr. Su Yongzhuan (蘇用專), male, born in 1972, is a vice president of our Company. Dr. Su is currently the president of the construction machinery group and the general manager of the financial services branch of the Company. Dr. Su was the head of supplies office, deputy manager of the sales division, executive deputy manager, the person in charge of financial affairs and deputy general manager of Hunan Province Puyuan Group Co., Ltd. from September 1998 to August 2004, the chief financial

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officer of our Company from September 2004 to July 2006, and the general manager of the concrete machinery branch of our Company from March 2006 to December 2008. Dr. Su was awarded the Top Ten Outstanding Young Persons of Changsha in December 2005 and the Outstanding Enterprise Management Personnel in Machinery Industry issued by China Machinery Enterprise Management Association in June 2007. Dr. Su is also a vice chairman of Hunan Youth Federation and Hunan Young Entrepreneurs Association. Dr. Su obtained a master's degree in machinery engineering from Wuhan University in Wuhan City, the PRC in June 2004 and a doctorate degree in management science and engineering from Wuhan University of Technology in 2008.

Mr. Wang Jinfu (王金富), male, born in 1956, is a vice president of the Company. Mr. Wang obtained a master degree and is a senior economist. He is also representative of the 11th and 12th People's Congress. Mr. Wang is currently the president of the agricultural machinery group and the general manager of the heavy machinery company of the Company. He was previously the chairman, chief executive officer and secretary of party committee of Foton Lovol International Heavy Industries Co., Ltd. (福田雷沃國際重工股份有限公司), deputy general manger of BeiQi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司), deputy general manager of Chery Holdings Co., Ltd. (奇瑞控股有限公司) and general manager of Zoomlion Heavy Machinery Co., Ltd. (中聯重機股份有限公司). Mr. Wang received recognition such as China Industry Pioneer Award (中國工業先鋒人物) 、Top 10 Persons of Merits in the Construction of Agricultural Machinery Circulation System in China (全國農機流通體系建設十大功勛人物) and Persons of Outstanding Contributions to Agricultural Machinery Industry in China (全國農機工作傑出貢獻者). He is the chairman of China Modern Agricultural Equipment Vocational Education Group, deputy president of China Agricultural Machinery Distribution Association and chairman of Anhui Association of Agricultural Machinery Manufacturers. Mr. Wang obtained a master's degree in enterprise management from Capital University of Economics and Business in 2003.

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

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Dr. Sun Changjun (孫昌軍), male, born in 1962, is Chief Legal Officer of the Company. Dr. Su is currently deputy head of market monitoring centre of the Company. Dr. Sun has become a professor as recognised by the Leaders Team of the Working Group on the Titles Reform of Hunan Province since September 2005. Prior to joining us, he had assumed various positions, including the deputy head officer and head officer of the legal and labor affairs committee of Hunan People's Congress from July 1990 to July 1995, director of criminal law research office of Hunan University of Finance and Economics from July 1998 to May 2000, vice-director of the industrial economics office of Hunan University from June 2000 to September 2001, deputy head of the law faculty of Hunan University from October 2001 to December 2004, and general legal counsel of Research Institute from January 2005 to July 2006. Dr. Sun serves various other positions, including chairman of the Criminal Law Research Association of Hunan Province, a member of the expert advisory panel of the People's Procuratorate of Hunan Province, vice-chairman of the Association for Studies of Conditions in Hunan Province and a representative at the 4th People's Congress of Yuelu District, Changsha. Dr. Sun has won various titles and awards, including the Research Results (Grade I) Prize of Organisation Division of Central Government in October 2001, the 5-Best Project Prize of Hunan Province in October 2001, Social Science Results (Grade I) of Hunan Province in June 2002, Outstanding Achievements (Grade II) of Philosophy and Social Sciences of Hunan Provinces in 2004, the Outstanding Legal Counsel of the Provincial Supervisory Corporations in 2008, Innovative Results (Grade I) Prize in Modern Enterprise Management of Hunan Province (湖南省企業管理現代化創新成果一等獎) in 2009, and the Annual Outstanding Corporate Counsel in China for 2011 (2011中國律政年度精英公司律師) in December 2011. Dr. Sun graduated from Southwest College of Political Science and Law (currently known as Southwest University of Political Science and Law) in Chongqing, the PRC with a bachelor's degree in law in 1983, and obtained a doctorate degree in law from Wuhan University in Wuhan City, the PRC in 1998.

Mr. Li Jiangtao (李江濤), male, born in 1963, is a vice president of our Company. Mr. Li is currently a vice president of the agricultural machinery group of the Company and the deputy manager of Zoomlion Heavy Machinery Co, Ltd. He has become a senior engineer as recognised by Ministry of Construction since November 2000. Mr. Li was the vice mayor (in charge of science and technology) of Lengshuitan City, Hunan Province from April 1989 to June 1992, deputy general manager and office head of Zoomlion Construction Machinery Industry Company from September 1992 to January 1995, deputy general manager of the production company and manager of the material supply department of Zoomlion Construction Machinery Industry Company from January 1995 to May 1998, deputy general manager of the environmental and sanitation machinery industry branch of Zoomlion Construction Machinery Industry Company from June 1998 to February 1999, and general manager of Zhongbiao Industrial Co., Ltd. from March 1999 to October 2003. Mr. Li was a member of the 1st and 2nd sessions of the Supervisory Board of our Company from August 1999 to August 2004, general manager of Zhongbiao business department of our Company from November 2003 to February 2006, deputy general manager of our Company from December 2004 to July 2006, human resources chief officer of our Company from August 2006 to August 2008. He was also a representative of the 10th and 11th People's Congress of Changsha City from January 1993 to January 2003. Mr. Li was appointed as the deputy chairman of China Association

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of Urban Environmental and Sanitation from September 2004 to December 2008. Mr. Li has received various titles and awards, including the Outstanding Entrepreneur Award granted by the Changsha New & Hi-Tech Industrial Development Zone in February 2000, and the Model Worker of Changsha City in April 2004. Mr. Li graduated from Chongqing Construction Engineering College (currently known as Chongqing University) in Chongqing City, the PRC with a bachelor's degree in construction machinery in 1986, and China Europe International Business School with a master's degree in executive business administration in Shanghai, the PRC in September 2009.

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

Ms. Huang Qun (黃群), female, born in 1966, is a vice president of the Company. Ms. Huang is currently a vice president of the construction machinery group of the Company and the chairman of the board of Zoomlion ElectroMech India Private Limited. Ms. Huang has been recognised as senior engineer by the Ministry of Construction since October 2000. Ms. Huang was the deputy head of the machinery factory of electrical and mechanical engineering of Zoomlion from August 1999 to December 2001; head of workshop, procurement manager and manager of the manufacturing company of Zoomlion from January 2002 to January 2006; and general manager of the construction and crane machinery branch of Zoomlion from January 2006 to July 2014. She was appointed as the general manager of the crane company, general manager of the crane machinery branch and the general manager of the construction and crane machinery branch of the crane company of the Company in July 2014. Ms. Huang received awards of the Outstanding Workshop Director of Mechanical Manufacturing Division in China (中國機械工業部優秀車間主任) in 2003, Innovative Results (Grade I) Prize in Modern Enterprise Management of Hunan Province (湖南省企業管理現代化創新成果一等獎) in 2012 and the Outstanding Entrepreneur in Hunan Province (湖南省優秀企業家) in 2013. Ms. Huang obtained a bachelor's degree in lifting, transportation and engineering machinery from Dalian University of Technology , the PRC in 1988.

Mr. Wang Yukun (王玉坤), male, born in 1966, is the chief information officer of our Company. Prior to joining us, Mr. Wang was the assistant to the general manager of AVIC Information Technology Co., Ltd. from December 2000 to October 2007. Mr Wang was also the researcher-level senior engineer of Aviation Industry Corporation of China from October 2004 to September 2006. Mr. Wang joined our Company as the information officer in October 2008 and was appointed as the chief information officer of our

Company in July 2010. Mr. Wang has received various awards, including the Individual's Award (Grade III) from Aviation Industry Corporation of China in 1994, the Technology Advancement Award (Grade II) from State Commission of Science and Technology for National Defense Industry in 1997 and the China AVIC Industry and Technology Advancement (Grade II) from 1994 to 1997. Mr. Wang graduated from Shenyang Institute of Aeronautical Engineering (currently known as Shenyang Aerospace University) with a bachelor's degree in electronic engineering in Shenyang City, the PRC in July 1988 and completed a postgraduate program in management science and engineering at University of Science and Technology of China in Hefei City, the PRC in June 1999.

Ms. Liu Jie (劉潔), female, born in 1968, is a vice president of the Company. Ms. Liu obtained a bachelor's degree and is an accountant and certified senior international internal control officer. She is currently the deputy head of the market monitoring centre and head of credit sale management division of the Company, a director of Changsha Zoomlion Fire Control Machinery Co., Ltd., a director of Hunan Zoomlion Axle Co.,Ltd. and the deputy president of Hunan Institute of Internal Auditors. She was previously a deputy general manager, head of audit division and chief audit officer of Zoomlion Construction Machinery Industry Company. Ms. Liu received award of the Outstanding Leader of Changsha National Hi-Tech Industrial Development Zone in Hunan Province(湖南省長沙高新區優秀企業家) and Enterprise Economic Performance Management Individuals Award(企業經濟運行管理工作先進個人). She graduated from Hunan University with a bachelor's degree in machinery casting mechanics in 1991. She completed a master programme in accountancy of Hunan University in June 2003 and a MBA programme of the School of Business of Hunan University in June 2009.

Ms. Du Yigang (杜毅剛), female, born in 1975, is a vice president of the Company. Ms. Du obtained a bachelor's degree and is an accountant. She is a director and general manager of Zoomlion Heavy Industry Science and Technology Group Finance Co., Ltd, a director of CIFA and a supervisor of Zoomlion Fire Control Machinery Co., Ltd.. She received awards of the Outstanding Leader of National Hi-Tech Industrial Development Zone in (長沙高新區優秀企業家) and the First Selection Session of Leading Accounting Talent in Hunan Province(湖南省首屆會計領軍人才) in 2014. Ms. Du was previously the head of the accounting division of Zhuzhou Southern Motor Company Limited(株洲南方摩托股份有限公司),the financial manager of Hunan IIN-Galaxy Software Development Co., Limited (湖南國訊銀河軟件園有限公司) , Zoomlion Engineering Crane Company中聯重科工程起重機公司 and the concrete machinery company of Zoomlion(中聯重科混凝土機械公司), the deputy head of the financial management division of Zoomlion, head of accounting and audit division of Zoomlion and the deputy manager of the concrete machinery company of Zoomlion. Ms. Du graduated from Xiangtan University with a bachelor's degree in international accounting.

Dr. Fu Ling (付玲), female, born in 1967, is the Chief Engineer of the Company. Dr. Fu obtained a doctoral degree in mechanics and is a senior engineer in researcher rank and a party representative of the 18th Party Congress of the Communist Party of China. She is currently the head of the central research institute, a vice president of the environmental industry group and the deputy general manager of the

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environmental industry company of the Company. She was previously the deputy head of the central research institute of the Company. Dr. Fu Ling received awards of the First Prize of China Machinery Industry Science & Technology Award (中國機械工業科學技術獎一等獎) and the First Prize of Science and Technology Advancement Award of Hunan Province (湖南省科學技術進步獎一等獎) etc, and was previously awarded the National Labor Day Medallion (全國五一勞動獎章) and the National woman pace-setter (全國三八紅旗手). She graduated from Shenyang Jianzhu Engineering College (瀋陽建築工程學院), (currently known as Shenyang Jianzhu University) in Shenyang China with a bachelor's degree in transportation and engineering machinery in 1988, Changchun University of Technology (currently known as Jilin University) in Changchun China with a doctorate degree in mechanical design and theory in 1998, and complete postdoctoral research programme at the Agricultural Engineering Institute of China Agricultural University(中國農業大學農業工程學院) in Beijing China in 2002.

Mr. Shen Ke (申柯), male, born in 1971, is the secretary of the board of directors and the company secretary of the Company. Mr. Shen is currently the head of the office of the secretary of the board of directors and the head of the investment and financing management division of the Company, an executive director and authorised representative of Hunan Zoomlion Special Vehicle Co., Ltd., and the chairman of Zoomlion Gulf FZE. He was the deputy general manager and head of the investment and development division of the Company from July 2003 to August 2008 and the deputy head of the investment and financing management division of the Company from September 2008 to July 2010. Mr. Shen graduated from Shenyang University of Technology in Shenyang City, the PRC with a bachelor's degree in industrial management in July 1993 and Central South University of Technology (currently known as Central South University) in Changsha City, the PRC with a master's degree in management science and engineering in December 1998.

III. Remunerations of directors, supervisors and senior management

During the reporting period, the remuneration and assessment committee of the Board carried out performance assessment on the directors, supervisors and senior management pursuant to the assessment standards based on the fulfillment of major financial indicators and operating targets in 2015, scope of work and major responsibilities of directors, supervisors and senior management, and fulfillment of targets in the relevant performance assessment system. The performance assessment was submitted to the Board of the Company for review.

The Board of the Company determined the remuneration standards of directors, supervisors and senior management for the year pursuant to the remuneration management system and the annual performance assessment conducted by the remuneration and assessment committee of the Board. In 2015, remuneration of directors, supervisors and senior management disclosed was in compliance with the

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remuneration management system of the Company. The remuneration was not in violation or inconsistent with the remuneration management system.

Unit: RMB ten thousand

Name	Post	Sex	Age	Employment status	Total remuneration before tax received from the Company
Zhan Chunxin	Chairman, Executive Director and CEO	M	60	incumbent	135
Hu Xinbao	Non-executive Director	M	47	incumbent	0
Zhao John Huan	Non-executive Director	M	53	incumbent	0
Lai Kin Keung	Independent Non-executive Director	M	65	incumbent	6
Zhao Songzheng	Independent Non-executive Director	M	54	incumbent	6
Liu Guiliang	Independent Non-executive Director	F	52	incumbent	6
Qiu Zhongwei	Non-executive Director	M	47	resigned	0
Qian Shizheng	Independent Non-executive Director	M	63	resigned	6
Wang Zhile	Independent Non-executive Director	M	67	resigned	6
Fu Zheng	Chairman of Supervisory Board	F	47	incumbent	0
Liu Quan	Supervisor	M	52	incumbent	85
Liu Chi	Employee Supervisor	M	58	incumbent	70
Cao Yonggang	Chairman of Supervisory Board	M	43	resigned	0
Luo Anping	Employee Supervisor	M	54	resigned	28
Zhang Jianguo	Vice President	M	56	incumbent	105
Yin Zhengfu	Vice President	M	59	incumbent	85
Xiong Yanming	Vice President	M	51	incumbent	100
Su Yongzhuan	Vice President	M	43	incumbent	95
Fang Minghua	Vice President	M	58	incumbent	80
He Jianming	Chief Taxation Asset Officer	M	52	incumbent	80
Wang Jinfu	Vice President	M	59	incumbent	72
Sun Changjun	Chief Legal Officer	M	53	incumbent	85
Huang Qun	Vice President	F	49	incumbent	82
Chen Peiliang	Vice President	M	43	incumbent	75
Guo Xuehong	Vice President	M	53	incumbent	80
Li Jiangtao	Vice President	M	52	incumbent	80
Wang Yukun	Chief Information Officer	M	49	incumbent	75
Liu Jie	Vice President	F	47	incumbent	38
Du Yigang	Vice President	F	40	incumbent	38
Fu Ling	Chief Engineer	F	48	incumbent	37
Du Youqi	Senior President	F	57	resigned	40
Wang Chunyang	Senior President	M	60	resigned	38
Xu Wuquan	Senior President	M	58	resigned	37
Hong Xiaoming	Vice President and the person in charge of financial affairs	F	52	resigned	71
Chen Xiaofei	Vice President	M	52	resigned	40
Shen Ke	Secretary of the Board of Directors	M	44	incumbent	52
Total	–	–	–	–	1,833

Directors, Supervisors, Senior Management and Employees

IV. Service Contracts of Directors and Supervisors

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

V. Directors' and Supervisors' Interests in Contracts

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

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, the relevant regulations of the CSRC and code provisions of the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules of Hong Kong. According to the relevant regulations, the Company improves its internal control, the regulations of shareholders' meeting, board meeting and supervisor meeting so as to implement a comprehensive governance system and disclosure procedures. The Company ensures its sustainable and healthy development to further enhance the corporate value and safeguard the interests of all shareholders and itself.

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

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

Dr. Zhan Chunxin acted as the Chairman and Chief Executive Officer of the Company in 2015. The Board considers that Dr. Zhan Chunxin acting as Chairman and Chief Executive Officer can be more efficient in the planning and implementation of the corporate strategies. Under the supervision of the Board and Independent Non-executive Directors and our effective internal checks-and-balances, such arrangement will not create conflict between the Board and the Company in business operation and will not jeopardise the balance of power.

Save as above, the Company has complied with the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules of Hong Kong throughout the year of 2015.

II. Shareholders and Shareholder's General Meeting

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

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

Corporate Governance

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

III. Directors and Board

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

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

(I) Responsibilities of the Board

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

The Directors understand that they have the responsibility to prepare annual financial statements for each financial year to give a true and fair view of the position, results and cash flow of the Company in the relevant period. In preparing the financial statements for the year ended 31 December 2015, the Directors have consistently adopted proper accounting policies and made reasonable estimates and have complied with all applicable accounting standards. Having made proper enquiries, the Directors are satisfied that the Company has adequate resources for its business in the foreseeable future. Therefore, the Company's financial statements have been prepared on a going concern basis.

(II) Composition of the Board

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

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

(III) Appointment and removal of Directors

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

(IV) Board meetings and general meetings

1. According to the Articles of Association, the Board shall hold at least four meetings a year. In the year of 2015, the Board had held seven meetings. The Independent Non-executive Directors duly perform their duties strictly in accordance with the "Code on Corporate Governance for Listed Companies", "Guidelines for Establishment of Independent Directors System of Listed Companies" and the Articles of Association so as to understand the production, operation and management of the Company. During the Reporting Period, the Independent Non-executive Directors attended the board meetings and shareholders' general meetings and used their respective professional knowledge in performing their duties. They have made useful advice in respect of the operation procedures of the Board and made significant contribution to decisions of the Board. Their independent and objective advices have enabled the Board to make rational decisions for the best interest of the Company and its shareholders as a whole. During the reporting period, the Independent Non-executive Directors have made no objection to the resolutions and proposals raised at boarding meetings and other meetings of the Company in the year.

Corporate Governance

The attendance of all Directors at the Board meetings and general meetings in 2015 was as follows:

	Name of Directors	Number of Board meetings held	Attendance	Number of general meetings held	Attendance
Chairman	Mr. Zhan Chunxin	7	7	1	1
Executive Director	Mr. Liu Quan (retired as executive Director on 29 June 2015)	3	3	1	1
Non-executive Director	Mr. Qiu Zhongwei (retired as non-executive Director on 29 June 2015)	3	3	1	0
	Mr. Hu Xinbao (appointed as non-executive Director on 29 June 2015)	4	4	1	1
	Mr. Zhao John Huan (appointed as non-executive Director on 29 June 2015)	4	4	1	1
Independent Non-executive Director	Mr. Qian Shizheng (retired as independent non-executive Director on 29 June 2015)	3	3	1	0
	Mr. Wang Zhile (retired as independent non-executive Director on 29 June 2015)	3	3	1	0
	Mr. Lian Weizeng (retired as independent non-executive Director on 29 June 2015)	3	3	1	0
	Ms. Liu Guiliang (appointed as independent non-executive Director on 29 June 2015)	4	4	1	1
	Mr. Zhao Songzheng (appointed as independent non-executive Director on 29 June 2015)	4	4	1	1
	Mr. Lai Kin Keung (appointed as independent non-executive Director on 29 June 2015)	4	4	1	1

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

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

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

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

(V) Performance of Independent Non-executive Directors

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

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

Corporate Governance

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

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

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

(VII) Responsibilities of the Board and the management

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

(VIII) Trainings for Directors

The training records of each incumbent Director in 2015 are summarized as follows:

Directors	Type of training
Mr. Zhan Chunxin	ABCD
Mr. Hu Xinbao	BD
Mr. Zhao John Huan	BD
Mr. Lai Kin Keung	ABD
Mr. Zhao Songzheng	BD
Ms. Liu Guiliang	AD

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

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

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

(I) Remuneration and Appraisal Committee

1. Role and responsibilities of the Remuneration and Appraisal Committee

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

2. Composition and meetings of the Remuneration and Appraisal Committee

During the Reporting Period, the Remuneration and Appraisal Committee had three members, including two Independent Non-executive Directors and a Non-executive Director. The convener of the Remuneration and Appraisal Committee was Mr. Lian Weizeng, Independent Non-executive Director, who was replaced by Mr. Lai Kin Keung, Independent Non-executive Director on 29 June 2015. Other members included Mr. Wang Zhile and Mr. Qiu Zhongwei, who were both replaced by Mr. Hu Xinbao on 29 June 2015 and Mr. Zhao Songzheng on 30 October 2015. In 2015, the Remuneration and Appraisal Committee held one meeting and all members attended the meeting in person. During the meeting, the committee reviewed the performance of the Directors, Supervisors and senior management of the Company in 2014 and conducted annual performance appraisal based on the appraisal criteria and remuneration policies and proposals.

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

The remuneration of Directors and senior management shall be proposed by the Remuneration and Appraisal Committee based on their individual responsibilities and the remuneration level of other comparable listed companies for approval by the Board according to the Assessment

Corporate Governance

Method for Senior Management of the Company. The remuneration of Directors shall be approved at the shareholders' general meeting. The Remuneration and Appraisal Committee shall review the remuneration and performance appraisal results annually and propose the remuneration packages for the next year. The committee shall conduct annual appraisal of the senior management and determine their remuneration accordingly.

(II) Nomination Committee

1. Role and responsibilities of the Nomination Committee

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

2. Composition and meetings of the Nomination Committee

During the Reporting Period, the Nomination Committee had three members, including two Independent Non-executive Directors and an Executive Director. Mr. Lian Weizeng, an Independent Non-executive Director, was the chairman of the committee, who was replaced by Mr. Zhao Songzheng. Other members included Mr. Zhan Chunxin and Mr Wang Zhile, where Mr. Wang Zhile was replaced by Mr. Zhao Songzheng on 29 June 2015. In 2015, the Nomination Committee held one meeting and all members attended the meeting in person. During the meeting, the committee discussed and resolved the appointment of the senior management.

3. Appointment of Directors and senior management

Executive Directors and Non-executive Directors of the Company shall be nominated by shareholders for approval by shareholders at general meeting. The Independent Non-executive Directors shall be nominated by the Board for approval by shareholders at general meeting. The appointment of senior management shall be reviewed by the Nomination Committee and approved by the Board. The nomination, appointment and re-appointment of Directors and senior management are based on the professional knowledge, experience, integrity, commitment, academic qualifications and other relevant standards of the candidates.

(III) Audit Committee

1. Role and responsibilities of the Audit Committee

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

2. Composition and meetings of the Audit Committee

During the Reporting Period, the Audit Committee had three members, including two Independent Non-executive Directors and one Non-executive Director. The chairman of Audit Committee was Mr. Qian Shizheng, an Independent Non-executive Director, who was replaced by Ms. Liu Guiliang on 29 June 2015. Other members included Mr. Wang Zhile, an Independent Non-executive Director, and Mr. Qiu Zhongwei, a Non-executive Director, who were both replaced by Mr. Hu Xinbao and Mr. Zhao Songzheng on 29 June 2015. The composition of the Audit Committee complies with Rule 3.21 of the Listing Rules of Hong Kong.

In 2015, the Audit Committee held four meetings mainly to review the results for 2014, the interim results for 2015 of the Company and engagement of audit firm, and all members attended the meetings in person. The Audit Committee also reviewed the audited annual results of the Company for the year ended 31 December 2015. It reviewed the accounting principles and practices adopted by the Company and discussed on issues regarding the internal control and financial reporting.

(IV) Strategy and Investment Decision-making Committee

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

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

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

During the Reporting Period, the Strategy and Investment Decision-making Committee had three members, including an Executive Director, a Non-executive Director and an Independent Non-executive Director. The chairman of the Strategy and Investment Decision-making Committee was Mr. Zhan Chunxin, an Executive Director, and other members included Mr. Qiu Zhongwei and Mr. Wang Zhile, who were both replaced by Mr. Zhao John Huan on 29 June 2015.

In 2015, the Strategy and Investment Decision-making Committee held one meeting to review the matters regarding the Company invests EUR50.31 million (equivalent to approximately RMB356 million) to acquire 57% equity interest in Ladurner Ambiente S.p.A which is located in Italy. All members attended the meeting in person.

Corporate Governance

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

(I) Remuneration

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

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

(II) Interests

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

Directors and Supervisors' interests in contracts
None of the Directors and Supervisors had any material interest, whether directly or indirectly, in any contract of significance subsisted at the end of the year or at any time during the year of 2015.

Directors, Supervisors and senior management's interests in shares or debentures
The Directors, Supervisors and senior management's interests in shares of the Company as at 31 December 2015 are set out in Section "Directors, Supervisors, Senior Management and Employees" in this annual report.

Directors, Supervisors and senior management's interests or short positions in securities of the Company or its associated corporations under Hong Kong laws and regulations
As at 31 December 2015, the Directors, Supervisors and senior management who have interest or a short position in the shares, underlying shares and debentures of the Company or associated corporation (as defined in Part XV of (the "SFO") which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or required to be disclosed to the Company and SEHK pursuant to the Appendix X to the Listing Rules of Hong Kong "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") were as follows:

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

Note: L represents long position

As at 31 December 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 SFO) which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and SEHK pursuant to the Model Code set out in the Listing Rules of Hong Kong.

As at 31 December 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.

Dealings in securities by Directors and Supervisors

The Company has adopted the Model Code to regulate the dealing in shares of the Company by Directors. Having made specific enquiry of all Directors and Supervisors, all Directors and Supervisors confirmed that they had complied with the Model Code during 2015. The Company was not aware of any non-compliance of Model Code during the reporting period.

VI. Auditors

Baker Tilly China Certified Public Accountants and KPMG, respectively, were the domestic and international auditors of the Company for 2015.

These two audit firms provide audit services for the Company on its financial statements, including the audit of the Company's annual financial statements of 2015, the review of interim financial report, internal control audit and the audits of subsidiaries' statutory financial statements. The aggregate audit fees paid to these two audit firms were RMB14.29 million (inclusive of disbursements).

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

Corporate Governance

VII. Trainings for Company Secretary

Shen Ke, the Company Secretary, confirmed that he has received no less than 15 hours of relevant professional trainings in 2015.

VIII. Performance Appraisal and Award System of Senior Management

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

The Board of the Company determined the remuneration standards of senior management for the year pursuant to the unified remuneration management system and the annual performance assessment conducted by the remuneration and assessment committee of the Board. In 2015, remuneration of senior management was in compliance with the remuneration management system of the Company. The remuneration was not in violation or inconsistent with the remuneration management system.

IX. Control on Appraisal and Award System

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

X. Relationship with Shareholders and Investors

(I) Shareholders

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

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

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

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

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

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

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

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

Shareholders' right to propose resolutions at general meetings

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

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

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

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

(II) Investors

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

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

XI. Stakeholders

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

XII. Connected Transactions

All connected transactions of the Company were conducted in a fair and reasonable way under proper decision-making process. The decision making procedures were in compliance with laws and regulations. The considerations of transaction were determined on the basis of market rates and the basis of determination was fully disclosed. The Company has strictly complied with the relevant regulations on connected transactions under the Listing Rules of Hong Kong since its listing in Hong Kong.

XIII. Information Disclosure and Transparency

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

XIV. Remuneration and Retirement Benefits of Employees

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

Details of staff welfare benefits offered by the Company are set out in note 23 to the financial statements prepared under IFRSs.

XV. Material amendments to the Articles of Association

During the year under review, the following amendments were made to the Articles of Association of the Company:

Pursuant to the requirements of the "Rules for the Shareholders' Meetings of Listed Companies (as amended in 2014)" (《上市公司股東大會規則 (2014年修訂) 》) and the "Guidelines for the Articles of Association of Listed Companies (as amended in 2014)" (《上市公司章程指引 (2014年修訂) 》) of China Securities Regulatory Commission (together, the "**PRC Regulations**"), the Board proposed to amend the provisions regarding voting at and resolutions of general meetings in the Articles as follows.

	Before amendment	**After amendment**
Article 106	A shareholder shall be entitled to one vote for every share with voting right he holds when voting in person or by proxy. Shares held by the Company shall not carry any voting rights and shall not be counted into the total shares with voting rights represented by shareholders attending the general meeting. The board of directors, independent directors and shareholders who satisfy relevant provisions may solicit the voting rights of other shareholders.	A shareholder shall be entitled to one vote for every share with voting right he holds when voting in person or by proxy. Shares held by the Company shall not carry any voting rights and shall not be counted into the total shares with voting rights represented by shareholders attending the general meeting. The board of directors, independent directors and shareholders who satisfy relevant provisions may <u>publicly</u> solicit the voting rights of other shareholders.

Corporate Governance

	Before amendment	After amendment
	No consideration shall be paid for the solicitation of voting rights and sufficient information shall be provided to the relevant shareholders granting the proxy.	In soliciting voting rights of shareholders, information such as specific voting intention shall be sufficiently disclosed to the shareholders from whom voting rights are being solicited. Solicitation of voting rights at any consideration, whether in direct or indirect form, is prohibited. The Company may not propose any minimum shareholding restriction on the solicitation of voting rights.
Article 109	The Company may facilitate the shareholders to attend a general meeting by through various ways and means including an on-line voting platform using modern information technology provided that the lawfulness and validity of the general meeting can be ensured.	The Company may facilitate the shareholders to attend a general meeting through various ways and means and by providing an on-line voting platform using modern information technology provided that the lawfulness and validity of the general meeting can be ensured.
Article 125	The resolution of the general meeting shall be announced in a timely manner. The announcement shall set out the number of shareholders and proxies attending the meeting, the total number of shares held and its percentage to the total number of voting shares of the Company, the voting method, the voting result of each resolution and the details of each of the resolutions passed.	**Adding one paragraph after the first paragraph of existing Article 125** Where material matters affecting the interests of small-to-medium sized investors are being considered at a shareholders' general meeting, each vote cast by the small-to-medium sized investors shall be counted separately. Results of votes counted separately shall be disclosed in a timely manner.

Note: The amendments to the Articles were originally drafted in Chinese and the English translation is for reference only. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.

The above amendments to the Articles of Association were passed and approved by the shareholders at the annual general meeting held on 29 June 2015.

Independent Auditor's Report

KPMG

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

We have audited the consolidated financial statements of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 79 to 176, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

30 March 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

(Expressed in RMB)

	Note	2015 RMB millions	2014 RMB millions
Revenue	3	**20,753**	25,851
Cost of sales and services		**(15,146)**	(18,642)
Gross profit		**5,607**	7,209
Other income	4	**676**	164
Sales and marketing expenses		**(2,502)**	(3,036)
General and administrative expenses		**(2,271)**	(2,347)
Research and development expenses		**(320)**	(443)
Profit from operations		**1,190**	1,547
Net finance costs	5(a)	**(1,182)**	(692)
Gain on disposal of associates		**30**	7
Share of profits less losses of associates		**1**	1
Profit before taxation	5	**39**	863
Income tax	6	**58**	(235)
Profit for the year		**97**	628
Other comprehensive income for the year (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		**(470)**	(210)
Change in fair value of available-for-sale financial assets		**–**	3
Total other comprehensive income for the year		**(470)**	(207)
Total comprehensive income for the year		**(373)**	421

The notes on pages 86 to 176 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

(Expressed in RMB)

	Note	2015 RMB millions	2014 RMB millions
Profit attributable to:			
Equity shareholders of the Company		**89**	594
Non-controlling interests		**8**	34
Profit for the year		**97**	628
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(381)**	387
Non-controlling interests		**8**	34
Total comprehensive income for the year		**(373)**	421
Basic and diluted earnings per share (RMB)	9	**0.01**	0.08

The notes on pages 86 to 176 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

(Expressed in RMB)

	Note	2015 RMB millions	2014 RMB millions
Non-current assets			
Property, plant and equipment	11	**8,520**	6,781
Lease prepayments		**2,375**	1,960
Intangible assets	12	**2,358**	1,347
Goodwill	13	**1,993**	1,661
Interests in associates	14	**208**	228
Other financial assets		**181**	471
Trade and other receivables	16	**3,504**	3,697
Receivables under finance lease	17	**2,484**	4,476
Pledged bank deposits	18	**189**	520
Other non-current assets		**—**	2,088
Deferred tax assets	22(b)	**855**	618
Total non-current assets		**22,667**	23,847
Current assets			
Inventories	15	**14,083**	10,376
Other current assets		**449**	280
Trade and other receivables	16	**30,493**	30,639
Receivables under finance lease	17	**12,644**	12,202
Pledged bank deposits	18	**1,860**	1,891
Cash and cash equivalents	19	**11,487**	14,483
Total current assets		**71,016**	69,871
Total assets		**93,683**	93,718
Current liabilities			
Loans and borrowings	20(a)	**13,273**	5,687
Trade and other payables	21	**16,813**	19,494
Income tax payable	22(a)	**87**	30
Total current liabilities		**30,173**	25,211
Net current assets		**40,843**	44,660
Total assets less current liabilities		**63,510**	68,507

The notes on pages 86 to 176 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

(Expressed in RMB)

	Note	**2015 RMB millions**	2014 RMB millions
Non-current liabilities			
Loans and borrowings	20(b)	**21,881**	25,925
Other non-current liabilities	24	**621**	899
Deferred tax liabilities	22(b)	**439**	475
Total non-current liabilities		**22,941**	27,299
NET ASSETS		**40,569**	41,208
CAPITAL AND RESERVES			
Share capital	25(a)	**7,664**	7,706
Reserves	25(b)	**32,232**	33,085
Total equity attributable to equity shareholders of the Company		**39,896**	40,791
Non-controlling interests		**673**	417
TOTAL EQUITY		**40,569**	41,208

Approved and authorised for issue by the board of directors on 30 March 2016.

Zhan Chunxin
Chairman and Chief Executive Officer

Du Yigang
Vice-president

The notes on pages 86 to 176 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital (Note 25(a)) RMB millions	Capital reserve (Note 25(b)(i)) RMB millions	Statutory surplus reserve (Note 25(b)(ii)) RMB millions	Exchange reserve (Note 25(b)(iii)) RMB millions	Other reserve (Note 25(b)(iv)) RMB millions	Retained earnings RMB millions	Total RMB millions	Non-controlling interests RMB millions	Total equity 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 2014									
Total comprehensive income for the year	–	–	–	(210)	3	594	387	34	421
Appropriation for surplus reserve (Note 25(b)(ii))	–	–	4	–	–	(4)	–	–	–
Cash dividends (Note 25(c))	–	–	–	–	–	(1,156)	(1,156)	–	(1,156)
Contribution from non-controlling interests	–	–	–	–	–	–	–	2	2
Acquisition of non-controlling interests	–	(19)	–	–	–	–	(19)	(38)	(57)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	(14)	(14)
Balance at 31 December 2014 and 1 January 2015	7,706	13,153	2,906	(320)	5	17,341	40,791	417	41,208
Changes in equity for 2015									
Total comprehensive income for the year	–	–	–	(470)	–	89	(381)	8	(373)
Appropriation for surplus reserve (Note 25(b)(ii))	–	–	11	–	–	(11)	–	–	–
Cash dividends (Note 25(c))	–	–	–	–	–	(385)	(385)	–	(385)
Safety production fund (Note 35(b))	–	–	–	–	6	(6)	–	–	–
Repurchase of own shares (Note 25(a)(ii))	(42)	(86)	–	–	–	–	(128)	–	(128)
Business combination (Note 13)	–	–	–	–	–	–	–	899	899
Acquisition of non-controlling interests	–	(1)	–	–	–	–	(1)	(611)	(612)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	(40)	(40)
Balance at 31 December 2015	7,664	13,066	2,917	(790)	11	17,028	39,896	673	40,569

The notes on pages 86 to 176 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

(Expressed in RMB)

	2015 RMB millions	2014 RMB millions
Operating activities		
Profit before taxation	**39**	863
Adjustments for:		
Depreciation of property, plant and equipment	**625**	512
Amortisation of lease prepayments	**54**	38
Amortisation of intangible assets	**150**	96
Share of profits less losses of associates	**(1)**	(1)
Interest income	**(956)**	(720)
Interest expense	**1,706**	1,260
(Gain)/loss on disposal of property, plant and equipment, intangible assets and lease prepayments	**(111)**	11
Gain on disposal of associates	**(30)**	(7)
(Gain)/loss on remeasurement of derivative financial instruments at fair value	**(14)**	12
Impairment loss of goodwill	**20**	—
	1,482	2,064
Decrease/(increase) in inventories	**2,221**	(581)
Increase in trade and other receivables	**(2,657)**	(4,058)
Decrease in receivables under finance lease	**1,550**	2,471
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	**—**	(2,509)
Decrease in trade and other payables	**(6,468)**	(5,166)
Cash used in operations	**(3,872)**	(7,779)
Income tax paid	**(140)**	(632)
Net cash used in operating activities carried forward	**(4,012)**	(8,411)

The notes on pages 86 to 176 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

(Expressed in RMB)

	Note	2015 RMB millions	2014 RMB millions
Net cash used in operating activities brought forward		**(4,012)**	(8,411)
Investing activities			
Payment for purchase of property, plant and equipment		**(386)**	(534)
Lease prepayments		**(16)**	(388)
Payment for purchase of intangible assets		**(281)**	(53)
Payment for investments in associates and equity investments		**—**	(46)
Payment for available-for-sale financial assets		**(1,000)**	(350)
Acquisition of Zoomlion Heavy Machinery Co., Ltd., net of cash acquired	13	**1,018**	(2,088)
Acquisition of other subsidiaries, net of cash acquired		**28**	(239)
Proceeds from disposal of property, plant and equipment, intangible assets and lease prepayments		**37**	29
Proceeds from disposal of available-for-sales investments		**1,352**	38
Entrusted loan repayments received		**900**	—
Interest received		**678**	720
Dividends received from associates		**16**	16
Decrease in pledged bank deposits		**724**	1,004
Net cash generated from/(used in) investing activities		**3,070**	(1,891)
Financing activities			
Proceeds from loans and borrowings		**19,924**	14,296
Proceeds from issuance of RMB medium-term notes		**—**	8,991
Repayments of loans and borrowings		**(19,085)**	(12,707)
Interest paid		**(1,674)**	(1,134)
Dividends paid to equity shareholders		**(378)**	(1,156)
Dividends paid by subsidiaries to non-controlling interests		**(40)**	(18)
Contribution from non-controlling interests		**—**	2
Payment for acquisition of non-controlling interests		**(661)**	(44)
Repurchase of own shares	25(a)(ii)	**(128)**	—
Net cash (used in)/generated from financing activities		**(2,042)**	8,230
Net decrease in cash and cash equivalents		**(2,984)**	(2,072)
Cash and cash equivalents at beginning of year		**14,483**	16,657
Effect of foreign exchange rate changes		**(12)**	(102)
Cash and cash equivalents at end of year	19	**11,487**	14,483

The notes on pages 86 to 176 form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2015

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

(a) Principal activities of reporting entity

Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, referred to as the "Group") are principally engaged in the research, development, manufacturing and sale of construction machinery, environmental sanitation equipment and agricultural machinery, as well as the provision of environmental solutions and finance lease services.

(b) Organisation

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

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

During the years from 2001 to 2009, the Company completed several stock splits in the form of bonus shares to achieve wider distribution and improve marketability of the ordinary shares. As a result, the Company's share capital increased from RMB150 million to RMB1,673 million.

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

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

(b) Organisation (continued)

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

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

(b) Organisation (continued)

During the period from July to September 2015, the Company repurchased 41,821,800 H Shares of its own share capital with an aggregate consideration of approximately RMB128 million. These H Shares were then cancelled during the year. As a result of the repurchase and cancellation of the H Shares, the share capital of the Company was decreased to approximately RMB7,664 million, comprising 6,275,925,164 A Shares and 1,388,207,086 H Shares, and the Company's equity interest held by Hunan SASAC was increased to 16.35%.

(c) Basis of preparation

(i) Statement of compliance

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

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- 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

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

(c) Basis of preparation (continued)

(i) Statement of compliance (continued)

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The adoption of Amendments to IAS 19 does not have a significant impact on the Group's results of operations, financial position and disclosures.

Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosure has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

Notes to the consolidated financial statements

For the year ended 31 December 2015

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

(c) Basis of preparation (continued)

(ii) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for the re-measurement of available-for-sale equity securities and derivative financial instruments (Note 2(h)) to fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and the major sources of estimation uncertainty are disclosed in Note 31.

2 Significant accounting policies

(a) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (Note 2(b)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (Note 2(i)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (Note 2(h)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

(b) Subsidiaries and non-controlling interests

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

2 Significant accounting policies (continued)

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

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

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

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

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

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

The details of the Group's principal subsidiaries are set out in Note 32.

2 Significant accounting policies (continued)

(c) Associates

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

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

2 Significant accounting policies (continued)

(d) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(e) Intangible assets (other than goodwill)

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

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 2(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

2 Significant accounting policies (continued)

(e) Intangible assets (other than goodwill) (continued)

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

— trademarks	10 years
— technical know how	10 to 15 years
— software, patents and similar rights	2 to 10 years
— customer relationships	8 to 15 years
— capitalised development costs	3 to 10 years

Both the period and method of amortisation are reviewed annually.

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

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

(f) Property, plant and equipment

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

2 Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

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

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

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

— buildings	25 to 35 years
— machinery, plant and equipment	5 to 30 years
— motor vehicles	10 years
— office equipment	5 years

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

(g) Lease prepayments

Lease prepayments represent cost paid to the relevant government authorities for land use rights. Land use rights are carried at cost less the accumulated amount charged to expense and impairment losses (Note 2(i)). The cost of lease prepayments is charged to profit or loss on a straight-line basis over the respective periods of the rights, which range from 20 to 50 years.

2 Significant accounting policies (continued)

(h) Financial instruments

(i) Non-derivative financial instruments

The Group classifies non-derivative financial assets into the following categories: investments in available-for-sale securities, receivables (trade and other receivables, receivables under finance lease), cash and cash equivalents, loans and borrowings and trade and other payables.

The Group initially recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

2 Significant accounting policies (continued)

(h) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

Investments in available-for-sale securities

Investments in available-for-sale securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in available-for sale securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (Note 2(i)). Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss. When the investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 2(i)) except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment doubtful debts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2 Significant accounting policies (continued)

(h) Financial instruments (continued)

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

Interest-bearing borrowings

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

Trade and other payables

Trade and other payables are initially recognised at fair value, except for financial guarantee liabilities measured in accordance with Note 2(m)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(ii) **Derivative financial instruments**

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

Notes to the consolidated financial statements

For the year ended 31 December 2015

2 Significant accounting policies (continued)

(i) Impairment of assets

(i) Impairment of investments in equity securities and receivables

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) Impairment of investments in equity securities and receivables (continued)

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets

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

— property, plant and equipment;

— lease prepayments;

— intangible assets;

— goodwill; and

— investments in subsidiaries, associates in the Company's statement of financial position

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

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

2 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) **Impairment of other assets** (continued)

— *Reversals of impairment losses*

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

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

(j) Inventories

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

2 Significant accounting policies (continued)

(k) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Further information of the Group's retirement plans is set out in Note 23.

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(l) Income tax

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

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

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

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

2 Significant accounting policies (continued)

(l) Income tax (continued)

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

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

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

  — the same taxable entity; or

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

2 Significant accounting policies (continued)

(m) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Other provisions and contingent liabilities

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

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

2 Significant accounting policies (continued)

(n) Revenue recognition

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

(i) Sale of goods

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

(ii) Finance income under finance lease

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

(iii) Rental income from operating lease

Rental income receivable under operating lease is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Notes to the consolidated financial statements

For the year ended 31 December 2015

2 Significant accounting policies (continued)

(n) Revenue recognition (continued)

(iv) Contract revenue

When the outcome of a construction contract can be estimated reliably:

— revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

— revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(v) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

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

2 Significant accounting policies (continued)

(o) Translation of foreign currencies

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

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

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

The results of the Company's subsidiaries outside the mainland PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

2 Significant accounting policies (continued)

(p) Finance income and finance costs

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

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

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

(q) Leases

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

(i) Classification

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

(ii) Finance lease

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

2 Significant accounting policies (continued)

(q) Leases (continued)

(iii) Operating lease

Where the Group provides operating lease of its machinery products to customers, it presents assets subject to operating lease in the statement of financial position as property, plant and equipment. Lease income earned under operating lease is accounted for in accordance with accounting policy as set out in Note 2(n)(iii). Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. The depreciation policy for depreciable leased assets is consistent with the Group's normal depreciation policy for similar assets. Impairment losses of leased assets are accounted for in accordance with the accounting policy as set out in Note 2(i)(ii). The Group does not recognise any selling profit on entering into an operating lease because it is not the equivalent of a sale.

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

(r) Profit distributions

Distributions of profit proposed in the profit appropriation plan to be approved after the end of the reporting period are not recognised as a liability at the end of the reporting period but are disclosed in the notes separately.

(s) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Inventories" (as an asset) or the "Trade and other payables" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are presented as "Receipt in advance" under "Trade and other payables".

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2 Significant accounting policies (continued)

(t) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

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

2 Significant accounting policies (continued)

(u) Segment reporting

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

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

3 Revenue

The principal activities of the Group are research, development, manufacturing and sale of construction machinery, environmental sanitation equipment and agricultural machinery, as well as the provision of environmental solutions and finance lease services.

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

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

	2015 RMB millions	2014 RMB millions
Construction machinery		
— Concrete machinery	**5,476**	10,555
— Crane machinery	**4,574**	7,423
— Others	**2,314**	2,919
Environmental industry	**4,525**	4,024
Agricultural machinery	**3,295**	—
Financial services	**569**	930
	20,753	25,851

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4 Other income

	2015 RMB millions	2014 RMB millions
Government grants (Note)	**525**	307
Gain/(loss) on disposal of property, plant and equipment, intangible assets and lease prepayments	**111**	(11)
Cost of factoring trade receivables without recourse	**–**	(138)
Others	**40**	6
	676	164

Note: Government grants mainly represent operating subsidies and other grants. There were no unfulfilled conditions and other contingencies attached to these grants.

5 Profit before taxation

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

(a) Net finance costs:

	2015 RMB millions	2014 RMB millions
Finance income:		
Interest income	**(956)**	(720)
(Gain)/loss on remeasurement of derivative financial instruments at fair value	**(14)**	12
	(970)	(708)
Finance costs:		
Interest on loans and borrowings	**1,706**	1,260
Net exchange loss	**446**	140
	2,152	1,400
	1,182	692

5 Profit before taxation (continued)

(b) Staff costs:

	2015 RMB millions	2014 RMB millions
Salaries, wages and other benefits	2,163	2,706
Contributions to retirement schemes (Note 23)	273	263
	2,436	2,969

(c) Other items:

	2015 RMB millions	2014 RMB millions
Cost of inventories sold	15,134	18,640
Depreciation of property, plant and equipment (Note 11)	625	512
Amortisation of lease prepayments	54	38
Amortisation of intangible assets (Note 12)	150	96
Operating lease charges	189	202
Auditors' remuneration:		
— audit services	14	12
Product warranty costs (Note 21(b))	112	95
Impairment losses/(reversal):		
— trade receivables (Note 16(c))	559	450
— receivables under finance lease (Note 17(c))	(3)	(62)
— inventories	141	172
— goodwill (Note 13)	20	—

Notes to the consolidated financial statements

For the year ended 31 December 2015

6 Income tax

Income tax in the consolidated statement of comprehensive income represents:

	2015 RMB millions	2014 RMB millions
Current tax — PRC income tax		
Provision for the year	**177**	221
Current tax — Income tax in other tax jurisdictions		
Provision for the year	**5**	4
Deferred taxation (Note 22(b))		
Origination and reversal of temporary differences	**(127)**	(78)
Change in recognised deductible temporary differences	**(113)**	88
Income tax (credit)/expense	**(58)**	235

6 Income tax (continued)

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

	2015 RMB millions	2014 RMB millions
Profit before taxation	39	863
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (Note (a))	10	216
Tax effect of non-deductible expenses (Note (a))	223	133
Change in recognised deductible temporary differences	(113)	88
Current year loss for which no deferred tax assets was recognised	61	51
Tax effect of non-taxable income (Note (a))	(124)	(30)
Tax effect of tax concessions (Note (b))	(47)	(112)
Additional deduction for qualified research and development expenses (Note (c))	(68)	(111)
Actual income tax (credit)/expense	(58)	235

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%) in respect of assessable profits arising in or derived from Hong Kong. In 2015, the Group did not derive any income chargeable to Hong Kong Profits Tax on the basis that all the income was offshore sourced, all the expenses incurred by the subsidiaries in Hong Kong have been disallowed.

The Company's overseas subsidiaries are subject to income tax at rates ranging 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. In addition, 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 consolidated financial statements

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7 Directors' and supervisors' emoluments

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors'/ supervisors' fee RMB thousands	Salaries, allowances and other benefits RMB thousands	Discretionary bonuses RMB thousands	Retirement scheme contributions RMB thousands	Total RMB thousands
For the year ended 31 December 2015					
Executive director					
ZHAN Chunxin	–	667	667	16	1,350
Non-executive directors					
HU Xinbao^	–	–	–	–	–
ZHAO John Huan^	–	–	–	–	–
QIU Zhongwei*	–	–	–	–	–
Independent non-executive directors					
LIU Guiliang^	60	–	–	–	60
LI Jianqiang^	60	–	–	–	60
ZHAO Songzheng^	60	–	–	–	60
QIAN Shizheng*	60	–	–	–	60
WANG Zhile*	60	–	–	–	60
Supervisors					
FU Zheng^	–	–	–	–	–
LIU Chi	–	342	342	16	700
LIU Quan*	–	417	417	16	850
CAO Yonggang*	–	–	–	–	–
LUO Anping*	–	132	132	16	280
Total	300	1,558	1,558	64	3,480

7 Directors' and supervisors' emoluments (continued)

	Directors'/ supervisors' fee RMB thousands	Salaries, allowances and other benefits RMB thousands	Discretionary bonuses RMB thousands	Retirement scheme contributions RMB thousands	Total RMB thousands
For the year ended 31 December 2014					
Executive directors					
ZHAN Chunxin	–	1,002	1,002	16	2,020
LIU Quan*	–	592	592	16	1,200
Non-executive director					
QIU Zhongwei*	–	–	–	–	–
Independent non-executive directors					
QIAN Shizheng*	120	–	–	–	120
LIAN Weizeng*	90	–	–	–	90
WANG Zhile*	120	–	–	–	120
LIU Changkun*	–	–	–	–	–
Supervisors					
CAO Yonggang*	–	–	–	–	–
LUO Anping*	–	367	367	16	750
LIU Chi	–	480	479	16	975
Total	330	2,441	2,440	64	5,275

* Mr. Liu Quan retired as executive director of the Company and was appointed as supervisor of the Company on 29 June 2015. Mr. Qiu Zhongwei retired as non-executive director of the Company on 29 June 2015. Mr. Qian Shizheng and Mr. Wang Zhile retired as independent non-executive directors on 29 June 2015. Mr. Lian Weizeng and Mr. Liu Changkun retired as independent non-executive directors of the Company on 7 July 2014. Mr. Cao Yonggang and Mr. Luo Anping retired as supervisors of the Company on 29 June 2015.

^ Mr. Hu Xinbao and Mr. Zhao John Huan were appointed as non-executive directors of the Company on 29 June 2015. Ms. Liu Guiliang, Mr. Li Jianqiang and Mr. Zhao Songzheng were appointed as independent non-executive directors of the Company on 29 June 2015. Ms. Fu Zheng was appointed as supervisor of the Company on 29 June 2015.

None of these directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the year (2014: Nil).

Notes to the consolidated financial statements

For the year ended 31 December 2015

8 Individuals with highest emoluments

Of the five highest paid individuals of the Group, two (2014: two) individuals were directors or supervisors of the Company, whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining three (2014: three) individuals are as follows:

	2015 RMB thousands	2014 RMB thousands
Salaries, allowances and other benefits in kind	**2,952**	4,012
Retirement scheme contributions	**48**	48
	3,000	4,060

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

	2015 Number	2014 Number
RMB500,001–RMB1,000,000	**1**	—
RMB1,000,001–RMB1,500,000	**2**	3

None of these employees received any inducements or compensation for loss of office, or waived any emoluments during the year (2014: Nil).

9 Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB89 million (2014: RMB594 million), and the weighted average number of shares of 7,689 million in issue during the year (2014: 7,706 million shares).

There were no dilutive potential ordinary shares in issue as at 31 December 2015 (31 December 2014: Nil).

10 Segment reporting

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

(i) Construction machinery segment consists of the following sub-segments:

Concrete machinery sub-segment primarily researches, develops, manufactures and sells various concrete machineries, including truck-mounted concrete pumps, trailer-mounted concrete pumps, dry mortar products, concrete placing booms, concrete mixing plants, truck-mounted concrete mixers, truck-mounted line concrete pumps and self-propelled boom concrete pumps.

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

Others primarily research, develop, manufacture and sell of other machinery products, including road construction and pile foundation machinery, earth working machinery, material handling machinery and systems, specialised vehicles and vehicle axles. None of these segments met any of the quantitative thresholds for determining reportable segments for the years ended 31 December 2015 and 2014.

(ii) Environmental industry segment primarily researches, develops, manufactures and sells a wide range of environmental and sanitation machineries, including road sweepers, washing vehicles and waste treatment equipment, as well as provides environmental solutions.

(iii) Agricultural machinery segment primarily researches, develops, manufactures and sells a wide range of agricultural machineries, including tractors, grain harvesters and drying machines.

(iv) Financial services segment primarily provides finance lease services to customers for purchasing machinery products of the Group and from other vendors.

Notes to the consolidated financial statements

For the year ended 31 December 2015

10 Segment reporting (continued)

(a) Segment results, assets and liabilities

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2015 is set out below:

	2015 RMB millions	2014 RMB millions
Reportable segment revenue:		
Construction machinery		
— Concrete machinery	**5,476**	10,555
— Crane machinery	**4,574**	7,423
— Others (Note)	**2,314**	2,919
Environmental industry	**4,525**	4,024
Agricultural machinery	**3,295**	—
Financial services	**569**	930
Total	**20,753**	25,851
Reportable segment profit:		
Construction machinery		
— Concrete machinery	**1,149**	2,368
— Crane machinery	**1,423**	2,063
— Others (Note)	**529**	650
Environmental industry	**1,417**	1,200
Agricultural machinery	**520**	—
Financial services	**569**	928
Total	**5,607**	7,209

Note: In the year ended 31 December 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.

10 Segment reporting (continued)

(b) Reconciliation of segment profit

	2015 RMB millions	2014 RMB millions
Total segment profit	**5,607**	7,209
Other income	**676**	164
Sales and marketing expenses	**(2,502)**	(3,036)
General and administrative expenses	**(2,271)**	(2,347)
Research and development expenses	**(320)**	(443)
Net finance costs	**(1,182)**	(692)
Gain on disposal of associates	**30**	7
Share of profits less losses of associates	**1**	1
Consolidated profit before taxation	**39**	863

Notes to the consolidated financial statements

For the year ended 31 December 2015

10 Segment reporting (continued)

(c) Geographic information

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

	2015 RMB millions	2014 RMB millions
Revenue from external customers		
— Mainland PRC	**18,198**	22,956
— Outside PRC	**2,555**	2,895
Total	**20,753**	25,851

	2015 RMB millions	2014 RMB millions
Specified non-current assets		
— Mainland PRC	**10,672**	8,470
— Outside PRC	**223**	271
Total	**10,895**	8,741

Notes to the consolidated financial statements

For the year ended 31 December 2015

11 Property, plant and equipment

	Buildings RMB millions	Machinery, plant and equipment RMB millions	Motor vehicles and office equipment RMB millions	Construction in progress RMB millions	Total RMB millions
Cost:					
Balance at 1 January 2014	3,765	2,649	804	1,470	8,688
Additions	75	106	35	215	431
Transferred from construction in progress	675	258	38	(971)	–
Disposals	(23)	(44)	(60)	–	(127)
Acquisition from business combination	67	6	5	–	78
Effect of exchange rate difference	(21)	(41)	(8)	–	(70)
Balance at 31 December 2014	4,538	2,934	814	714	9,000
Balance at 1 January 2015	**4,538**	**2,934**	**814**	**714**	**9,000**
Additions	**28**	**76**	**53**	**1,071**	**1,228**
Transferred from construction in progress	**68**	**910**	**87**	**(1,065)**	**–**
Disposals	**(236)**	**(144)**	**(73)**	**(42)**	**(495)**
Acquisition from business combination	**940**	**427**	**98**	**42**	**1,507**
Effect of exchange rate difference	**(11)**	**(18)**	**(5)**	**–**	**(34)**
Balance at 31 December 2015	**5,327**	**4,185**	**974**	**720**	**11,206**
Accumulated depreciation and impairment:					
Balance at 1 January 2014	(584)	(928)	(329)	–	(1,841)
Depreciation charge for the year	(143)	(260)	(109)	–	(512)
Written back on disposals	14	34	40	–	88
Effect of exchange rate difference	8	32	6	–	46
Balance at 31 December 2014	(705)	(1,122)	(392)	–	(2,219)
Balance at 1 January 2015	**(705)**	**(1,122)**	**(392)**	**–**	**(2,219)**
Depreciation charge for the year	**(187)**	**(319)**	**(119)**	**–**	**(625)**
Written back on disposals	**50**	**53**	**36**	**–**	**139**
Effect of exchange rate difference	**4**	**13**	**2**	**–**	**19**
Balance at 31 December 2015	**(838)**	**(1,375)**	**(473)**	**–**	**(2,686)**
Net book value:					
Balance at 31 December 2015	**4,489**	**2,810**	**501**	**720**	**8,520**
Balance at 31 December 2014	3,833	1,812	422	714	6,781

Notes to the consolidated financial statements

For the year ended 31 December 2015

11 Property, plant and equipment (continued)

As at 31 December 2015, the carrying amount of machinery, plant and equipment leased out under operating leases is RMB777 million (2014: RMB57 million), which mainly represents machinery reprocessed from customers. The lease term generally ranges from 1 to 3 years (2014: 1 year). These operating leases does not contain contingent lease rentals. The future minimum lease payments under non-cancellable operating lease in the aggregate are receivable as follows:

	2015 RMB millions	2014 RMB millions
Within 1 year	**50**	8
After 1 year but within 2 years	**19**	—
After 2 years but within 3 years	**16**	—
Thereafter	**3**	—
	88	8

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12 Intangible assets

	Trademarks RMB millions	Technical know how RMB millions	Software, patents and similar rights RMB millions	Customer relationships RMB millions	Capitalised development costs RMB millions	Total RMB millions
Cost:						
Balance at 1 January 2014	785	142	316	361	89	1,693
Additions	–	–	38	–	16	54
Acquisition from business combination	62	62	2	62	–	188
Effect of exchange rate difference	(85)	(11)	(6)	(41)	(12)	(155)
Balance at 31 December 2014	762	193	350	382	93	1,780
Balance at 1 January 2015	**762**	**193**	**350**	**382**	**93**	**1,780**
Additions	**–**	**6**	**81**	**–**	**194**	**281**
Acquisition from business combination	**458**	**–**	**13**	**176**	**272**	**919**
Disposals	**–**	**–**	**(4)**	**–**	**–**	**(4)**
Effect of exchange rate difference	**(29)**	**(1)**	**(2)**	**(12)**	**(3)**	**(47)**
Balance at 31 December 2015	**1,191**	**198**	**438**	**546**	**556**	**2,929**
Accumulated amortisation and impairment:						
Balance at 1 January 2014	(37)	(35)	(84)	(158)	(59)	(373)
Amortisation for the year	–	(11)	(37)	(32)	(16)	(96)
Effect of exchange rate difference	–	4	4	20	8	36
Balance at 31 December 2014	(37)	(42)	(117)	(170)	(67)	(433)
Balance at 1 January 2015	**(37)**	**(42)**	**(117)**	**(170)**	**(67)**	**(433)**
Amortisation for the year	**(1)**	**(19)**	**(41)**	**(49)**	**(40)**	**(150)**
Effect of exchange rate difference	**–**	**1**	**1**	**8**	**2**	**12**
Balance at 31 December 2015	**(38)**	**(60)**	**(157)**	**(211)**	**(105)**	**(571)**
Net book value:						
Balance at 31 December 2015	**1,153**	**138**	**281**	**335**	**451**	**2,358**
Balance at 31 December 2014	725	151	233	212	26	1,347

Notes to the consolidated financial statements

For the year ended 31 December 2015

13 Goodwill and business combination

	2015 RMB millions	2014 RMB millions
Balance at 1 January	**1,661**	1,796
Additions	**413**	36
Impairment loss	**(20)**	—
Effect of exchange rate difference	**(61)**	(171)
Balance at 31 December	**1,993**	1,661

The goodwill arose from the acquisition of the following entities:

		Carrying amount	
Name of entity	**Date of acquisition**	**2015 RMB millions**	2014 RMB millions
CIFA S.p.A ("CIFA")	September 2008	**1,391**	1,455
Shaanxi Zoomlion Earth Working Machinery Co., Ltd. (formerly "Shaanxi Xinhuanggong Machinery Co., Ltd.")	June 2008	**115**	135
Hunan Zoomlion Axle Co., Ltd.	June 2008	**12**	12
Zoomlion Material Handling Equipment Co., Ltd. (formerly "Huatai Machinery Manufacturing Co., Ltd.")	July 2008	**24**	24
m-tec mathis technik GmbH ("m-tec")	April 2014	**38**	35
Zoomlion Heavy Machinery Co., Ltd. (formerly "Chery Heavy Industry Co., Ltd.")	January 2015	**413**	—
		1,993	1,661

13 Goodwill and business combination (continued)

Note:

On 4 January 2015, the Company completed the acquisition of 67.51% interests in Zoomlion Heavy Machinery Co., Ltd., formerly known as Chery Heavy Industry Co., Ltd. and its subsidiaries (collectively "Zoomlion Heavy Machinery Group") with a cash consideration of RMB2,349 million. 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 business segment.

The acquisition was accounted for under the acquisition method. The Company allocated the purchase price to identifiable assets acquired and liabilities assumed based on their estimated fair values. Management determined the fair values of the identifiable assets acquired and liabilities assumed based on valuation performed by an independent appraiser.

On 5 February 2015, the board of directors of Zoomlion Heavy Machinery Co., Ltd. resolved to reduce its paid-in capital by RMB1,300 million, among which RMB422 million were paid to its non-controlling shareholders.

Apart from the above, 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 expand its crane machinery sales agent network. On 1 July 2015, the Company completed the acquisition of a domestic company with a consideration of RMB46 million to broaden the Group's business in the environmental solutions. No goodwill was resulted from these acquisitions.

Notes to the consolidated financial statements

For the year ended 31 December 2015

13 Goodwill and business combination (continued)

The following table summarises the purchase price allocation of the fair value of the identifiable assets acquired and liabilities assumed in respect of the above acquisition of Zoomlion Heavy Machinery Group at the acquisition date.

Property, plant and equipment	1,475
Lease prepayments	511
Intangible assets	915
Interests in an associate	3
Deferred tax assets	104
Inventories	1,380
Trade and other receivables	2,602
Pledged bank deposits	363
Cash and cash equivalents	1,279
Total assets acquired	8,632
Short-term loans and borrowings	(1,241)
Trade and other payables	(4,041)
Income tax payable	(21)
Long-term loans and borrowings	(369)
Deferred tax liabilities	(127)
Total liabilities assumed	(5,799)
Non-controlling interests	(897)
Goodwill	413
Total cost of acquisition (paid in 2014: RMB2,088 million, paid in 2015: RMB261 million)	2,349
Cash acquired	(1,279)
Net cash outflow (2014: outflow RMB2,088 million; 2015: inflow RMB1,018 million)	1,070

From the acquisition date of Zoomlion Heavy Machinery Group to 31 December 2015, Zoomlion Heavy Machinery Group contributed a total of RMB3,639 million to the consolidated revenue and a loss of RMB58 million, including the impact of the amortisation of purchase price allocation, to the consolidated profit of the Group for the year ended 31 December 2015.

13 Goodwill and business combination (continued)

Goodwill impairment test

The recoverable amount of the respective cash-generating units has been determined by a value-in-use calculation, which used cash flow projections based on financial budgets approved by management. The cash flow projections covered a period of five years and adopted pre-tax discount rates ranging from approximately 10.8% to 15.1% (2014: 14.9% to 16.6%). The discount rates were determined based on the applicable weighted average cost of capital of the acquirees, which reflects the time value of money and the specific risks relating to the respective acquirees' businesses. The cash flow projections have taken into account the historical financial performance, expected sales growth rates and profit margins of the respective acquirees, market conditions and other available information. The assumptions used are based on management's past experience of the specific market, having made reference to external sources of information. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 3% (2014: 3%), which does not exceed the long-term average growth rate for the business in which the respective cash-generating units operate.

14 Interests in associates

The principal associates of the Group includes Bichamp Cutting Technology (Hunan) Co., Ltd., Chongqing Zhonglian Shenghong Investment Management Co., Ltd., Raxtar B.V., TOP Carbon S.r.l. and other associates acted as crane machinery sales agents. None of these associates was individually material to the Group's financial condition or results of operations for the reporting year. All of the associates are accounted for using the equity method in the consolidated financial statements.

Aggregate information of associates that are not individually material:

	2015 RMB millions	2014 RMB millions
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**208**	228
Aggregate amounts of the Group's share of those associates'		
Profit from operations	**1**	1
Other comprehensive income	**—**	—
Total comprehensive income	**1**	1

Notes to the consolidated financial statements

For the year ended 31 December 2015

15 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2015 RMB millions	2014 RMB millions
Raw materials	**2,479**	2,435
Work in progress	**1,062**	1,125
Finished goods (Note)	**10,542**	6,816
	14,083	10,376

Note: The Group takes various measures to recover overdue debtors including repossession of sold machinery. These reprocessed machinery are normally subject to rebuild and are expected to be either resale or leased out under operating leases.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss was presented in Note 5(c).

Notes to the consolidated financial statements

For the year ended 31 December 2015

16 Trade and other receivables

	2015 RMB millions	2014 RMB millions
Trade receivables (Notes (a) and (b))	**31,801**	31,574
Less: allowance for doubtful debts (Note (c))	**(2,316)**	(1,780)
	29,485	29,794
Less: trade receivables due after one year	**(3,504)**	(3,697)
	25,981	26,097
Bills receivable (Note (d))	**1,186**	1,816
	27,167	27,913
Amounts due from related parties (Note 30(b))	**386**	657
Prepayments for purchase of raw materials	**172**	204
Prepaid expenses	**357**	413
VAT recoverable	**945**	580
Deposits	**332**	310
Others	**1,134**	562
	30,493	30,639

All of the trade and other receivables, except those described below, are expected to be recovered or recognised as expense within one year.

(a) Trading terms and factoring of trade receivables

The Group generally allows certain customers with appropriate credit standing to make payments in instalments over a maximum period of 42 months ("instalment payment method"). Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2015, the weighted average discount rate was approximately 4.75% (2014: 6.00%) per annum. As at 31 December 2015, trade receivables due after one year of RMB3,504 million (31 December 2014: RMB3,697 million) were presented net of unearned interest of RMB274 million (31 December 2014: RMB281 million).

Notes to the consolidated financial statements

For the year ended 31 December 2015

16 Trade and other receivables (continued)

(a) Trading terms and factoring of trade receivables (continued)

During the year ended 31 December 2015, no trade receivables were factored to banks or other financial institutions (2014: RMB5,197 million were factored to banks and other financial institutions without recourse and were therefore derecognised). Under the non-recourse factoring agreements, the Group has agreed to repurchase equipment at fair value from banks and other financial institutions to which the Group previously factored its receivables, upon repossession of the equipment under the relevant equipment sales contracts by such banks or financial institutions. During the year ended 31 December 2015, the Group have not made any repurchase of assets from banks and other financial institutions under such commitment (2014: Nil).

(b) Ageing analysis of trade receivables

As at the end of the reporting period, ageing analysis based on the invoice date of trade receivables (which are included in trade and other receivables), net of allowance for doubtful debts is as follows:

	2015 RMB millions	2014 RMB millions
Within 1 month	**3,080**	4,475
Over 1 month but less than 3 months	**3,080**	5,431
Over 3 months but less than 1 year	**10,250**	11,104
Over 1 year but less than 2 years	**9,826**	6,758
Over 2 years but less than 3 years	**2,622**	1,775
Over 3 years but less than 5 years	**627**	251
	29,485	29,794

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

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

16 Trade and other receivables (continued)

(c) Impairment of trade receivables

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

The movement in the allowance for doubtful debts during the year, 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		**559**	450
Reclassification from impairment of receivable under finance lease	17(c)	**6**	15
Uncollectible amounts written off		**(29)**	(136)
Balance at 31 December		**2,316**	1,780

During the year ended 31 December 2015, the Group recognised RMB559 million impairment losses (2014: RMB450 million) 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.

Notes to the consolidated financial statements

For the year ended 31 December 2015

16 Trade and other receivables (continued)

(d) Bills receivable represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 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 31 December 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 end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 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 RMB292 million (31 December 2014: RMB300 million).

During the year ended 31 December 2015, bills receivable of RMB4,311 million (31 December 2014: RMB6,620 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.

17 Receivables under finance lease

	2015 RMB millions	2014 RMB millions
Gross investment	16,146	17,876
Unearned finance income	(373)	(544)
	15,773	17,332
Less: allowance for doubtful debts (Note (c))	(645)	(654)
	15,128	16,678
Less: receivables under finance lease due after one year	(2,484)	(4,476)
Receivables under finance lease due within one year	12,644	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 consolidated financial statements

For the year ended 31 December 2015

17 Receivables under finance lease (continued)

(a) Ageing analysis of receivables under finance lease

The minimum lease payments receivable as at the end of the reporting period are as follows:

	2015 RMB millions	2014 RMB millions
Present value of the minimum lease payments		
Within 1 year	13,122	12,670
Over 1 year but less than 2 years	1,456	2,775
Over 2 years but less than 3 years	668	1,313
Over 3 years	527	574
	15,773	17,332
Unearned finance income		
Within 1 year	306	405
Over 1 year but less than 2 years	39	84
Over 2 years but less than 3 years	16	34
Over 3 years	12	21
	373	544
Gross investment		
Within 1 year	13,428	13,075
Over 1 year but less than 2 years	1,495	2,859
Over 2 years but less than 3 years	684	1,347
Over 3 years	539	595
	16,146	17,876

17 Receivables under finance lease (continued)

(b) Overdue analysis

Overdue analysis of receivables under finance lease as at the end of the reporting period is as follows:

	2015 RMB millions	2014 RMB millions
Not yet due	**8,260**	12,214
Within 1 year past due	**4,031**	3,605
Over 1 year but less than 2 years past due	**2,224**	1,310
Over 2 years past due	**1,258**	203
Total past due	**7,513**	5,118
	15,773	17,332
Less: allowance for doubtful debts	**(645)**	(654)
	15,128	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.

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For the year ended 31 December 2015

17 Receivables under finance lease (continued)

(c) Impairment of receivables under finance lease

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

The movement in the allowance for doubtful debts during the year, is as follows:

	Note	**2015 RMB millions**	2014 RMB millions
Balance at 1 January		**654**	731
Impairment losses reversed		**(3)**	(62)
Reclassification to impairment of trade receivables	16(c)	**(6)**	(15)
Balance at 31 December		**645**	654

(d) The Group monitors the credit risk arising from finance lease arrangement through various control measures as set out in Note 27(b)(ii). Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, finance income under finance lease is recognised in accordance with the accounting policies as set out in Note 2(n)(ii).

18 Pledged bank deposits

The pledged bank deposits primarily represent cash maintained at banks as security for guarantees of payment relating to the issuance of bills payable to certain vendors of the Group, for guarantees given by the Group to banks in respect of loans provided by such banks to certain customers for purchase of the Group's products (Note 29(a)) and for receivables that have been factored to banks. Upon maturity of the bills payable, which generally range from 3 to 6 months, or upon full repayment of the customers' loans or receivables, the restriction on the bank deposits is released.

19 Cash and cash equivalents

	2015 RMB millions	2014 RMB millions
Cash at bank and on hand		
— RMB denominated	**10,900**	12,784
— USD denominated	**252**	726
— EUR denominated	**228**	875
— HKD denominated	**14**	23
— Other currencies	**93**	75
	11,487	14,483

20 Loans and borrowings

(a) Short-term loans and borrowings

	Note	**2015 RMB millions**	2014 RMB millions
Secured short-term bank loans			
— RMB denominated		**148**	—
— EUR denominated		**4**	—
Unsecured short-term bank loans			
— RMB denominated		**200**	800
— EUR denominated		**3,980**	134
— USD denominated		**3,491**	2,930
Add: current portion of long-term loans and borrowings	20(b)	**5,450**	1,823
		13,273	5,687

Notes to the consolidated financial statements

For the year ended 31 December 2015

20 Loans and borrowings (continued)

(b) Long-term loans and borrowings

	Note	2015 RMB millions	2014 RMB millions
Unsecured long-term bank loans			
— RMB denominated	(i)	**3,836**	2,835
— EUR denominated	(ii)	**1,651**	1,737
— USD denominated	(iii)	**5,317**	7,038
Unsecured RMB bond	(iv)	**1,099**	1,098
RMB medium-term notes	(v)	**8,993**	8,991
Guaranteed USD senior notes	(vi)	**6,435**	6,049
		27,331	27,748
Less: current portion of long-term loans and borrowings	20(a)	**(5,450)**	(1,823)
		21,881	25,925

Notes:

(i) As at 31 December 2015, RMB denominated unsecured long-term bank loan of RMB550 million (31 December 2014: RMB457 million) bore interest from 3.15% to 6% per annum and will be repayable by half-yearly instalments from 2016 to 2018. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2015, the Group was in compliance with these financial covenants.

As at 31 December 2015, RMB denominated unsecured long-term bank loan of RMB686 million (31 December 2014: RMB654 million) bore interest from 3.15% to 6% per annum and will be repayable by half-yearly instalments from 2016 to 2017.

The remaining RMB denominated unsecured long-term bank loans of RMB2,600 million (31 December 2014: RMB1,200 million) will be repayable in full in 2018.

(ii) As at 31 December 2015, EUR denominated unsecured long-term bank loans of RMB1,424 million (31 December 2014: RMB1,491 million) bore interest ranging from 1.54% to 1.84% per annum and will be repayable from 2016 to 2017.

As at 31 December 2015, EUR denominated unsecured long-term bank loans of RMB210 million (31 December 2014: RMB244 million) bore interest from 3.54% to 4.04% per annum and will be repayable by half-yearly instalments from 2018 to 2022.

The remaining EUR denominated unsecured long-term bank loans of RMB17 million (31 December 2014: RMB2 million) will be repayable by quarterly instalments through 2017.

20 Loans and borrowings (continued)

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

(iii) As at 31 December 2015, USD denominated unsecured long-term bank loan of RMB1,721 million (31 December 2014: RMB1,652 million) bore interest from 2.71% to 3.31% per annum and will be repayable by half-yearly instalments through 2016. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2015, the Group was in compliance with these financial covenants.

As at 31 December 2015, USD denominated unsecured long-term bank loan of RMB2,240 million (31 December 2014: RMB2,203 million) bore interest at 3.31% per annum and will be fully repayable in 2017. Such loan was subject to the fulfilment of certain annual financial covenants of the Group. As at 31 December 2015, the Group was in compliance with these financial covenants.

The remaining USD denominated unsecured long-term bank loans of RMB1,356 million (31 December 2014: RMB2,369 million) had maturities ranging from 1 month to 20 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 each October beginning from 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 20(b)(i) and 20(b)(iii) above, none of the Group's loans and borrowings contains any financial covenants.

Notes to the consolidated financial statements

For the year ended 31 December 2015

21 Trade and other payables

	2015 RMB millions	2014 RMB millions
Trade creditors	**6,378**	7,319
Bills payable	**5,674**	6,141
Trade creditors and bills payable (Note (a))	**12,052**	13,460
Amounts due to related parties (Note 30(b))	**15**	32
Amounts due to non-controlling shareholders of certain subsidiaries	**477**	—
Receipts in advance	**838**	983
Payable for acquisition of property, plant and equipment	**608**	536
Accrued staff costs	**293**	515
Product warranty provision (Note (b))	**74**	93
VAT payable	**146**	143
Sundry taxes payable	**126**	263
Security deposits (Note 24)	**525**	880
Interest payable	**236**	220
Payables for factoring discount	**2**	78
Dividend payable (Note 25(c))	**8**	—
Cash collected on behalf of banks	**—**	703
Other accrued expenses and payables	**1,413**	1,588
	16,813	19,494

(a) Ageing analysis of trade creditors and bills payable as at the end of the reporting period is as follows:

	2015 RMB millions	2014 RMB millions
Due within 1 month or on demand	**5,076**	5,490
Due after 1 month but within 3 months	**2,910**	3,404
Due after 3 months but within 6 months	**3,473**	3,915
Due after 6 months but less than 12 months	**593**	651
	12,052	13,460

21 Trade and other payables (continued)

(b) Product warranty provision

	RMB millions
Balance at 1 January 2014	116
Provision for the year	95
Utilisation during the year	(118)
Balance at 31 December 2014	93
Balance at 1 January 2015	**93**
Assumed through business combination	**36**
Provision for the year	**112**
Utilisation during the year	**(167)**
Balance at 31 December 2015	**74**

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

22 Income tax in the consolidated statement of financial position

(a) Income tax payable in the consolidated statement of financial position represents:

	2015 RMB millions	2014 RMB millions
Provision for PRC income tax	**82**	26
Provision for income tax in other tax jurisdictions	**5**	4
	87	30

Notes to the consolidated financial statements

For the year ended 31 December 2015

22 Income tax in the consolidated statement of financial position (continued)

(b) Deferred tax assets and liabilities recognised:

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

Year ended 31 December 2015

	Balance at 1 January 2015 RMB millions	Acquisition from business combination RMB millions	Credited/ (charged) to profit or loss RMB millions	(Credited)/ charged to reserves RMB millions	Balance at 31 December 2015 RMB millions
Deferred tax assets arising from:					
Receivables	436	14	67	(1)	516
Inventories	34	19	18	–	71
Accrued expenses	40	12	(14)	(1)	37
Tax losses	84	59	11	58	212
Others	24	2	(7)	–	19
Total	618	106	75	56	855
Deferred tax liabilities arising from:					
Property, plant and equipment	(14)	(4)	1	–	(17)
Intangible assets	(324)	(114)	45	8	(385)
Lease prepayments	(29)	(9)	3	–	(35)
Others	(108)	–	116	(10)	(2)
Total	(475)	(127)	165	(2)	(439)

22 Income tax in the consolidated statement of financial position (continued)

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

Year ended 31 December 2014

	Balance at 1 January 2014 RMB millions	Acquisition from business combination RMB millions	Credited/ (charged) to profit or loss RMB millions	(Credited)/ charged to reserves RMB millions	Balance at 31 December 2014 RMB millions
Deferred tax assets arising from:					
Receivables	405	1	32	(2)	436
Inventories	32	–	2	–	34
Accrued expenses	64	–	(22)	(2)	40
Tax losses	109	–	(14)	(11)	84
Others	34	1	(9)	(2)	24
Total	644	2	(11)	(17)	618
Deferred tax liabilities arising from:					
Property, plant and equipment	(5)	(9)	–	–	(14)
Intangible assets	(327)	(48)	14	37	(324)
Lease prepayments	(33)	–	4	–	(29)
Others	(103)	–	(17)	12	(108)
Total	(468)	(57)	1	49	(475)

As at 31 December 2015, deferred tax assets in respect of asset impairment losses and tax losses totalling RMB317 million (31 December 2014: RMB231 million) were not recognised by certain subsidiaries of the Company, as it is not probable that sufficient future taxable profits will be available to utilise such tax benefits.

Notes to the consolidated financial statements

For the year ended 31 December 2015

23 Employee benefits plans

As stipulated by the regulations of the PRC, the Company and its subsidiaries in the PRC participate in various defined contribution retirement plans organised by municipal and provincial governments for the Group's PRC employees. These entities are required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employee, subject to certain salary limits. A member of the above plans is entitled to a pension equal to a fixed percentage of the salary prevailing at his or her retirement date. In addition, pursuant to Italian Law, CIFA and its Italian subsidiaries are required to contribute to a government-mandated pension fund at 13.5% of the employee's salary each month. Pursuant to Germany Law, m-tec is required to contribute to a government-mandated pension fund at 9.5% of the employee's salary each month. Contributions to these retirement plans are charged to profit or loss as the related employee service is provided (Note 5(b)). The Group has no other material obligation for the payment of benefits associated with these plans beyond the contributions described above.

24 Other non-current liabilities

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

25 Capital and reserves

(a) Share capital

(i) Issued share capital

	2015 RMB millions	2014 RMB millions
Ordinary shares issued and fully paid:		
At 1 January	7,706	7,706
Own shares repurchased and cancelled	(42)	—
At 31 December	7,664	7,706
6,275,925,164 A Shares of RMB1.00 each 1,388,207,086 H Shares of RMB1.00 each (2014: 6,275,925,164 A Shares of RMB1.00 each 1,430,028,886 H Shares of RMB1.00 each)	7,664	7,706

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

Notes to the consolidated financial statements

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25 Capital and reserves (continued)

(a) Share capital (continued)

(ii) Repurchase of own shares

During the year, the Company repurchased its own ordinary shares traded on The Stock Exchange of Hong Kong Limited as follows:

Date/month/year	Number of share repurchased	Highest price paid per share RMB Yuan	Lowest price paid per share RMB Yuan	Aggregate price paid RMB millions
10 July 2015	19,853,800	3.33	3.05	64
22 July 2015	3,016,800	3.26	3.24	10
23 July 2015	1,684,000	3.35	3.28	6
30 July 2015	5,503,200	3.31	3.17	18
16 September 2015	1,950,000	2.51	2.47	5
17 September 2015	2,704,000	2.53	2.46	7
22 September 2015	3,066,000	2.60	2.51	8
24 September 2015	2,144,000	2.54	2.44	5
25 September 2015	1,900,000	2.58	2.44	5
	41,821,800			128

The repurchase was approved by the shareholders at the Annual General Meeting held on 29 June 2015, whereupon a resolution on the "General Mandate to Repurchase Certain H Shares of the Company". The total amount paid on the repurchased shares of approximately RMB128 million was paid wholly out of cash. These repurchased shares had all been cancelled as of 31 December 2015.

25 Capital and reserves (continued)

(b) Reserves

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

	The Company	
	2015	2014
	RMB millions	RMB millions
Capital reserve		
Balance at 1 January	**14,648**	14,648
Repurchase of own shares	**(86)**	—
Balance at 31 December	**14,562**	14,648
Statutory surplus reserve		
Balance at 1 January	**2,905**	2,901
Appropriation (Note 25(b)(ii))	**11**	4
Balance at 31 December	**2,916**	2,905
Other reserve		
Balance at 1 January	**1**	(2)
Other comprehensive income	**—**	3
Balance at 31 December	**1**	1
Retained earnings		
Balance at 1 January	**14,181**	15,290
Appropriation (Note 25(b)(ii))	**(11)**	(4)
Cash dividends (Note 25(c))	**(385)**	(1,156)
Profit for the year	**124**	51
Balance at 31 December	**13,909**	14,181
Total		
Balance at 1 January	**31,735**	32,837
Balance at 31 December	**31,388**	31,735

Notes to the consolidated financial statements

For the year ended 31 December 2015

25 Capital and reserves (continued)

(b) Reserves (continued)

(i) Capital reserve

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

(ii) Statutory surplus reserve

Under PRC rules and regulations, the Company and its PRC subsidiaries are required to set aside 10% of the net income determined in accordance with the PRC accounting rules and regulations to a statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of any dividend to shareholders. For the year ended 31 December 2015, the Company transferred RMB11 million (2014: RMB4 million), being 10% of the current year's net profit as determined in accordance with PRC accounting rules and regulations, to this reserve.

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

(iii) Exchange reserve

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

(iv) Fair value reserve

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

25 Capital and reserves (continued)

(c) Cash 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 totalling RMB385 million in respect of the year ended 31 December 2014 was declared, of which RMB377 million was paid by the end of 2015, and the remaining balance of RMB8 million will be paid in 2016.

Pursuant to the shareholders' approval at the Annual General Meeting held on 27 June 2014, a final cash dividend of RMB0.15 per share based on 7,706 million ordinary shares totalling RMB1,156 million in respect of the year ended 31 December 2013 was declared, and was fully paid by the end of 2015.

26 Capital management

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

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

Management monitors its capital structure on the basis of the debt-to-equity ratio. For this purpose, the Group defines debt as total loans and borrowings and defines equity as all components of equity attributable to equity shareholders of the Company.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the debt-to-equity ratio at less than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Notes to the consolidated financial statements

For the year ended 31 December 2015

26 Capital management (continued)

As at 31 December 2015, the Group's debt-to-equity ratio was as follows:

	2015 RMB millions	2014 RMB millions
Short-term loans and borrowings	**13,273**	5,687
Long-term loans and borrowings	**21,881**	25,925
Total debt	**35,154**	31,612
Total equity attributable to equity shareholders	**39,896**	40,791
Debt-to-equity ratio	**88%**	77%

27 Financial Instruments — Fair values and risk management

(a) Accounting classifications and fair values

(i) 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.

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

(a) Accounting classifications and fair values (continued)

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

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

	Fair value at 31 December 2015	**Fair value measurements as at 31 December 2015**		
		Level 1	**Level2**	**Level 3**
Recurring fair value measurements				
Assets:				
Held-for-sale listed equity securities	**9**	**9**	**–**	**–**
Available-for-sale investment in fund	**10**	**–**	**10**	**–**
Derivative financial instrument	**16**	**–**	**16**	**–**
Liabilities:				
Derivative financial instrument	**41**	**–**	**41**	**–**

	Fair value at 31 December 2014	Fair value measurements as at 31 December 2014		
		Level 1	Level2	Level 3
Recurring fair value measurements				
Assets:				
Held-for-sale listed equity securities	8	8	–	–
Liabilities:				
Derivative financial instrument	7	–	7	–

Notes to the consolidated financial statements

For the year ended 31 December 2015

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

(a) Accounting classifications and fair values (continued)

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

During the years ended 31 December 2015 and 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 at the end of the reporting period in which they occur.

(ii) 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 31 December 2015 and 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 31 December 2015	**Fair value at 31 December 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	**6,435**	**5,831**	6,049	5,831
RMB medium-term notes	**8,993**	**9,809**	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.

(b) Financial risk management

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

— credit risk (Note 27(b)(ii))
— liquidity risk (Note 27(b)(iii))
— interest rate risk (Note 27(b)(iv))
— currency risk (Note 27(b)(v))

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

(b) Financial risk management (continued)

(i) Risk management framework

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

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

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

(ii) Credit risk

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

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables, receivables under finance lease, financial guarantees and endorsed bills with full recourse which were derecognised by the Group. The maximum exposure to credit risk is represented by the carrying amount of these financial assets and guarantee obligations as disclosed in Note 29(a).

Notes to the consolidated financial statements

For the year ended 31 December 2015

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

(b) Financial risk management (continued)

(ii) Credit risk (continued)

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's background and financial strengths, past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as the economic environment in which the customer operates. Trade receivables under credit sales arrangement are normally due within 1 to 3 months from the date of billing, and an upfront payment ranging from 20% to 30% (2014: 20% to 30%) of the product price is normally required from the customer. 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. Collaterals such as properties, machinery or third party guarantees are generally required for customers with lower credit ratings. In addition, credit insurance coverage is required for overseas sales. Certain customers are required to pay by letters of credit.

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

As at 31 December 2015, trade and other receivables aged over two years amounted to RMB3,249 million and overdue receivables under finance lease for more than two years amounted to RMB1,258 million represents an increase of RMB1,223 million and RMB1,055 million, respectively. Debtors overdue by 3 months or more are handled by risk management department which is responsible for recovering debts through legal and other actions, including repossession and subsequent sale of machineries in case of customer default. Action taken to various overdue debts are assessed by taking into consideration of the customers' current financial position, future business plan, the fair value of pledged assets and possibility of additional collateral.

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

(b) Financial risk management (continued)

(ii) Credit risk (continued)

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 December 2015, 0.1% (31 December 2014: 0.2%) of the total trade and bills receivables was due from the Group's largest customer and 0.8% (31 December 2014: 1.4%) of the total trade and bills receivables was due from the Group's five largest customers respectively. As at 31 December 2015, 93.7% and 96.3% (31 December 2014: 93.3% and 96.3%) of total impaired trade receivables and receivables under finance lease was due from the Group's customers located in Mainland PRC.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 16. Overdue analysis of the Group's receivables under finance lease is set out in Note 17.

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

Details of the Group's exposure and credit control policy in respect of such guarantees provided are disclosed in Note 29(a).

(iii) Liquidity risk

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

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

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current prevailing rates at the end of the reporting period) and the earliest date the Group would be required to repay, other than endorsed bills with full recourse which were derecognised by the Group (Note 16(d) for details).

	As at 31 December 2015					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	35,154	39,589	14,613	8,201	13,697	3,078
Trade and other payables	16,813	16,813	16,813	–	–	–
Other non-current liabilities	621	621	–	189	216	216
Interest rate swap (net settled)	25	25	25	–	–	–
	52,613	57,048	31,451	8,390	13,913	3,294
Financial guarantees issued Maximum amount guaranteed	144	10,475	10,475	–	–	–

	As at 31 December 2015 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions	Total RMB millions
Forward foreign exchange contracts:					
— outflow	(2,696)	(1,266)	–	–	(3,962)
— inflow	2,704	1,275	–	–	3,979

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

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

	As at 31 December 2014					
	Carrying amount RMB millions	Total contractual undiscounted cash flow RMB millions	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions
Loans and borrowings	31,612	36,672	6,795	7,283	18,076	4,518
Trade and other payables	19,494	19,494	19,494	—	—	—
Other non-current liabilities	899	903	—	343	386	174
Interest rate swap (net settled)	—	—	—	—	—	—
	52,005	57,069	26,289	7,626	18,462	4,692
Financial guarantees issued Maximum amount guaranteed	242	17,266	17,266	—	—	—

	As at 31 December 2014 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand RMB millions	More than 1 year but less than 2 years RMB millions	More than 2 years but less than 5 years RMB millions	More than 5 years RMB millions	Total RMB millions
Forward foreign exchange contracts:					
— outflow	—	—	—	—	—
— inflow	—	—	—	—	—

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

Notes to the consolidated financial statements

For the year ended 31 December 2015

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

(b) Financial risk management (continued)

(iv) Interest rate risk

The Group's interest rate risk exposure arises primarily from bank deposits, receivables under finance lease, short-term and long-term loans and borrowings. These financial instruments bearing interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The following table sets out the interest rate profile of the Group's bank deposits, receivables under finance lease and short-term and long-term loans and borrowings as at 31 December 2015.

	2015		2014	
	Weighted average interest rate %	**Amount RMB millions**	Weighted average interest rate %	Amount RMB millions
Fixed rate financial instruments:				
Short-term loans and borrowings	**3.8%**	**(2,984)**	4.7%	(1,271)
Long-term loans and borrowings	**5.8%**	**(18,766)**	6.2%	(17,340)
		(21,750)		(18,611)
Variable rate financial instruments:				
Pledged bank deposits	**0.4%**	**2,049**	0.5%	2,411
Bank deposits	**1.2%**	**11,486**	1.3%	14,481
Receivables under finance lease	**4.9%**	**15,128**	4.9%	16,678
Short-term loans and borrowings	**2.2%**	**(10,289)**	2.3%	(4,416)
Long-term loans and borrowings	**3.0%**	**(3,115)**	2.4%	(8,585)
		15,259		20,569
Net amount		**(6,491)**		1,958

As at 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained earnings by approximately RMB130 million (2014: RMB175 million).

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

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and the change was applied to the Group's debts outstanding at the end of the reporting period which had exposure to interest rate risk. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the next reporting period end. The analysis is performed on the same basis for 2014.

(v) Currency risk

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

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

	Exposure to foreign currencies risk (expressed in equivalent RMB millions)							
	2015				2014			
	USD	EUR	YEN	HKD	USD	EUR	YEN	HKD
Trade debtors	2,393	73	13	19	1,467	45	40	9
Cash and cash equivalents	95	76	–	14	548	102	–	13
Trade creditors	(38)	(52)	(2)	(1)	(658)	(42)	(2)	(1)
Loans and borrowings	(6,409)	(4,157)	–	–	(5,262)	(264)	–	–
Notional amounts of forward exchange contracts used as economic hedges	(20)	(72)	–	–	–	–	–	–
Net exposure arising from recognised assets and liabilities	(3,979)	(4,132)	11	32	(3,905)	(159)	38	21

Notes to the consolidated financial statements

For the year ended 31 December 2015

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

(b) Financial risk management (continued)

(v) Currency risk (continued)

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

	2015		2014	
	Increase/ decrease in foreign exchange rates	**Effect on profit after taxation and retained profits RMB millions**	Increase/ decrease in foreign exchange rates	Effect on profit after taxation and retained profits RMB millions
USD	**5%**	**(169)**	5%	(166)
	-5%	**169**	-5%	166
EUR	**5%**	**(176)**	5%	(7)
	-5%	**176**	-5%	7
Yen	**5%**	**—**	5%	2
	-5%	**—**	-5%	(2)
HKD	**5%**	**1**	5%	1
	-5%	**(1)**	-5%	(1)

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

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014.

28 Commitments

(a) Capital commitments

As at 31 December 2015, the Group had capital commitments as follows:

	2015 RMB millions	2014 RMB millions
Authorised and contracted for		
— property, plant and equipment	**208**	313
— intangible assets	**10**	22
— equity investment	**356**	261
	574	596
Authorised but not contracted for		
— property, plant and equipment	**–**	4
	–	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 31 December 2015, the future minimum lease payments under operating lease are as follows:

	2015 RMB millions	2014 RMB millions
Within 1 year	**99**	113
After 1 year but within 2 years	**58**	86
After 2 years but within 3 years	**42**	57
After 3 years but within 4 years	**17**	44
After 4 years but within 5 years	**16**	15
Thereafter	**13**	26
	245	341

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29 Contingent liabilities

(a) Financial guarantee issued

Certain customers of the Group from time to time may finance their purchase of the Group's machinery products through bank loans, and the Group provides guarantees to the banks for the amount drawn by customers. Under the guarantee arrangement, in the event of customer default, the Group is required to repossess the machinery collateralising the bank loans, and is entitled to sell the machinery and retain any net proceeds in excess of the guarantee payments made to the banks. As at 31 December 2015, the Group's maximum exposure to such guarantees was RMB8,186 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 year ended 31 December 2015, the Group made payments of RMB947 million (2014: RMB497 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 31 December 2015, the Group's maximum exposure to such guarantees was RMB2,089 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 year ended 31 December 2015, there was no payment made for repossession of machinery incurred (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 31 December 2015, the Group's maximum exposure to such guarantees was RMB117 million (31 December 2014: Nil).

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

30 Related party transactions

(a) Transactions with related parties

	2015 RMB millions	2014 RMB millions
Transactions with associates:		
Sales of products	**236**	628
Purchase of raw materials and finished goods	**6**	36

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.

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30 Related party transactions (continued)

(c) Key management personnel remuneration

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

	2015 RMB thousands	2014 RMB thousands
Short-term employee benefits	**17,914**	25,917
Retirement scheme contributions	**416**	363
	18,330	26,280

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

(d) Contributions to retirement plans

The details of the Group's employee benefit plans are disclosed in Note 23.

31 Accounting estimates and judgements

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

The selection of significant accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set forth in Note 2 to the financial statements. Note 13 contains information about significant assumptions and their risk factors relating to goodwill impairment.

Management reviews estimations and underlying assumptions ongoing basis. Revisions to accounting estimations are recognised in the period in which the estimations are revised and in any future periods affected.

31 Accounting estimates and judgements (continued)

Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

Management estimates impairment losses of receivables (which are recorded in an allowance account for doubtful debts) resulting from the inability of the customers to make the required payments. Management bases its estimates on the ageing of the receivable balance, customer credit-worthiness, estimated fair value of collateral assets and historical write-off experience. If the financial condition of the customers or fair value of collateral assets were to deteriorate, actual write-offs may be higher than expected and could significantly affect the results of future periods.

(b) Warranty provision

As explained in Note 21(b), the Group makes product warranty provision based on its best estimate of the expected settlement under the sales agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Write-down of inventories

As described in Note 2(j), the Group writes down the cost of inventories to net realisable value when the net realisable value of inventories is lower than the cost. The Group estimates the net realisable value of inventories by taking into account the recent selling prices and forecasted market demand. However, the actual realised value of the inventories may be significantly different from the estimated amount at the end of the reporting period.

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31 Accounting estimates and judgements (continued)

(d) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(i)(ii). The carrying amounts of the Group's long-lived assets, including property, plant and equipment, intangible assets and investments in subsidiaries and associates are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill and trademarks with indefinite useful lives, the impairment testing is performed at least annually at the end of each year. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group's long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(e) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual value, if any. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Amortisation of intangible assets is recognised on a straight-line basis over the respective intangible assets' estimated useful lives. Management reviews the estimated useful lives annually in order to estimate the amount of amortisation expense to be recorded during any reporting period. The estimated useful lives are based on the estimated periods over which future economic benefits will be received by the Group and take into account the level of future competition, the risk of technological or functional obsolescence and the expected changes in the regulatory and social environment. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

32 Investments in subsidiaries

The following list contains particulars of subsidiaries as at 31 December 2015 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Particulars of issued and paid up capital (millions)	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: held by the Company	Proportion of ownership interest: held by subsidiary	Principal activities
Zoomlion Heavy Machinery Co., Ltd. (Note 13)	RMB1,200	67.51%	67.51%	—	Manufacture of agricultural machinery
CIFA S.p.A	EUR 15	100%	—	100%	Manufacture of concrete machinery
Shaanxi Zoomlion Earth Working Machinery Co., Ltd.	RMB474	100%	100%	—	Manufacture of earth working machinery
Hunan Zoomlion Axle Co., Ltd.	RMB466	88.86%	88.86%	—	Manufacture of motor vehicle components
Zoomlion Material Handling Equipment Co., Ltd.	RMB100	100%	100%	—	Manufacture of material handling machinery
Zoomlion Finance and Leasing (Beijing) Co., Ltd.	RMB1,502	100%	100%	—	Leasing of equipment and machinery
Hunan Zoomlion International Trade Co., Ltd.	RMB50	100%	100%	—	Trading of equipment and machinery
Hunan Teli Hydraulic Co., Ltd.	RMB180	77.61%	77.61%	—	Manufacture of hydraulic products
Hunan Zoomlion Special Vehicles Co., Ltd.	RMB69	100%	100%	—	Manufacture of specialized vehicles
Zoomlion Finance and Leasing (China) Co., Ltd.	USD280	100%	—	100%	Leasing of equipment and machinery
Hunan Zoomlion Crawling Crane Ltd.	RMB360	100%	100%	—	Manufacture of crawling cranes

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32 Investments in subsidiaries (continued)

Name of company	Particulars of issued and paid up capital (millions)	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
Hunan Zoomlion Hardware Co., Ltd.	RMB100	100%	100%	—	Manufacture of components
Shanghai Zoomlion Pile Foundation Machinery Co., Ltd.	RMB50	100%	100%	—	Manufacture of pile foundation machinery
Hunan Zoomlion Intelligent Technology Co., Ltd.	RMB50	100%	100%	—	Research and manufacture of machine software
Hunan Zoomlion Concrete Machinery Site Equipment Co., Ltd.	RMB451	100%	100%	—	Manufacture of concrete machinery
Zoomlion H.K. SPV Co., Limited	USD25	100%	—	100%	Investment holding
m-tec mathis technik GmbH	EUR 3	100%	—	100%	Manufacture of concrete machinery
Zoomlion Commercial Factoring (China) Co., Ltd.	USD100	100%	—	100%	Commercial factoring services
Anhui Zoomlion Earth Working Machinery Co., Ltd.	RMB500	100%	100%	—	Manufacture of earth working machinery
Zoomlion Finance Co., Ltd.	RMB1,500	75%	75%	—	Financial services

All of the above subsidiaries are incorporated and operate in the PRC, except for CIFA and m-tec which is incorporated and operates in Italy and Germany, respectively. All of the above subsidiaries are limited liability companies. None of the above subsidiaries has a material non-controlling interest.

33 Company-level statement of financial position

	Note	2015 RMB millions	2014 RMB millions
Non-current assets			
Property, plant and equipment		4,920	4,594
Lease prepayments		1,278	1,342
Intangible assets		313	245
Investments in subsidiaries		16,064	12,172
Interests in associates		124	235
Other financial assets		178	468
Trade and other receivables		3,264	3,574
Pledged bank deposits		180	335
Other non-current assets		—	2,088
Deferred tax assets		340	253
Total non-current assets		26,661	25,306
Current assets			
Inventories		10,873	8,188
Other current assets		450	280
Trade and other receivables		34,075	33,771
Pledged bank deposits		1,107	1,554
Cash and cash equivalents		6,309	11,234
Total current assets		52,814	55,027
Total assets		79,475	80,333
Current liabilities			
Loans and borrowings		7,331	2,636
Trade and other payables		18,078	21,435
Total current liabilities		25,409	24,071
Net current assets		27,405	30,956
Total assets less current liabilities		54,066	56,262
Non-current liabilities			
Loans and borrowings		14,796	16,601
Other non-current liabilities		215	220
Deferred tax liabilities		3	—
Total non-current liabilities		15,014	16,821
Net assets		39,052	39,441
Capital and reserves			
Share capital	25(a)	7,664	7,706
Reserves	25(b)	31,388	31,735
Total equity		39,052	39,441

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34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 December 2015

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortization*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

35 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	2015 RMB millions	2014 RMB millions
Total equity reported under PRC GAAP	**40,609**	41,248
— Acquisition-related costs incurred on prior year business combination	**(40)**	(40)
Total equity reported under IFRSs	**40,569**	41,208

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

	2015 RMB millions	2014 RMB millions
Total comprehensive income for the year reported under PRC GAAP	**(367)**	421
— Safety production fund (Note)	**(6)**	—
Total comprehensive income for the year reported under IFRSs	**(373)**	421

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

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

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36 Non-adjusting event after the reporting period

Pursuant to a resolutions passed at the directors' meeting on 30 March 2016, a final dividend in respect of the year ended 31 December 2015 of RMB0.15 (2014: RMB0.05) per share totalling RMB1,150 million (2014: RMB385 million) was proposed for shareholders' approval at the Annual General Meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.


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