

ZOOMLION 中联重科

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

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

H Share Stock Code : 1157

A Share Stock Code : 000157



2016
Interim Report

* For identification purpose only

Important Notice

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

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

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

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 interim report.

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

Definitions

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

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

“the Reporting Period” the six months ended 30 June 2016.

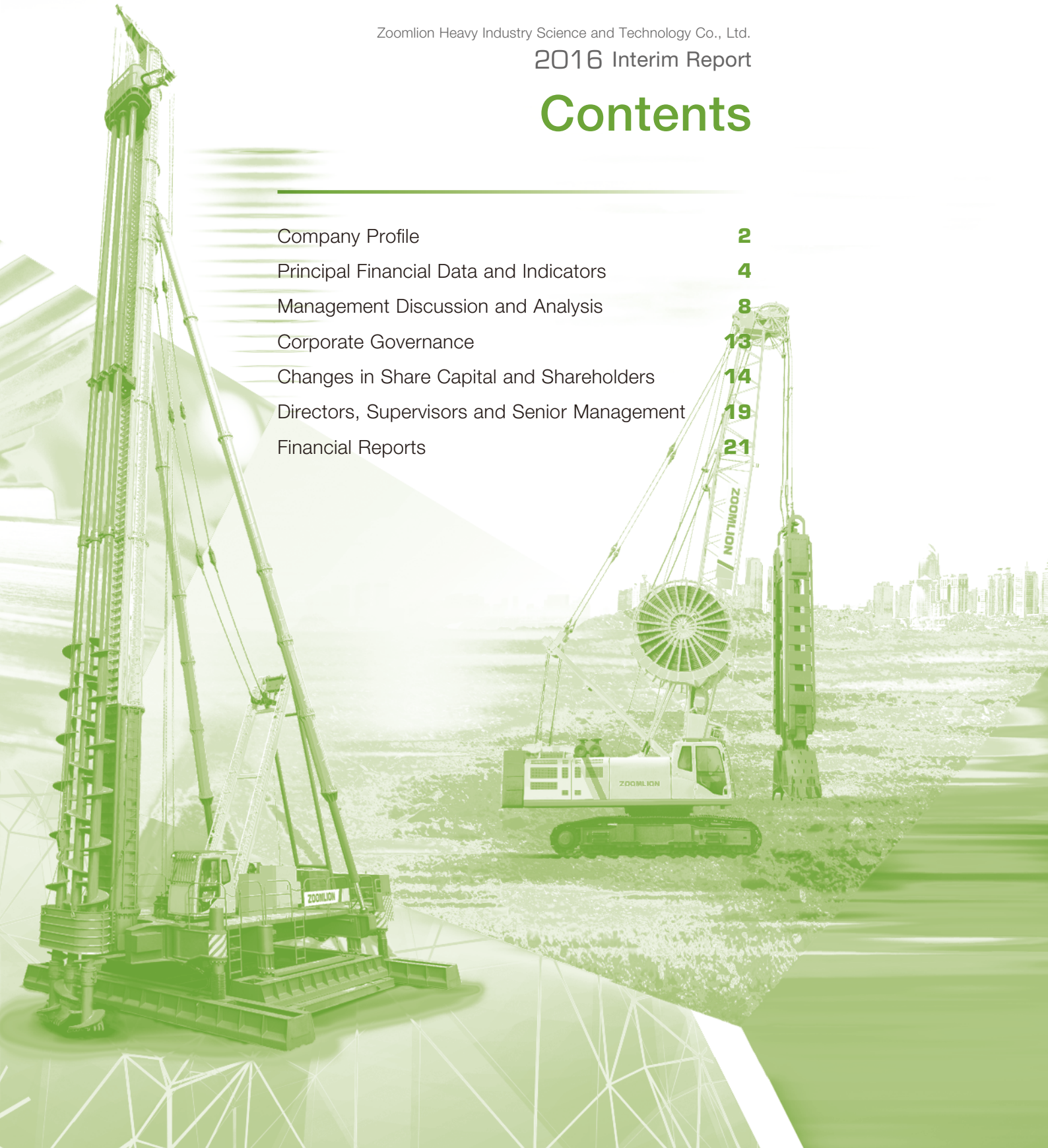


Zoomlion Heavy Industry Science and Technology Co., Ltd.

2016 Interim Report

Contents

Company Profile	2
Principal Financial Data and Indicators	4
Management Discussion and Analysis	8
Corporate Governance	13
Changes in Share Capital and Shareholders	14
Directors, Supervisors and Senior Management	19
Financial Reports	21



Company Profile

- I. Company name (in Chinese): 中聯重科股份有限公司
Chinese abbreviation: 中聯重科
Company name (in English): Zoomlion Heavy Industry Science And Technology Co., Ltd.
English abbreviation: Zoomlion
- II. Legal representative of the Company: Zhan Chunxin
- III. Secretary of the Board of Directors: Shen Ke
Representative of securities affairs: Guo Tao
Contact Address: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC
Telephone: (86 731) 85650157
Fax: (86 731) 85651157
E-mail: 157@zoomlion.com
- IV. Registered address and place of business of the Company: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC

Postal code: 410013
Website: <http://www.zoomlion.com/>
E-mail: 157@zoomlion.com
- V. Authorized representatives: Zhan Chunxin
Shen Ke
Address of the authorized representatives: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC
- VI. Newspapers for disclosure of the Company's information: China Securities Journal,
Shanghai Securities News,
Securities Times,
Securities Daily

Website publishing the A share announcements: <http://www.cninfo.com.cn>
Website publishing the H share announcements: <http://www.hkexnews.hk>
- VII. Listing information: A Shares
Shenzhen Stock Exchange of China ("SZSE")
Stock Name: ZOOMLION
Stock Code: 000157
H Shares
The Stock Exchange of Hong Kong Limited ("SEHK")
Stock Name: ZOOMLION
Stock Code: 1157

Company Profile

- VIII. H Share Registrar: Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East,
Wanchai, Hong Kong
- IX. Legal Advisors
- As to PRC law: Fangda Partners
27/F North Tower Beijing Kerry Centre, 1 Guanghua Road Chaoyang District,
Beijing 100020, China
- As to Hong Kong law: Norton Rose Fulbright Hong Kong
38/F, Jardine House, 1 Connaught Place, Central, Hong Kong
- X. Auditors
- Domestic auditors: Baker Tilly China Certified Public Accountants
Room 208, Block B, Huatong Building, B19 Chegongzhuang West Road,
Haidian District, Beijing, PRC
- International auditors: KPMG
8/F, Prince’s Building, 10 Chater Road, Central, Hong Kong

Principal Financial Data and Indicators

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

Unit: RMB

	The Reporting Period	The corresponding period of last year	Changes in the Reporting Period as compared with the corresponding period of last year
Operating income	9,003,793,128.02	10,571,350,008.70	-14.83%
Net loss attributable to equity shareholders of the Company	-836,522,198.01	-309,832,566.03	-169.99%
Net loss after extraordinary gain and loss attributable to equity shareholders of the Company	-854,796,660.68	-398,951,331.54	-114.26%
Net cash flow from operating activities	-301,873,081.48	-4,180,598,034.42	92.78%
Basic losses per share (RMB/share)	-0.11	-0.04	-175.00%
Diluted losses per share (RMB/share)	-0.11	-0.04	-175.00%
Weighted average return on net assets	-2.13%	-0.78%	A decrease of 1.35 percentage points

Unit: RMB

	As at the end of the Reporting Period	As at the end of last year	Change in the end of the Reporting Period as compared with the end of last year
Total assets	93,636,653,813.72	93,723,020,007.67	-0.09%
Net assets attributable to the equity shareholders of the Company	37,353,930,544.37	39,936,600,440.37	-6.47%

Principal Financial Data and Indicators

Extraordinary items

Items	Unit: RMB Amounts
Loss on disposal of non-current assets (including written off of provision for impairment of assets)	-532,817.26
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	58,795,548.97
Loss from debt restructuring	-17,404,799.67
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	8,316,443.09
Non-operating income and expenses other than those set out above	-18,555,399.51
Less: Income tax effect	3,380,965.26
Minority interests after tax	8,963,547.69
Total	18,274,462.67

Principal Financial Data and Indicators

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

	For the six-month period ended 30 June	
	2016 RMB millions	2015 RMB millions
Revenue	9,004	10,571
Loss before taxation	(969)	(304)
Income tax	144	(20)
Loss for the period	(825)	(324)
Loss attributable to:		
Equity shareholders of the Company	(829)	(299)
Non-controlling interests	4	(25)
Basic and diluted losses per share (RMB)	(0.11)	(0.04)
Gearing ratio (Note)	59.08%	59.35%

	As at	
	30 June 2016 RMB millions	31 December 2015 RMB millions
Total non-current assets	22,150	22,667
Total current assets	71,447	71,016
Total assets	93,597	93,683
Total current liabilities	34,495	30,173
Net current assets	36,952	40,843
Total assets less current liabilities	59,102	63,510
Total non-current liabilities	20,804	22,941
Net assets	38,298	40,569
Total equity attributable to equity shareholders of the Company	37,314	39,896
Non-controlling interests	984	673

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

Principal Financial Data and Indicators

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

Unit: RMB million

	Net loss attributable to equity shareholders of the Company		Net assets attributable to the equity shareholders of the Company	
	Current period	Previous period	At the end of the Reporting Period	At the beginning of the Reporting Period
Under PRC GAAP	835	310	37,354	39,936
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)	(11)	—	—
Under IFRSs	829	299	37,314	39,896

Notes:

- (1) Since acquisition cost of RMB40 million incurred in 2008 was recognized in investment cost in accordance with PRC GAAP while recognized in profit or loss in accordance with IFRSs, this results in the difference between the net assets attributable to equity shareholders of the Company under those two accounting standards;
- (2) Under PRC GAAP, safety production fund should be accrued and recognized in profit or loss with a corresponding credit in reserve according to relevant PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related equipment are purchased, is reduced by the purchased cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRSs, expense is recognized in profit or loss when incurred, and fixed assets are capitalized and depreciated in accordance with applicable accounting policies.

Management Discussion and Analysis

I. Report of the Board of Directors

i. Overview

In the first half of 2016, with the State's further effort in vigorously promoting structural reform on the supply side, the drop in the construction machinery industry has narrowed. The industry is, however, still in the stage of deleveraging, inventory reduction and reduction of industrial capacity. The progress of marketization of environmental industry has accelerated and the scale of the industry is increasing continuously. The agricultural machinery industry is undergoing product upgrading and structural adjustment.

During the Reporting Period, the Group recorded an operating revenue of approximately RMB9.004 billion and a net loss attributable to shareholders of the parent company of approximately RMB0.829 billion which is mainly due to the effects of the decrease in revenue of the construction machinery industry, staff severance payment and fluctuation in exchange rate. Nevertheless, the two segments of agricultural machinery and environmental industry have recorded year on year growth in operating revenue and significant growth in the operating cash flow. During the Reporting Period, the Company maintained its leading position in terms of market shares in concrete machinery and crane machinery. The Company captured the largest market share in street sweeping truck, garbage compression vehicle in China and the largest market share in dryer. The Company also maintained the second-largest market share of wheat harvester.

ii. Operational Review of the Reporting Period

1. The strategic layout of the four segments is completed to enhance concerted effort

- (1) Construction machinery sector has been proactively adapting to the New Normal by streamlining the corporate structure and laying off redundant staff, while focusing on the promotion of industrial upgrades, sales and marketing reforms, so as to establish the the new innovative model driven by regional markets. The Company gradually launched "Product 4.0" series and promoted product upgrading to further comprehensively enhance the product quality.
- (2) Environmental industrial sector: The Company has completed the acquisition of Italy's Ladurner Group and has maintained its position as the industry leader in sanitation equipment and has preliminarily transformed itself from a sanitation equipment provider to an integrated solutions provider and investment operator of the environmental industry, achieving substantial progress in the areas of providing comprehensive environment improvement management, kitchen waste treatment, sewage treatment and construction waste treatment.

Management Discussion and Analysis

- (3) Agricultural machinery sector: The Company focused on reforming and enhancing the four major areas of “resources allocation, business model, operation management and product development”, promoted breakthrough in middle to high end product upgrading, and achieved growth amid adversities.
- (4) Financial service sector: By establishing a unified platform for financial services, the Company strengthened the synergy of industry fund, finance company, finance leasing and commercial factoring businesses and speeded up the preparation for insurance business, in order to comprehensively support the expansion of the operation of the Company’s businesses. The Company’s integration of production and financing is in steady progress.

2. Embracing the 4.0 Industry and achieving outstanding results in technological innovation

We spared no effort to promote the development of the “Product 4.0” and to promote product family optimization, design modularization and intelligentization study to achieve the best performance in the aspects of “technology, quality, cost and service”, and dozens of the “Product 4.0” models were released in the first half of the year and will be launched to the market successively.

The Company ranked the 8th among the “domestic enterprises for the number of invention patents obtained in 2015” published by the State Intellectual Property Office of the PRC, and is the only top ten enterprise from the construction machinery field.

The formulation (amendment) of five national standards of the concrete and crane machinery industry, which was led by the Company, have obtained the approval for release; and two National Science and Technology Support Programs under the “the 12th Five Year Plan”, and a 863 project undertaken by the Company were successfully checked and accepted in the first half of the year; in addition, the Company was granted the First Prize of Science and Technology Innovation Award by the China Fire Protection Association for its 60m Aerial Fire Fighting Vehicle project.

3. Comprehensively promoting the standard of management with our intensive efforts

- (1) Reformed the comprehensive budget management model by adopting an integrated management method of monthly budget and revenue assessment in order to achieve a dynamic balance between operating income and expenses.

Management Discussion and Analysis

- (2) Strengthened cash flow control mechanism in order to further develop the classification of clients and the grading of assets, formulate differentiated credit policy and debt recovery strategy, improve the quality of new contracts, minimize the risk of backlog, and accelerate capital return; and the net operating cash flow of the Group has experienced a year on year increase of approximately RMB4.0 billion through centralization of management and planning arrangement, and optimization of payment rules.
- (3) Continued promotion of cost reduction and efficiency enhancement by increasing the proportion of self-manufactured components for better utilization of production capacity, enhancement of supply chain management, and integration of technological renovation and optimization in order to lower the production cost effectively.

II Analysis of Financial Position

1. Analysis of Operating Income and Profit

In the first half of 2016, the Group's revenue was RMB9.004 billion. With respect to product segment, the Group recorded revenue of RMB3.699 billion in concrete machinery and crane machinery products, representing a decrease of 31.77% as compared to the same period last year and resulting in a decrease in total revenue. The Group's revenue recorded a decrease of 25.49% and 38.65% in concrete machinery and crane machinery products as compared to the same period of last year, respectively, mainly due to the further shrinkage of market demand and the tightened sales policies maintained by the Group.

The Group's revenue recorded an increase of 7.88% and 11.70% in two emerging sectors, namely the environmental industry and agricultural machinery, respectively, as compared to the same period last year, which accounted for approximately 44.89% of the total revenue of the Group and became a new growth point.

The Group's gross margin is 24.70% in the first half of 2016, representing a slight increase as compared to the gross margin of 23.92% in the same period last year, which is mainly resulted from the change of sales mix.

The Group's operating expenses, including sales and marketing expenses, administrative expenses, etc., in the first half of 2016 remained stable as compared to the same period last year. Although with the sales volume in decline, there was no decrease in operating expenses, which is mainly due to the staff severance payment and impairment losses recorded for such period. Besides, net financial costs of the Group increased by 81.67% in the first half of 2016, as compared to the same period last year, which is mainly resulted from the fluctuation in exchange rate.

As a result of the foregoing, the Group's net loss attributable to shareholders of the parent company amounted to RMB829 million in the first half of 2016.

Management Discussion and Analysis

2. Cash Flow and Capital Expenditure

The Group financed the operations primarily through bank loans and other borrowings. As of 30 June 2016, the Group had RMB8.955 billion in cash and cash equivalents. Cash and cash equivalents primarily consist of cash and deposits at bank.

(1) Operating activities

For the six months ended 30 June 2016, net cash used in operating activities was RMB543 million, mainly due to the payments of purchase, other expenses and staff expenditure, etc. exceeding the sales proceeds during the current Reporting Period.

(2) Investing activities

For the six months ended 30 June 2016, net cash used in investing activities was RMB228 million, mainly due to the payments for purchase of fixed assets and intangible assets, and the addition of pledged bank deposit.

(3) Financing activities

For the six months ended 30 June 2016, net cash used in financing activities was RMB1,795 billion, mainly due to the repayments of loans and borrowings and interest payment.

Please refer to the Consolidated Cash Flow Statement in the unaudited interim financial report for the details of the cash flow.

(4) Capital expenditures

In the first half of 2016, the capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB332 million.

(5) Credit policies

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

3. Commitments and Contingent Liabilities

As at 30 June 2016, our commitments consisted of capital commitments of RMB225 million and operating lease commitments of RMB231 million, of which RMB90 million was payable within one year.

Please refer to note 18 in the unaudited interim financial report for the details of our contingent liabilities as at 30 June 2016.

Pursuant to paragraph 40 of Appendix 16 of the Listing Rules, save as disclosed herein, the Company confirms that the Group's information in relation to those matters set out in paragraph 32 of Appendix 16 of the Listing Rules has not changed materially from the information disclosed in the Company's 2015 Annual Report.

Management Discussion and Analysis

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

Date of reception	Place of reception	Activity	Type of target group	Target group	Particulars and information provided
1 April 2016	Changsha, PRC	Communication by telephone	Institution	Galaxy Securities, Essence Securities, Shanghai Greenwoods, Rongtong Fund and GF Fund	I. Main content <ol style="list-style-type: none"> 1. The prospect of the industry in the first half of 2016 and Company profile; 2. The development history, historical operation condition and strategic plans of the Company;
23 June 2016	Changsha, PRC	Field research	Institution	COOPER INVESTORS	3. The competition and comparison of advantages of various product segments in the industry; II. Information <ol style="list-style-type: none"> 1. Periodic reports and ad hoc announcements of the Company; 2. Brochures of products.

IV. Employees

As at 30 June 2016, the Company had employed a total of 15,714 employees. Details of the Company's staff costs are enclosed in note 4(b) to the unaudited interim financial report.

Save as disclosed above, during the Reporting Period, there was no significant change to salaries and remuneration policies of the Company as compared with the information disclosed in the annual report of 2015.

Corporate Governance

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

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

The Board had adopted all code provisions of the code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Codes") contained in Appendix 14 to the Listing Rules as the codes of the Company. During the six months ended 30 June 2016, the Company had complied with all applicable code provisions of the Codes, other than the deviation of Code A.2.1 which the roles of the Chairman and Chief Executive Officer were not separated. Mr. Zhan Chunxin is currently the Chairman and Chief Executive Officer of the Company. The Board believes that Mr. Zhan Chunxin acting as the above two positions concurrently can more effectively facilitate the formulation and implementation of the business strategies of the Company. Through the regulation of the Board and Independent Executive Directors as well as the effective internal balancing mechanism of the Company, such arrangement will not affect the balance of the rights and authorizations regarding business management between the Board and the Company. The Board believes that such arrangement will benefit the Company and its operations.

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

The Company had adopted the code provisions regarding the purchase and sale of the Company's shares by the Directors on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had fully complied with the Model Code during the six months ended 30 June 2016. The Company was not aware of any non-compliance of the Model Code by any Directors or Supervisors.

3. Audit Committee

The audit committee of the Company has discussed the accounting principles and practices adopted by the Company with the management and reviewed this report, including the interim report of the Group for the six months ended 30 June 2016 prepared in accordance with the International Accounting Standard No. 34.

Changes in Share Capital and Shareholders

1. Change in share capital

Unit: share(s)

	Before this change		Increase (+)/Decrease (-) in this change					After this change	
	Number	Percentage (%)	New shares	Bonus issue	Bonus shares from capital reserve	Others	Sub-total	Number	Percentage (%)
I. Shares subject to sales restriction	11,431,419	0.15%	0	0	0	-1,074,727	-1,074,727	10,356,692	0.14%
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	11,431,419	0.15%	0	0	0	-1,074,727	-1,074,727	10,356,692	0.14%
Including: shares held									
by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
shares held by domestic natural persons	11,431,419	0.15%	0	0	0	-1,074,727	-1,074,727	10,356,692	0.14%
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	7,652,700,831	99.85%	0	0	0	1,074,727	1,074,727	7,653,775,558	99.86%
1. Ordinary shares denominated in RMB	6,264,493,745	81.74%	0	0	0	1,074,727	1,074,727	6,265,568,472	81.75%
2. Domestically listed foreign invested shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Overseas listed foreign invested shares	1,388,207,086	18.11%	0	0	0	0	0	1,388,207,086	18.11%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	7,664,132,250	100.00%	0	0	0	0	0	7,664,132,250	100.00%

Changes in Share Capital and Shareholders

2. Number of shareholders of the Company and shareholdings

Unit: share(s)

Total number of holders of ordinary shares as at the end of the Reporting Period 439,962

Name of shareholder	Nature of shareholder	Percentage of Shareholding (%)	Holders of ordinary shares with more than 5% interest or top ten shareholders				Number of Ordinary shares not subject to sales restriction	Number of shares pledged or charged Status	Number
			Total number of ordinary share held as at the end of the Reporting Period	Changes during the Reporting Period	Number of Ordinary shares subject to sales restriction	Number of Ordinary shares not subject to sales restriction			
HKSCC NOMINEES LIMITED	Overseas legal person	18.08%	1,385,604,643	0	0	1,385,604,643			
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	State-owned legal person	16.35%	1,253,314,876	0	0	1,253,314,876			
Changsha Hesheng Science and Technology Investment Co., Ltd	Domestic non state-owned legal person	5.04%	386,517,443	0	0	386,517,443			
China Securities Finance Corporation Limited	State-owned legal person	3.01%	230,408,951	0	0	230,408,951			
GOOD EXCEL GROUP LIMITED	Overseas legal person	2.20%	168,635,680	0	0	168,635,680	Pledged	168,635,680	
Real Smart International Limited	Overseas legal person	2.20%	168,635,602	0	0	168,635,602	Pledged	168,635,602	
Changsha Yifang Science and Technology Investment Co., Ltd	Domestic non state-owned legal person	2.05%	156,864,942	0	0	156,864,942			
Central Huijin Asset Management Ltd.	State-owned legal person	1.51%	115,849,400	0	0	115,849,400			
Hony Capital Fund I (Tianjin), L.P.	Domestic non state-owned legal person	0.84%	64,600,000	0	0	64,600,000			
China Jianyin Investment Co., Ltd.	State-owned legal person	0.32%	24,340,809	0	0	24,340,809			
Remarks on strategic investor or ordinary legal person becoming top 10 shareholders after placing of new shares		Nil							
Description of the connected relationships or action in concert between the above shareholders			As at 30 June 2016, Changsha Hesheng Science and Technology Investment Co., Ltd., Changsha Yifang Science and Technology Investment Co., Ltd. and GOOD EXCEL GROUP LIMITED are parties acting in concert.						

Changes in Share Capital and Shareholders

Top ten holders of ordinary shares not subject to sales restriction

Name of shareholder	Number of ordinary shares not subject to sales restriction as at the end of the Reporting Period	Class of shares	Number
HKSCC NOMINEES LIMITED	1,385,604,643	Overseas-listed foreign-invested shares	1,385,604,643
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	1,253,314,876	Ordinary shares denominated in RMB	1,253,314,876
Changsha Hesheng Science and Technology Investment Co., Ltd	386,517,443	Ordinary shares denominated in RMB	386,517,443
China Securities Finance Corporation Limited	230,408,951	Ordinary shares denominated in RMB	230,408,951
GOOD EXCEL GROUP LIMITED	168,635,680	Ordinary shares denominated in RMB	168,635,680
Real Smart International Limited	168,635,602	Ordinary shares denominated in RMB	168,635,602
Changsha Yifang Science and Technology Investment Co., Ltd	156,864,942	Ordinary shares denominated in RMB	156,864,942
Central Huijin Asset Management Ltd.	115,849,400	Ordinary shares denominated in RMB	115,849,400
Hony Capital Fund I (Tianjin), L.P.	64,600,000	Ordinary shares denominated in RMB	64,600,000
China Jiayin Investment Co., Ltd.	24,340,809	Ordinary shares denominated in RMB	24,340,809
Description of the connected relationships or action in concert among top ten holders of ordinary shares not subject to sales restriction, and between top ten holders of ordinary shares not subject to sales restriction and top ten holders of ordinary shares	As at 30 June 2016, Changsha Hesheng Science and Technology Investment Co., Ltd., Changsha Yifang Science and Technology Investment Co., Ltd. and GOOD EXCEL GROUP LIMITED are parties acting in concert.		
Description of top ten holders of ordinary shares involved in securities margin trading (if any)	Nil		

Changes in Share Capital and Shareholders

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

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

As at 30 June 2016, 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 ("SFO"), or required to be recorded in the register to be kept by the Company pursuant to Section 336 of SFO:

Name	Nature of interest	Class of shares	Number of shares	Percentage of class of shares issued (%)	Percentage of total shares issued (%)	
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government	Beneficial	A shares	1,253,314,876	19.97	16.35	
Changsha Hesheng Science and Technology Investment Co., Ltd. ⁽²⁾	Beneficial	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	76,562,552 (L)	5.52	1.00	
Citigroup Inc. ⁽¹⁾⁽⁴⁾	Custodian corporation/ approved lending agent	H shares	65,065,347(L)	4.69	0.85	
			Interests of controlled corporation	10,109,597(L)	0.73	0.13
				13,078,135(S)	0.94	0.17

Changes in Share Capital and Shareholders

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

- (1) The disclosure is based on the information available on the website of SEHK (www.hkexnews.com.hk).
- (2) Changsha Hesheng Science and Technology Investment Co., Ltd. is an investment entity controlled and owned by the management of the Group.
- (3) As stated in the form of disclosure of shareholder's interests submitted by Unique Element Corp. on 30 June 2016 (the date of the relevant event set out in the form was 29 June 2016), 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 Citigroup Inc. on 21 June 2016 (the date of the relevant event set out in the form was 16 June 2016), these shares were held via Citigroup Inc. and its affiliates.

Save as disclosed above, as at 30 June 2016, 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 SFO.

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

For the six months ended 30 June 2016, there was no purchase, sale or redemption of any securities of the Company by the Company or any of its subsidiaries under the Listing Rules.

Directors, Supervisors and Senior Management

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

Name	Position	Employment status	Number of Shares held at the beginning of the Reporting Period (share)	Number of Shares increased during the Reporting Period (share)	Number of Shares decreased during the Reporting Period (share)	Number of Shares held at the end of the Reporting Period (share)	Number of restricted shares granted at the beginning of the Reporting Period (share)	Number of restricted shares granted at the end of the Reporting Period (share)	Number of restricted shares granted at the end of the Reporting Period (share)
Shen Ke	Secretary of the Board of Directors	Incumbent	337,500	1,773,100	0	2,110,600	0	0	0
Total	—	—	337,500	1,773,100	0	2,110,600	0	0	0

II. Changes in Directors, Supervisors and Senior Management

Name	Position held	Changes	Date	Reason
He Wenjin	Vice President	Appointed	30 March 2016	Upon the approval at the third meeting of the 5th session of the Board of the Company, Mr. He Wenjin was appointed as vice president of the Company, with a term commencing from 30 March 2016 until the expiration of the term of the current session of the Board.
Yang Changbo	Independent Director	Elected	29 June 2016	Upon the approval at the annual general meeting of 2015, Mr. Yang Changbo was elected as an independent director of the Company, with a term commencing from 29 June 2016 until the expiration of the term of the current session of the Board.

Directors, Supervisors and Senior Management

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

Save as set out in the section headed "Changes in Shareholdings of Directors, Supervisors and Senior Management", there are no changes in each of the directors, supervisors and chief executives' interests in shares of the Company as at 30 June 2016 or equity interest set out in the Annual Report of 2015.

As at 30 June 2016, the directors, supervisors and senior management of the Company who have interest or a short position in the shares, underlying shares or debentures of the Company or associated corporation (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or required to be disclosed to the Company and SEHK under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

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

As at 30 June 2016, save as disclosed above, none of the directors, supervisors or chief executive officer has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and SEHK pursuant to the Model Code.

As at 30 June 2016, 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.

IV. CHANGE OF INFORMATION IN RESPECT OF DIRECTORS

Mr. Yang Changbo was approved as an independent non-executive director with effect from 29 June 2016. Please refer to the Company's announcement dated 29 June 2016 for further details.

Save as disclosed, there is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51B(1) of the Listing Rules since the publication of the 2015 annual report of the Company.

Review Report



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

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

Introduction

We have reviewed the interim financial report set out on pages 22 to 56, which comprises the consolidated statement of financial position of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") as of 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim Financial Reporting", issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

KPMG

Certified Public Accountants

8/F Prince's Building

10 Chater Road

Hong Kong, China

30 August 2016

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2016

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2016 RMB millions	2015 RMB millions
Revenue	3	9,004	10,571
Cost of sales and services		(6,780)	(8,042)
Gross profit		2,224	2,529
Other income		32	72
Sales and marketing expenses		(1,050)	(1,145)
General and administrative expenses		(1,388)	(1,217)
Research and development expenses		(135)	(216)
(Loss)/profit from operations		(317)	23
Net finance costs	4(a)	(654)	(360)
Gain on disposal of associates		—	30
Share of profits less losses of associates		2	3
Loss before taxation	4	(969)	(304)
Income tax	5	144	(20)
Loss for the period		(825)	(324)
Other comprehensive income for the period (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		(163)	(18)
Change in fair value of available-for-sale financial assets		(1)	3
Total other comprehensive income for the period		(164)	(15)
Total comprehensive income for the period		(989)	(339)

Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2016

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2016 RMB millions	2015 RMB millions
Loss attributable to:			
Equity shareholders of the Company		(829)	(299)
Non-controlling interests		4	(25)
Loss for the period		(825)	(324)
Total comprehensive income attributable to:			
Equity shareholders of the Company		(993)	(314)
Non-controlling interests		4	(25)
Total comprehensive income for the period		(989)	(339)
Basic and diluted losses per share (RMB)	6	(0.11)	(0.04)

The notes on pages 30 to 56 form part of the interim financial report.

Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2016

(Expressed in RMB)

	Note	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Non-current assets			
Property, plant and equipment	8	8,502	8,520
Lease prepayments		2,407	2,375
Intangible assets	8	2,637	2,358
Goodwill	8	2,079	1,993
Interests in associates		260	208
Other financial assets		214	181
Trade and other receivables	10	2,726	3,504
Receivables under finance lease	11	1,984	2,484
Pledged bank deposits		118	189
Other non-current assets		95	—
Deferred tax assets		1,128	855
Total non-current assets		22,150	22,667
Current assets			
Inventories	9	14,250	14,083
Other current assets		478	449
Trade and other receivables	10	32,323	30,493
Receivables under finance lease	11	13,349	12,644
Pledged bank deposits		2,092	1,860
Cash and cash equivalents	12	8,955	11,487
Total current assets		71,447	71,016
Total assets		93,597	93,683
Current liabilities			
Loans and borrowings	13(a)	15,442	13,273
Trade and other payables	14	18,984	16,813
Income tax payable		69	87
Total current liabilities		34,495	30,173
Net current assets		36,952	40,843
Total assets less current liabilities		59,102	63,510

Consolidated Statement of Financial Position (continued) (Unaudited)

As at 30 June 2016

(Expressed in RMB)

	Note	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Non-current liabilities			
Loans and borrowings	13(b)	19,308	21,881
Other non-current liabilities		634	621
Payable for acquisition of non-controlling interests	8	332	—
Deferred tax liabilities		530	439
Total non-current liabilities		20,804	22,941
NET ASSETS		38,298	40,569
CAPITAL AND RESERVES			
Share capital		7,664	7,664
Reserves		29,650	32,232
Total equity attributable to equity shareholders of the Company		37,314	39,896
Non-controlling interests		984	673
TOTAL EQUITY		38,298	40,569

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

Zhan Chunxin

Chairman and Chief Executive Officer

Du Yigang

Vice-president

The notes on pages 30 to 56 form part of the interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2016

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Statutory						Total		
	Share capital	Capital reserve	surplus reserve	Exchange reserve	Other reserves	Retained earnings			
	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions			
Balance at 1 January 2015	7,706	13,153	2,906	(320)	5	17,341	40,791	417	41,208
Changes in equity for the six-month period ended 30 June 2015:									
Loss for the period	—	—	—	—	—	(299)	(299)	(25)	(324)
Other comprehensive income	—	—	—	(18)	3	—	(15)	—	(15)
Total comprehensive income	—	—	—	(18)	3	(299)	(314)	(25)	(339)
Cash dividends	—	—	—	—	—	(385)	(385)	—	(385)
Safety production fund	—	—	—	—	11	(11)	—	—	—
Business combination	—	—	—	—	—	—	—	897	897
Share repurchase of Zoomlion Heavy Machinery Co., Ltd.	—	—	—	—	—	—	—	(422)	(422)
Balance at 30 June 2015 and 1 July 2015	7,706	13,153	2,906	(338)	19	16,646	40,092	867	40,959
Changes in equity for the six-month period ended 31 December 2015:									
Profit for the period	—	—	—	—	—	388	388	33	421
Other comprehensive income	—	—	—	(452)	(3)	—	(455)	—	(455)
Total comprehensive income	—	—	—	(452)	(3)	388	(67)	33	(34)
Safety production fund	—	—	—	—	(5)	5	—	—	—
Repurchase of own shares	(42)	(86)	—	—	—	—	(128)	—	(128)
Business combination	—	—	—	—	—	—	—	2	2
Acquisition of non-controlling interests	—	(1)	—	—	—	—	(1)	(189)	(190)
Appropriation for surplus reserve	—	—	11	—	—	(11)	—	—	—
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

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

For the six-month period ended 30 June 2016

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Statutory						Non-		Total
	Share capital	Capital reserve	surplus reserve	Exchange reserve	Other reserves	Retained earnings	Total	controlling interests	
	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions
Balance at 1 January 2016	7,664	13,066	2,917	(790)	11	17,028	39,896	673	40,569
Changes in equity for the six-month period ended 30 June 2016:									
Loss for the period	—	—	—	—	—	(829)	(829)	4	(825)
Other comprehensive income	—	—	—	(163)	(1)	—	(164)	—	(164)
Total comprehensive income	—	—	—	(163)	(1)	(829)	(993)	4	(989)
Cash dividends (Note 15)	—	—	—	—	—	(1,150)	(1,150)	—	(1,150)
Safety production fund (Note 20(b))	—	—	—	—	6	(6)	—	—	—
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(10)	(10)
Business combination (Note 8)	—	(332)	—	—	—	—	(332)	253	(79)
Acquisition of non-controlling interests in a subsidiary	—	(107)	—	—	—	—	(107)	64	(43)
Balance at 30 June 2016	7,664	12,627	2,917	(953)	16	15,043	37,314	984	38,298

The notes on pages 30 to 56 form part of the interim financial report.

Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2016

(Expressed in RMB)

	For the six-month period ended 30 June	
	2016 RMB millions	2015 RMB millions
Operating activities		
Loss before taxation	(969)	(304)
Adjustments for:		
Depreciation of property, plant and equipment	362	293
Amortisation of lease prepayments	27	24
Amortisation of intangible assets	89	82
Gain on disposal of associates	—	(30)
Share of profits less losses of associates	(2)	(3)
Interest income	(262)	(345)
Interest expenses	817	851
Loss/(gain) on disposal of property, plant and equipment, intangible assets and lease prepayments	1	(15)
Gain on re-measurement of derivative financial instruments at fair value	(8)	(25)
	55	528
Increase in inventories	(50)	(1,678)
(Increase)/decrease in trade and other Receivables	(1,241)	46
Decrease in receivables under finance lease	353	18
Increase/(decrease) in trade and other payables	474	(3,356)
Cash used in operations	(409)	(4,442)
Income tax paid	(134)	(85)
Net cash used in operating activities carried forward	(543)	(4,527)

Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2016

(Expressed in RMB)

	Note	For the six-month period ended 30 June	
		2016	2015
		RMB millions	RMB millions
Net cash used in operating activities brought forward		(543)	(4,527)
Investing activities			
Payment for purchase of property, plant and equipment		(172)	(100)
Lease prepayments		(59)	(19)
Payment for purchase of intangible assets		(43)	(41)
Acquisition of subsidiaries, net of cash acquired	8	(34)	1,048
Dividends received from associates		—	7
Payment for investment in an associate		(7)	—
Purchase of other financial assets		(63)	(1,000)
Entrusted loan repayments received		27	300
Proceeds from disposal of property, plant and equipment, intangible assets and lease prepayments		79	31
Proceeds from disposal of derivative financial instruments		(40)	—
Interest received		241	345
(Increase)/decrease in pledged bank deposits		(157)	537
Net cash (used in)/generated from investing activities		(228)	1,108
Financing activities			
Proceeds from loans and borrowings		7,743	8,786
Proceeds from issue of RMB commercial paper		5,000	—
Repayments of loans and borrowings		(13,943)	(4,687)
Dividends paid to equity shareholders		(8)	(1)
Interest paid		(524)	(600)
Dividends paid by subsidiaries to non-controlling interests		(11)	—
Payment for acquisition of non-controlling interests		(52)	(435)
Net cash (used in)/generated from financing activities		(1,795)	3,063
Net decrease in cash and cash equivalents		(2,566)	(356)
Cash and cash equivalents at the beginning of period		11,487	14,483
Effect of foreign exchange rate changes		34	(55)
Cash and cash equivalents at the end of period	12	8,955	14,072

The notes on pages 30 to 56 form part of the interim financial report.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

1 Principal activities of reporting entity

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

2 Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2(b).

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

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

2 Basis of preparation (continued)

(b) The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IAS 1, Presentation of financial statements: Disclosure initiative
- Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation

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

Annual Improvements to IFRSs 2012–2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, “Interim Financial Reporting”, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group’s interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group’s interim financial report.

Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation

The amendments introduce a rebuttable presumption to IAS 38 that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments also prohibit the use of revenue-based depreciation methods for property, plant and equipment under IAS 16. The amendments do not have a material impact on the presentation and disclosure of the Group’s interim financial report.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

3 Revenue

	For the six-month period ended 30 June	
	2016 RMB millions	2015 RMB millions
Construction machinery		
— Concrete machinery	2,113	2,836
— Crane machinery	1,586	2,585
— Others	1,054	1,163
Environmental industry	1,904	1,765
Agricultural machinery	2,138	1,914
Financial services	209	308
	9,004	10,571

4 Loss before taxation

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

(a) Net finance costs:

	For the six-month period ended 30 June	
	2016 RMB millions	2015 RMB millions
Finance income:		
Interest income	(262)	(345)
Gain on re-measurement of derivative financial instruments at fair value	(8)	(25)
	(270)	(370)
Finance costs:		
Interest on loans and borrowings	817	851
Net exchange loss/(gain)	107	(121)
	924	730
	654	360

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

4 Loss before taxation (continued)

(b) Staff costs:

	For the six-month period ended 30 June	
	2016	2015
	RMB	RMB
	millions	millions
Salaries, wages and other benefits	1,131	1,162
Contributions to retirement schemes	115	142
	1,246	1,304

(c) Other items:

	For the six-month period ended 30 June	
	2016	2015
	RMB	RMB
	millions	millions
Cost of inventories sold	6,738	8,042
Depreciation of property, plant and equipment	362	293
Amortisation of lease prepayments	27	24
Amortisation of intangible assets	89	82
Loss/(gain) on disposal of property, plant and equipment, intangible assets and lease prepayments	1	(15)
Operating lease charges	80	84
Product warranty costs	24	55
Impairment losses		
— trade receivables	353	390
— receivables under finance lease	55	39
— inventories	52	35

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

5 Income tax

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

	For the six-month period ended 30 June	
	2016 RMB millions	2015 RMB millions
Current tax — PRC income tax	85	79
Current tax — Income tax in other tax jurisdictions	—	4
Deferred taxation	(229)	(63)
	(144)	20

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

	For the six-month period ended 30 June	
	2016 RMB millions	2015 RMB millions
Loss before taxation	(969)	(304)
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (note (a))	(242)	(76)
Tax effect of non-deductible expenses	104	94
Current year loss for which no deferred tax assets was recognised	24	28
Tax effect of non-taxable income	(31)	(21)
Tax effect of tax concessions (note (b))	15	26
Additional deduction for qualified research and development expenses (note (c))	(14)	(31)
Actual income tax (credit)/expense	(144)	20

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

5 Income tax (continued)

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

Notes:

- (a) The PRC statutory income tax rate is 25% (2015: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2015: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2016, 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 from 19.0% to 31.4% (2015: 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. And a subsidiary of the Company was qualified as software developer and is entitled to income tax exemption for the years from 2013 to 2014 and a 12.5% preferential tax rate for the years from 2015 to 2017.
- (c) Under the income tax law and its relevant regulations, a 50% additional tax deduction is allowed for qualified research and development expenses.

6 Basic and diluted losses per share

The calculation of basic losses per share for the six-month period ended 30 June 2016 is based on the loss attributable to equity shareholders of the Company of RMB829 million (six-month period ended 30 June 2015: RMB299 million), and the number of ordinary shares in issue of 7,664 million during the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: 7,706 million shares).

There were no dilutive potential ordinary shares in issue as at 30 June 2016 (30 June 2015: Nil).

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

7 Segment reporting

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six-month period ended 30 June 2016 is set out below.

	For the six-month period ended 30 June	
	2016 RMB millions	2015 RMB millions
Reportable segment revenue:		
Construction machinery		
– Concrete machinery	2,113	2,836
– Crane machinery	1,586	2,585
– Others	1,054	1,163
Environmental industry	1,904	1,765
Agricultural machinery	2,138	1,914
Financial services	209	308
Total	9,004	10,571
Reportable segment profit:		
Construction machinery		
– Concrete machinery	469	521
– Crane machinery	489	738
– Others	178	205
Environmental industry	561	516
Agricultural machinery	318	241
Financial services	209	308
Total	2,224	2,529

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

7 Segment reporting (continued)

Reconciliation of segment profit

	For the six-month period ended 30 June	
	2016 RMB millions	2015 RMB millions
Total segment profit	2,224	2,529
Other income	32	72
Sales and marketing expenses	(1,050)	(1,145)
General and administrative expenses	(1,388)	(1,217)
Research and development expenses	(135)	(216)
Net finance costs	(654)	(360)
Gain on disposal of associates	—	30
Share of profits less losses of associates	2	3
Loss before taxation	(969)	(304)

8 Goodwill and business combination

	2016 RMB millions	2015 RMB millions
Balance at 1 January	1,993	1,661
Additions	36	413
Impairment loss	—	(20)
Effect of exchange rate difference	50	(61)
Balance at 30 June/31 December	2,079	1,993

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

8 Goodwill and business combination (continued)

On 29 April 2016, the Company completed the acquisition of 57% interest in Ladurner Ambiente S.p.A. and its subsidiaries (collectively “Ladurner Group”) with a cash consideration of EUR50 million (equivalent to RMB369 million), which would be adjusted with the post-acquisition earning of Ladurner Group from 2017 to 2018, through its wholly-owned subsidiary, Changsha Zoomlion Environmental Industry Co., Ltd.. Ladurner Group operates in the construction and management of plants for the production of energy from renewable resources, waste treatment and photovoltaic plants with its sales primarily made in Europe. The purpose of the business combination was to broaden the Group’s business in environmental operation and management. The acquisition was accounted for under the acquisition method. Based on the preliminary assessment of purchase price allocation, the Group acquired net identifiable assets of RMB583 million, mainly including property, plant and equipment of RMB168 million, intangible assets of RMB175 million, trade and other receivables of RMB403 million, inventory of RMB202 million, cash and cash equivalent of RMB385 million, as well as bank loans and borrowings of RMB504 million, trade and other payables of RMB277 million, as a result of this business combination. Pursuant to the Shareholders Agreement signed between Zoomlion and other minority shareholders, put option has been provided to minority shareholders to sell part or all of their shares to Changsha Zoomlion Environmental Industry Co., Ltd. between 2019 and 2021 at a price making reference to the post-acquisition earnings and the equity value of Ladurner Group at the time of redemption. The financial liability arising from the put option was recognised initially at the present value of the redemption amount and debited to “capital reserve” in the consolidated financial statement of Zoomlion. Subsequent to initial recognition, the changes in the carrying amount of the financial liability would be adjusted to capital reserve at the end of each reporting period.

Apart from the above, another acquisition of a Chinese company operating in the construction and management of plants for waste treatment with a cash consideration of RMB86 million, has been completed on 20 June 2016.

As the allocation of purchase price to identifiable assets acquired and liabilities assumed of the above both business combination has not been completed by the end of June 2016, the items were reported in their provisional amounts in the interim financial statements.

9 Inventories

	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Raw materials	2,673	2,479
Work in progress	1,415	1,062
Finished goods (Note)	10,162	10,542
	14,250	14,083

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

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

10 Trade and other receivables

	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Trade receivables	32,982	31,801
Less: allowance for doubtful debts (Note (b))	(2,667)	(2,316)
	30,315	29,485
Less: trade receivables due after one year	(2,726)	(3,504)
	27,589	25,981
Bills receivable (Note (c))	1,802	1,186
	29,391	27,167
Amounts due from related parties (Note 19(b))	326	386
Prepayments for purchase of raw materials	210	172
Prepaid expenses	402	357
VAT recoverable	757	945
Deposits	249	332
Others	988	1,134
	32,323	30,493

During the six-month period ended 30 June 2016, trade receivables of RMB1,021 million (six-month period ended 30 June 2015: Nil) were factored to certain bank without recourse, and were therefore derecognised. Under the non-recourse factoring agreements, the Group has agreed to repurchase equipment at fair value from the bank to which the Group previously factored its receivables, upon repossession of the equipment under the relevant equipment sales contracts by such bank. During the six-month period ended 30 June 2016, the Group have not made any repurchase of assets from the bank under such commitment (six-month period ended 30 June 2015: Nil).

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

10 Trade and other receivables (continued)

(a) Ageing analysis of trade receivables

As at the end of the reporting period, ageing analysis based on the invoice date of trade receivables, net of allowance for doubtful debts is as follows:

	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Within 1 month	3,614	3,080
Over 1 month but less than 3 months	2,012	3,080
Over 3 months but less than 1 year	9,333	10,250
Over 1 year but less than 2 years	9,023	9,826
Over 2 years but less than 3 years	5,252	2,622
Over 3 years but less than 5 years	1,081	627
	30,315	29,485

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2015: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 20% to 30% (2015: 20% to 30%) of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2015: 6 to 42 months), customers are normally required to make an upfront payment ranging from 15% to 30% (2015: 15% to 30%) of the product price.

(b) Impairment of trade receivables

The movement in the allowance for doubtful debts during the period, including both specific and collective loss components, is as follows:

	Note	2016 RMB millions	2015 RMB millions
Balance at 1 January		2,316	1,780
Impairment losses recognised		353	559
Reclassification from impairment of receivable under finance lease	11(c)	—	6
Uncollectible amounts written off		(2)	(29)
Balance at 30 June/31 December		2,667	2,316

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

10 Trade and other receivables (continued)

(b) Impairment of trade receivables (continued)

During the six-month period ended 30 June 2016, the Group recognised RMB353 million impairment losses on its trade receivables. This related to those receivables which are aged more than two years and certain small-sized customers facing financial difficulties as a result of the prolonged economic downturn in the construction sector.

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

As at 30 June 2016, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the balance sheet date. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 30 June 2016, 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 RMB304 million (31 December 2015: RMB292 million).

During the six-month period ended 30 June 2016, bills receivable of RMB546 million (six-month period ended 30 June 2015: RMB1,695 million) were discounted to banks, where substantially all the risks and rewards of ownership had been transferred. Since the Group does not have continuing involvement in the transferred assets, these discounted bills receivable were therefore derecognised.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

11 Receivables under finance lease

	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Gross investment	16,371	16,146
Unearned finance income	(338)	(373)
	16,033	15,773
Less: allowance for doubtful debts (Note(c))	(700)	(645)
	15,333	15,128
Less: receivables under finance lease due after one year	(1,984)	(2,484)
Receivables under finance lease due within one year	13,349	12,644

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 (2015: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 25% of the product price (2015: 5% to 25%) and pay a security deposit ranging from 1% to 10% of the product price (2015: 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 Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

11 Receivables under finance lease (continued)

(a) Ageing analysis of receivables under finance lease

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

	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Present value of the minimum lease payments		
Within 1 year	13,830	13,122
Over 1 year but less than 2 years	1,264	1,456
Over 2 years but less than 3 years	548	668
Over 3 years	391	527
	16,033	15,773
Unearned finance income		
Within 1 year	286	306
Over 1 year but less than 2 years	31	39
Over 2 years but less than 3 years	14	16
Over 3 years	7	12
	338	373
Gross investment		
Within 1 year	14,116	13,428
Over 1 year but less than 2 years	1,295	1,495
Over 2 years but less than 3 years	562	684
Over 3 years	398	539
	16,371	16,146

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

11 Receivables under finance lease (continued)

(b) Overdue analysis

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

	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Not yet due	7,061	8,260
Within 1 year past due	4,530	4,031
Over 1 year but less than 2 years past due	2,761	2,224
Over 2 years past due	1,681	1,258
Total past due	8,972	7,513
Less: allowance for doubtful debts	(700)	15,773 (645)
	15,333	15,128

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

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

11 Receivables under finance lease (continued)

(c) Impairment of receivables under finance lease

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

	Note	2016 RMB millions	2015 RMB millions
Balance at 1 January		645	654
Impairment losses recognised/(reversed)		55	(3)
Reclassification to impairment of trade receivables	10(b)	—	(6)
Balance at 30 June/31 December		700	645

12 Cash and cash equivalents

	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Cash at bank and on hand		
– RMB denominated	7,076	10,900
– USD denominated	642	252
– EUR denominated	1,108	228
– HKD denominated	21	14
– Other currencies	108	93
	8,955	11,487

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

13 Loans and borrowings

(a) Short-term loans and borrowings:

	Note	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Secured short-term bank loans			
– RMB denominated		56	148
– EUR denominated		377	4
Unsecured short-term bank loans			
– RMB denominated	(i)	3,549	200
– EUR denominated	(ii)	3,207	3,980
– USD denominated		–	3,491
RMB commercial paper	(iii)	5,000	–
Add: Current portion of long-term loans and borrowings	13(b)	3,253	5,450
		15,442	13,273

Notes:

- (i) As at 30 June 2016, RMB denominated unsecured short-term bank loan of RMB980 million (31 December 2015: Nil) bore interest at a fixed rate of 4% per annum and will repayable in full in 2017. Such short-term loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2016, the Group was in compliance with these financial covenants.

The remaining RMB denominated unsecured short-term bank loans of RMB2,569 million (31 December 2015: RMB200 million) will be repayable in full in 2017.

- (ii) As at 30 June 2016, EUR denominated unsecured short-term bank loans of RMB3,207 million (31 December 2015: RMB3,980 million) bore interest from 0.4% to 5.5% per annum and will be repayable in full from 2016 to 2017.

- (iii) In January 2016, the Company issued 270-day RMB commercial paper of RMB2,500 million, which bore interest at a fixed rate of 3% per annum and would mature in October 2016.

Also, in January 2016, the Company issued 180-day RMB commercial paper of RMB2,500 million, which bore interest at a fixed rate of 2.95% per annum and would mature in July 2016.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

13 Loans and borrowings (continued)

(b) Long-term loans and borrowings:

	Note	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Secured long-term bank loans			
– EUR denominated	(i)	198	–
Unsecured long-term bank loans			
– RMB denominated	(ii)	4,208	3,836
– EUR denominated	(iii)	2,581	1,651
– USD denominated		–	5,317
Unsecured RMB bond		–	1,099
RMB medium-term notes	(iv)	8,993	8,993
Guaranteed USD senior notes	(v)	6,581	6,435
		22,561	27,331
Less: Current portion of long-term loans and borrowings	13(a)	(3,253)	(5,450)
		19,308	21,881

Notes:

- (i) As at June 2016, EUR denominated secured long-term bank loans of RMB198 million (31 December 2015: Nil) bore interest from 1.8% to 5.5% per annum were secured by certain properties and equipments and will be repayable from 2018 to 2024.
- (ii) As at 30 June 2016, RMB denominated unsecured long-term bank loans of RMB248 million (31 December 2015: RMB550 million) bore interest from 3.15% to 4.35% per annum and will be repayable by half-yearly instalments from 2016 to 2018. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2016, the Group was in compliance with these financial covenants.

As at 30 June 2016, RMB denominated unsecured long-term bank loan of RMB95 million (31 December 2015: Nil) bore interest at 4.28% per annum and will be repayable by half-yearly instalments from 2016 to 2019.

The remaining RMB denominated unsecured long-term bank loans of RMB3,865 million (31 December 2015: RMB2,600 million) will be repayable from 2016 to 2019.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

13 Loans and borrowings (continued)

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

- (iii) As at 30 June 2016, EUR denominated unsecured long-term bank loans of RMB1,546 million (31 December 2015: Nil) bore interest ranging from 0.97% to 1.57% per annum and will be repayable in full in 2019.

As at 30 June 2016, EUR denominated unsecured long-term bank loans of RMB966 million (31 December 2015: RMB210 million) bore interest from 1.98% to 3.98% per annum and will be repayable by half-yearly instalments from 2016 to 2022.

The remaining EUR denominated unsecured long-term bank loans of RMB69 million (31 December 2015: Nil) will be repayable in full from 2018 to 2025.

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

- (v) In April 2012, Zoomlion H.K. SPV Co., Limited, a wholly-owned subsidiary of the Company issued 5-year senior notes with principal amount of USD400 million (RMB equivalent 2,521 million). The senior notes were guaranteed by the Company, bear interest at a fixed rate of 6.875% per annum and will mature in April 2017. Interest on the notes will be payable half-yearly in arrears in April and October of each year, beginning from October 2012.

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

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

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

14 Trade and other payables

	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Trade creditors	7,152	6,378
Bills payable	5,851	5,674
Trade creditors and bills payable (Note)	13,003	12,052
Amounts due to related parties (Note 19(b))	14	15
Amounts due to non-controlling shareholders of certain subsidiaries	468	477
Receipts in advance	864	838
Payable for acquisition of property, plant and equipment	422	608
Accrued staff costs	152	293
Product warranty provision	54	74
VAT payable	145	146
Sundry taxes payable	97	126
Security deposits	532	525
Interest payable	473	236
Dividend payable (Note 15)	1,150	8
Cash collected on behalf of banks	43	—
Other accrued expenses and payables	1,567	1,415
	18,984	16,813

Note:

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

	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Due within 1 month or on demand	5,413	5,076
Due after 1 month but within 3 months	3,168	2,910
Due after 3 months but within 6 months	3,762	3,473
Due after 6 months but within 12 months	660	593
	13,003	12,052

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

15 Capital, reserves and dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2016, a final cash dividend of RMB0.15 per share based on 7,664 million ordinary shares in issue totalling RMB1,150 million in respect of the year ended 31 December 2015 was declared, of which RMB1,099 million was paid till the interim report date, and the remaining balance of RMB51 million will be paid before 31 December 2016.

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2016, the Company would repurchase more than 192 million A shares at a ceiling price of RMB5.21 per share within the twelve-month from the approval date.

16 Fair value measurement of financial instruments

(a) Financial instruments measured at fair value

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

16 Fair value measurement of financial instruments (continued)

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

	Fair value measurements as at 30 June 2016			
	Fair value at 30 June 2016	Level 1	Level 2	Level 3
Recurring fair value measurements				
Financial assets:				
Held-for-sale listed equity securities	8	8	—	—
Available-for-sale investment in fund	10	—	10	—
Derivative financial instrument	21	—	21	—
Financial liabilities:				
Put option held by non-controlling interests (Note 8)	332	—	—	332

	Fair value measurements as at 31 December 2015			
	Fair value at 31 December 2015	Level 1	Level 2	Level 3
Recurring fair value measurements				
Financial assets:				
Held-for-sale listed equity securities	9	9	—	—
Available-for-sale investment in fund	10	—	10	—
Derivative financial instrument	16	—	16	—
Financial liabilities:				
Derivative financial instrument	41	—	41	—

During the six-month period ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

16 Fair value measurement of financial instruments (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2016 and 31 December 2015 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount at 30 June 2016	Fair value at 30 June 2016 categorised into level 1	Carrying amount at 31 December 2015	Fair value at 31 December 2015 categorised into level 1
Guaranteed USD senior notes	6,581	6,237	6,435	5,831
RMB medium-term notes	8,993	9,557	8,993	9,809

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.

17 Commitments

(a) Capital commitments

As at 30 June 2016, the Group had capital commitments as follows:

	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Authorised and contracted for		
– property, plant and equipment	216	208
– intangible assets	9	10
– equity investment	—	356
	225	574

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

17 Commitments (continued)

(b) Operating lease commitments

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

As at 30 June 2016, the future minimum lease payments under operating lease are as follows:

	As at 30 June 2016 RMB millions	As at 31 December 2015 RMB millions
Within 1 year	90	99
After 1 but within 2 years	53	58
After 2 but within 3 years	47	42
After 3 but within 4 years	17	17
After 4 but within 5 years	14	16
Thereafter	10	13
	231	245

18 Contingent liabilities

(a) Financial guarantees issued

Certain customers of the Group from time to time may finance their purchase of the Group's machinery products through bank loans, and the Group provides guarantees to the banks for the amount drawn by customers. Under the guarantee arrangement, in the event of customer default, the Group is required to repossess the machinery collateralising the bank loans, and is entitled to sell the machinery and retain any net proceeds in excess of the guarantee payments made to the banks. As at 30 June 2016, the Group's maximum exposure to such guarantees was RMB5,714 million (31 December 2015: RMB8,186 million). The terms of these guarantees coincide with the tenure of bank loans which generally range from 1 to 5 years. The Group, when called upon by the banks to fulfil its guarantee obligations, has historically been able to sell the repossessed machinery for proceeds that are not significantly different from the amount of the guarantee payments. For the six-month period ended 30 June 2016, the Group made payments of RMB132 million (six-month period ended 30 June 2015: RMB299 million) to the banks for repossession of machinery under the guarantee arrangement as a result of customer default.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

18 Contingent liabilities (continued)

(a) Financial guarantees issued (continued)

Certain customers of the Group finance their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, the Group provides guarantee to the third-party leasing companies that in the event of customer default, the Group is required to make payment to the leasing companies for the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 30 June 2016, the Group's maximum exposure to such guarantees was RMB1,460 million (31 December 2015: 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 six-month period ended 30 June 2016, there was no payment made for repossession of machinery incurred (six-month period ended 30 June 2015: Nil) under the guarantee arrangement as a result of customer default.

Certain customers of the Group finance their purchase of the Group's agricultural machinery products through cargo-backed loans in the form of bank acceptance notes provided by the banks. The Group undertakes the joint liability guarantee for the customers. In the event of customer default, the Group is required to make payments to the banks for the outstanding amount due from the customers when the bank acceptant notes are due. As at 30 June 2016, the Group's maximum exposure to such guarantees was RMB66 million (31 December 2015: RMB117 million). For the six-month period ended 30 June 2016, there was no payment made to the banks for any outstanding amount due from the customers since the bank acceptant notes are due.

(b) Contingent liability in respect of legal claims

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

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

19 Related party transactions

(a) Transactions with related parties

	For the six-month period ended 30 June	
	2016	2015
	RMB	RMB
	millions	millions
Transactions with associates:		
Sales of products	26	100
Purchase of raw materials	1	5

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and in accordance with the agreements governing such transactions which are comparable to normal commercial terms.

(b) Outstanding balances with related parties

Amounts due from/to related parties are arising in the Group's normal course of business and are included in the account captions of trade and other receivables and trade and other payables, respectively. These balances bear no interest, are unsecured and are repayable in accordance with the agreements governing such transactions which are comparable to credit period with third-party customers/suppliers.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2016

20 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

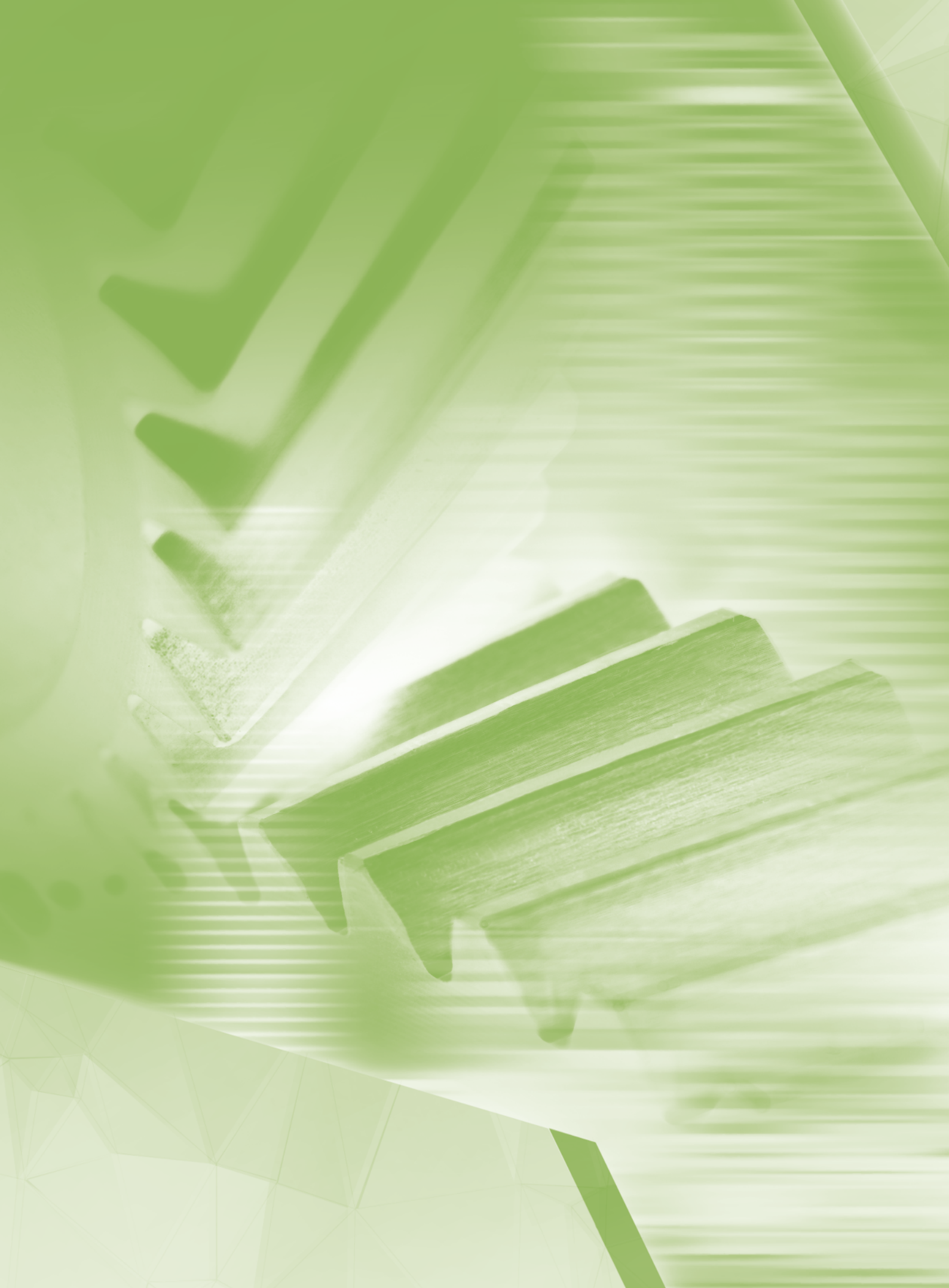
	As at 30 June 2016 RMB millions	As at 30 June 2015 RMB millions
Total equity reported under PRC GAAP	38,338	40,609
— Acquisition-related costs incurred on prior year business combination	(40)	(40)
Total equity reported under IFRSs	38,298	40,569

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

	For the six-month period ended 30 June	
	2016 RMB millions	2015 RMB millions
Total comprehensive income for the period reported under PRC GAAP	(995)	(350)
— Safety production fund (Note)	6	11
Total comprehensive income for the period reported under IFRSs	(989)	(339)

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

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



ZOOMLION

中联重科

