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

2017 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.

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

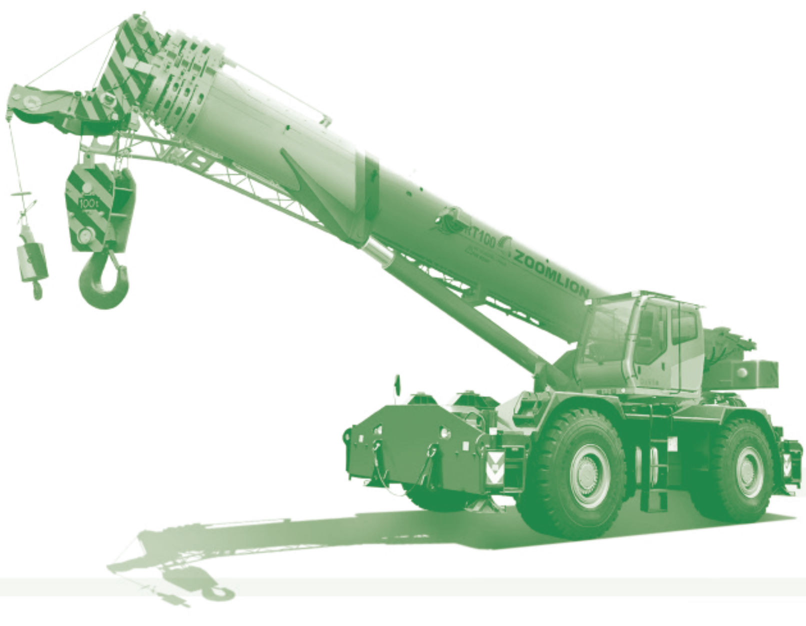
Unless the context otherwise requires, the following terms shall have the meanings set out below.

“the Company” or “Zoomlion”	Zoomlion Heavy Industry Science and Technology Co., Ltd.
“the Reporting Period”	the six months ended 30 June 2017.

Zoomlion Heavy Industry Science and Technology Co., Ltd.

2017 Interim Report

Contents



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

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
	Address:	Room 208, Block B, Huatong Building, B19 Chegongzhuang West Road, Haidian District, Beijing, PRC
	International auditors:	KPMG
	Address:	8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

Principal Financial Data and Indicators

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

Unit: RMB

	The Reporting Period	The corresponding period of last year	Changes in the Reporting Period as compared with the corresponding period of last year
Operating income	12,790,140,942.64	9,003,793,128.02	42.05%
Net profit/(loss) attributable to equity shareholders of the Company	1,131,559,170.99	-836,522,198.01	
Net loss after extraordinary gain and loss attributable to equity shareholders of the Company	-7,985,168,665.38	-854,796,660.68	-834.16%
Net cash flow from operating activities	696,932,534.40	-301,873,081.48	
Basic earnings/(losses) per share (RMB/share)	0.15	-0.11	
Diluted earnings/(losses) per share (RMB/share)	0.15	-0.11	
Weighted average return on net assets	3.02%	-2.13%	An increase of 5.15 percentage points

Unit: RMB

	As at the end of the Reporting Period	As at the end of last year	Changes at the end of the Reporting Period as compared with the end of last year
Total assets	90,762,462,373.56	89,141,023,453.16	1.82%
Net assets attributable to the equity shareholders of the Company	37,153,623,955.34	36,813,562,701.24	0.92%

Principal Financial Data and Indicators

Extraordinary items

Unit: RMB

Items	Amounts
Gain on disposal of non-current assets (including written off of provision for impairment of assets)	10,734,718,906.50
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	27,874,465.51
Loss from debt restructuring	-34,735,523.61
Change in fair value of financial assets and liabilities held for trading and investment gain from disposal of financial assets and liabilities held for sale other than financial assets and liabilities held under hedging arrangement in relation to normal business of the Company	-33,718,588.44
Non-operating income and expenses other than those set out above	34,740,844.97
Less: Income tax effect	1,609,675,385.22
Minority interests after tax	2,476,883.34
Total	9,116,727,836.37

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	
	2017	2016
	RMB millions	RMB millions
		(restated) (note 1)
Profit/(loss) attributable to:		
Equity shareholders of the Company		
— continuing operations	**(8,413)**	(1,048)
— discontinued operation	**9,554**	219
	1,141	(829)
Non-controlling interests		
— continuing operations	**(49)**	5
— discontinued operation	**(8)**	(1)
	(57)	4
Profit/(loss) for the period	**1,084**	(825)
Basic and diluted earnings/(losses) per share (RMB)		
— continuing operations	**(1.10)**	(0.14)
— discontinued operation	**1.25**	0.03
	0.15	(0.11)

Principal Financial Data and Indicators

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	RMB millions (restated) (note 1)
Profit/(loss) for the period	**1,084**	(825)
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	**258**	(163)
Change in fair value of available-for-sale financial assets	**4**	(1)
Total other comprehensive income for the period	**262**	(164)
Total comprehensive income for the period	**1,346**	(989)
Total comprehensive income attributable to:		
Equity shareholders of the Company		
— continuing operations	**(8,187)**	(1,213)
— discontinued operation	**9,575**	220
	1,388	(993)
Non-controlling interests		
— continuing operations	**(49)**	4
— discontinued operation	**7**	—
	(42)	4
Total comprehensive income for the period	**1,346**	(989)
Gearing ratio (Note 2)	**58.34%**	59.08%

Notes:

(1) The comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

(2) 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

	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Total non-current assets	**25,410**	23,239
Total current assets	**65,315**	65,862
Total assets	**90,725**	89,101
Total current liabilities	**27,959**	26,876
Net current assets	**37,356**	38,986
Total assets less current liabilities	**62,766**	62,225
Total non-current liabilities	**24,967**	24,470
NET ASSETS	**37,799**	37,755
Total equity attributable to equity shareholders of the Company	**37,115**	36,773
Non-controlling interests	**684**	982
TOTAL EQUITY	**37,799**	37,755

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

Unit: RMB million

	Net profit/(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	**1,132**	(835)	**37,152**	36,813
Items and amounts adjusted under IFRSs				
— Acquisition related costs incurred on prior year business combination and impairment of goodwill	**3**	–	**(37)**	(40)
— Special reserve for production safety	**6**	6	**–**	–
Under IFRSs	**1,141**	(829)	**37,115**	36,773

Notes:

(1) Since acquisition cost of RMB40 million incurred in 2008 was treated as part of the acquisition consideration in accordance with PRC GAAP effective at the date of acquisition 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. Due to the impairment of goodwill, the difference decreased.

(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

On 21 May 2017, the Company, Guangzhou Yuemintou Yinglian Investment Partnership (Limited Partnership), Hony (Shenzhen) Investment Centre (Limited Partnership), Infore Investments Holding Group Co., Ltd. and Shanghai Lulian Junhe Industrial Equity Merger and Acquisition and Investment Fund Partnership (the "**Purchasers**") entered into an equity transfer agreement, pursuant to which, the Group has conditionally agreed to sell, and the Purchasers have conditionally agreed to purchase, in aggregate 80% of the equity interest in Changsha Zoomlion Environmental Industry Co., Ltd. ("**ZEI**") for a cash consideration of RMB11,600,000,000, subject to the terms and conditions of the equity transfer agreement (the "**Disposal**"). Up till 30 August 2017, the Group has received from the Purchasers the full payments for the Disposal under the equity transfer agreement. A gain of RMB10,738 million has been recognised in profit or loss in this period, representing the sum of the fair value of the retained 20% interest in ZEI and the cash consideration less carrying cost of ZEI. Please refer to the announcements issued by the Company dated 21 May 2017, 31 May 2017 and 30 August 2017 and the circular issued by the Company dated 12 June 2017 and the Notes to the Unaudited Interim Financial Information attached hereto for further details. After the Disposal, the Group's current business mainly covers the research, development, manufacturing and sale of construction machinery and agricultural machinery.

During the first half of 2017, with the improving of the overall trend of global economic situation, the State has made solid progress with the implementation of the "Three Cuts, One Reduction and One Improvement" policy. The overall economy kept stable with a slight increase. The construction machinery market witnessed significant signs of recovery and experienced a strong growth, and the environmental industry remained steady and keeping development. On the other hand, the market demand for agricultural machinery plummeted which further exerted the downward pressure on the industry.

The Group recorded a revenue from continuing operations of RMB10.13 billion and net profit attributable to the equity shareholder of RMB1.141 billion during the Reporting Period. Due to constant increase of the operating rate of domestic infrastructure projects and the utilization rate of key products of the Group in the first half of 2017, the Group achieved a significant growth in revenue as compared to the corresponding period of last year, among which, the construction machinery sector made a steady and rapid recovery. While the revenue generated from agricultural machinery dropped due to the influence of the general industrial environment. As the whole construction machinery industry grew again, and the Company sold its environmental business, the Group had a better chance to deal with the risks of pre-existing assets such as receivables and second-hand equipment. During the Reporting Period, the Group maintained its dominant position in the industry by capitalizing on its key products such as concrete machinery and hoisting machinery, and maintained its top position in the market share of drying machines. In terms of discontinued operation, the environmental sector maintained a steady growth with ranked first in terms of the market share of road washers, road sweepers, high pressure washing vehicles and antidust cars.

Management Discussion and Analysis

1. Focusing on specific sector and creating a new scenario in strategic development

In the first half of year, the Group disposed 80% of the equity interest in its environmental industry business, allowing the Group to focus more on the development of three major sectors, namely, construction machinery, agricultural machinery and financial services sectors.

(1) Focusing on the construction machinery sector. The Company built up its edges in construction machinery by strengthening platforms such as marketing, manufacturing and managing the collection of trade receivables, processing precise management through integration of the Big Data platform, striving to promote intelligent manufacturing and projects for products 4.0, enhancing product quality and service standards, further consolidating the competitive edges of our existing products and promoting the development of the product mix such as machine-made sand equipment and dry-mixed mortar equipment in the construction machinery sector.

(2) Expanding the agricultural machinery sector by putting forward strategically for the development of mid- and high-end agricultural machinery. The Group dedicated itself to the adjustments of products structures and technologies upgrade according to its strategic requirements of "full mechanization of grain production and agricultural production" and development of new business models while promoting innovations for market services, and striving to transform itself into a provider of "equipment + services".

(3) Developing the financial services sector. Zoomlion Finance Company has obtained the approval for entering into the interbank leading market and completed direct e-registration in the People's Bank of China. Our professional edges in the financial market is gradually demonstrated through provision of service for the Group, value creation and business cooperation. Zoomlion Capital has established the industry merger and acquisition fund in order to lead groups, professional institutions and management teams in the industry to allow participation of the Group in financial investments and operations, invest in each subsector through out the industry chains and generate revenue from venture capital.

2. Making new progress in development of products 4.0 through continuous innovation

The Group focused on promoting the "project for products 4.0" by fostering the integration of integrated sensing, interconnection and other technologies, and created major intelligent components, on the core basis of "module platforms and intelligent products", allowing our products to "perceive and think" with the functions of "self-diagnosis, self-adjustment and self-adaption". The products were upgraded to a new level in terms of performance, reliability, intelligence and environmental protection.

In the first half of 2017, the Group has developed 41 products under “products 4.0”, of which 14 of them have completed and put into productions. The Group has acquired patents for 114 of its products, which made it ranked among the top three of the industry. A batch of major components and technologies such as major intelligent hydraulic components, driving assistance, new materials and advanced composite welding technology has been introduced and commenced adaption.

3. Strengthening management and significantly enhancing operational quality

(1) Embracing innovative concepts. The Group adhered to the four virtues as “attentiveness, astuteness, precision and efficiency”, and nurtured craftsman talents, while making the culture of “seeking for perfection” to become the DNA of Zoomlion, fostering the strength of the enterprise and assisting the transformation and development of the enterprise.

(2) Achieving market innovation. The Group comprehensively upgraded brand services, and implemented a brand new customer relationship management strategy through the “customer alliance scheme”.

(3) Encouraging innovation. The Group focused on promoting the working-hour reform of technical workers, continuously deepened the remuneration system reform of research and development personnel, and constantly stimulated the vitality of employees, in order to promote the enhancement of corporate efficiency and effectiveness.

4. Increasing investment and creating a new layout for overseas development

Focusing on the “One Belt, One Road” national strategy, the Group has established industrial parks or production bases in key countries located along the “One Belt, One Road” such as Belarus, Kazakhstan, India, Pakistan, Indonesia and Thailand, systematically promoting the construction of global spare parts system and channel system, and gradually forming the overseas development layout of “two vertical and two horizontal trunks”.

The Group’s establishment of the China-Belarus Industrial Park was steadily making progress the inspection and acceptance of the first batch of standardized tower crane parts have been also completed after successful completion of production of truck cranes and the environmental and sanitation machinery. The Group focused in the development of the China-Pakistan Economic Corridor, Southeast Asian market and Middle East. The Group has implemented light assembly projects in Indonesia and Thailand, participated in the World Expo in Kazakhstan and the project for provision of highway construction assistance in Pakistan, and assisted the construction of Temburong Bridge in Brunei, etc.

II. Analysis of Financial Position

1. Analysis of operating income and profit

In the first half of 2017, the Group's revenue from continuing operation was RMB10,125 million. With respect to product segments, the Group recorded revenue of RMB6,740 million in concrete machinery and crane machinery products, representing an increase of 82.21% as compared to the same period of last year, which is the main reason for the increase in revenue. The Group's revenue recorded an increase of 71.60% and 96.34% in concrete machinery and crane machinery as compared to the same period of last year, respectively, mainly due to the continuous and steady growth in commencement of domestic infrastructure projects and use of key products and equipment of the Group.

On 21 May 2017, the Company, Guangzhou Yuemintou Yinglian Investment Partnership (Limited Partnership), Hony (Shenzhen) Investment Centre (Limited Partnership), Infore Investments Holding Group Co., Ltd. and Shanghai Lulian Junhe Industrial Equity Merger and Acquisition and Investment Fund Partnership (the "Purchasers") entered into an equity transfer agreement, pursuant to which, the Group has conditionally agreed to sell, and the Purchasers have conditionally agreed to purchase, in aggregate 80% of the equity interest in Changsha Zoomlion Environmental Industry Co., Ltd. ("ZEI") for a cash consideration of RMB11,600,000,000, subject to the terms and conditions of the equity transfer agreement (the "Disposal"). Up till 30 August 2017, the Group has received from the Purchasers the full payments for the Disposal under the equity transfer agreement. A gain of RMB10,738 million has been recognised in profit and loss in this period, representing the sum of the fair value of the retained 20% interest in ZEI and the cash consideration less carrying cost of ZEI. Please refer to the announcements issued by the Company dated 21 May 2017, 31 May 2017 and 30 August 2017 and the circular issued by the Company dated 12 June 2017 and the Notes to the Unaudited Interim Financial Report attached hereto for further details. After the Disposal, the Group's current business mainly covers the research, development, manufacturing and sale of construction machinery and agricultural machinery ("continuing operations").

During the six months ended 30 June 2017, the Group recognised RMB6,740 million impairment losses for trade receivables and receivables under finance lease for the long-aged impaired receivables determined based on the quoted price to dispose of these receivables in a bulk sale. The Group also made RMB1,772 million provision on second-hand machinery taking into consideration of their expected selling price.

As a result of the foregoing, the Group's total comprehensive income attributable to shareholders of the Company amounted to RMB1,388 million in the first half of 2017.

2. Cash flow and capital expenditure

The Group finances its operations primarily through bank loans and borrowings. As at 30 June 2017, the Group had RMB10,603 million in cash and cash equivalents. The Group's cash and cash equivalents primarily consist of cash and deposits at bank.

(1) Operating activities

For the six months ended 30 June 2017, net cash generated from operating activities was RMB529 million, mainly attributable to the cash received from sales and payments for purchase.

(2) Investing activities

For the six months ended 30 June 2017, net cash generated from investing activities was RMB5,799 million, mainly attributable to the net proceed from sale of 80% equity interest in environmental industry of RMB5,687 million and the cash inflow of RMB168 million resulted from the interests received.

(3) Financing activities

For the six months ended 30 June 2017, net cash used in financing activities was RMB2,293 million, which mainly includes (1) the repayment of bank and other borrowings of RMB7,975 million as well as increase in bank and other borrowings of RMB6,339 million; and (2) interest payment of RMB497 million.

(4) Capital expenditures

In the first half of 2017, the capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB364 million.

(5) Credit policies

Please refer to notes 12 and 13 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 2017, our commitments consisted of capital commitments of RMB195 million and operating lease commitments of RMB161 million, of which RMB48 million was payable within one year.

Please refer to note 20 of the unaudited interim financial report for the details of the Group's contingent liabilities as at 30 June 2017.

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 2016 Annual Report.

III. Employees

As at 30 June 2017, the Company had employed a total of 14,218 employees. Details of the Company's staff costs are enclosed in note 5(b) to the unaudited interim financial report.

During the Reporting Period, there was no significant change to the number of employees, salaries and remuneration policies of the Group as compared with the information disclosed in the annual report of 2016.

Corporate Governance

The Company has established and improved the structure of its corporate governance to regulate its operation strictly in accordance with the Company Law, Securities Law, and the relevant regulations of the CSRC and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company has improved its internal control, the regulations of shareholders' meeting, board meeting and supervisor meeting so as to ensure effective operation and safeguard the interests of all shareholders and itself. The corporate governance of the Company is substantially the same as required by the regulatory requirements of the CSRC and Hong Kong Stock Exchange on listed companies. The Company will consolidate the efforts of the corporate governance of listed companies by further enhancing corporate governance and internal control of listed companies and their subsidiaries. The accountability mechanism and information disclosure system will be improved to ensure true, accurate, complete, timely and fair disclosure of information. The Company also strictly implemented the management system for insider information and external information user (內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 2017, the Company had complied with all applicable code provisions of the Codes, other than the deviation of Code A.2.1 which the roles of the Chairman and Chief Executive Officer were not separated. Mr. Zhan Chunxin is currently the Chairman and Chief Executive Officer of the Company. The Board believes that Mr. Zhan Chunxin acting as the above two positions concurrently can more effectively facilitate the formulation and implementation of the business strategies of the Company. Through the regulation of the Board and Independent Executive Directors as well as the effective internal balancing mechanism of the Company, such arrangement will not affected the balance of the rights and authorizations regarding business management between the Board and the Company. The Board believes that such arrangement will benefit the Company and its operations.

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

The Company had adopted the code provisions regarding the purchase and sale of the Company's shares by the Directors on the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had fully complied with the Model Code during the six months ended 30 June 2017. The Company was not aware of any noncompliance of the Model Code by any Directors or Supervisors.

3. Audit Committee

The audit committee of the Company has discussed the accounting principles and practices adopted by the Company with the management and reviewed this report, including the interim financial report of the Group for the six months ended 30 June 2017 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		After this change	
	Number	Percentage (%)	Number	Percentage (%)
I. Shares subject to sales restriction	11,819,767	0.15%	11,645,303	0.15%
Other domestic shares	11,819,767	0.15%	11,645,303	0.15%
Shares held by domestic natural persons	11,819,767	0.15%	11,645,303	0.15%
II. Shares not subject to sales restriction	7,652,312,483	99.85%	7,613,641,861	99.85%
Ordinary shares denominated in RMB	6,264,105,397	81.74%	6,225,434,775	81.64%
Overseas listed foreign invested shares	1,388,207,086	18.11%	1,388,207,086	18.21%
III. Total number of shares	7,664,132,250	100.00%	7,625,287,164	100.00%

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	393,942

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

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of ordinary shares 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	Conditions of shares pledged or charged Status	Number
HKSCC NOMINEES LIMITED	Overseas legal person	18.17%	1,385,716,943			1,385,716,943		
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	State-owned legal person	16.44%	1,253,314,876			1,253,314,876		
Changsha Hesheng Science and Technology Investment Co., Ltd	Domestic non state-owned legal person	5.07%	386,517,443			386,517,443	Charged	352,000,000
China Securities Finance Corporation Limited	State-owned legal person	3.02%	230,408,951			230,408,951		
GOOD EXCEL GROUP LIMITED	Overseas legal person	2.21%	168,635,680			168,635,680		
Real Smart International Limited	Overseas legal person	2.21%	168,635,602			168,635,602		
Changsha Yifang Science and Technology Investment Co., Ltd	Domestic non state-owned legal person	2.06%	156,864,942			156,864,942		
Central Huijin Asset Management Ltd.	State-owned legal person	1.52%	115,849,400			115,849,400		
Hony Capital Fund I (Tianjin), L.P.	Domestic non state-owned legal person	0.85%	64,600,000			64,600,000		
Guangdong Hengjian Investment Holding Co., Ltd.	State-owned legal person	0.31%	24,000,000			24,000,000		

Changes in Share Capital and Shareholders

Shareholdings of 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	Shares	
		Class of shares	Number
HKSCC NOMINEES LIMITED	1,385,590,483	Overseas-listed foreign-invested shares	1,385,590,483
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	1,253,314,876	Ordinary shares denominated in RMB	1,253,314,876
Changsha Hesheng Science and Technology Investment Co., Ltd	386,517,443	Ordinary shares denominated in RMB	386,517,443
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
Guangdong Hengjian Investment Holding Co., Ltd.	24,000,000	Ordinary shares denominated in RMB	24,000,000

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

As at 30 June 2017, 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
Morgan Stanley[1][3]	Interests of controlled corporation	H shares	95,379,894(L) 26,527,791(S)	6.87 1.91	1.24 0.35

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 Morgan Stanley on 3 July 2017 (the date of the relevant event set out in the form was 30 June 2017), these shares were held via Morgan Stanley and its affiliates.

Save as disclosed above, as at 30 June 2017, 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

During the six months ended 30 June 2017, the Company repurchased its own ordinary shares traded on the Shenzhen Stock Exchange as follows:

Date/month/year	Number of share repurchased	Highest price paid per share RMB	Lowest price paid per share RMB	Aggregate price paid RMB
24/05/2017	12,334,800 A Shares	4.32	4.21	53,286,400
25/05/2017	3,850,000 A Shares	4.40	4.35	16,909,500
26/05/2017	12,298,800 A Shares	4.45	4.38	54,258,905
31/05/2017	3,277,000 A Shares	4.41	4.39	14,422,240
01/06/2017	2,300,000 A Shares	4.39	4.37	10,072,101
02/06/2017	3,214,470 A Shares	4.40	4.36	14,063,248
05/06/2017	1,570,000 A Shares	4.41	4.40	6,911,187
	38,845,086 A Shares			169,923,581

The repurchase was approved by the shareholders at the Annual General Meeting held on 29 June 2016, whereupon a resolution on the "General Mandate to Repurchase Part of the A Shares of the Company". The total amount paid on the repurchased shares of approximately RMB170 million was paid wholly out of cash. These repurchased shares had all been cancelled as of 7 July 2017.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities in the six months ended 30 June 2017.

Directors, Supervisors and Senior Management

I. Changes in Directors, Supervisors and Senior Management

Name	Position held	Type	Date	Reason
He Wenjin	Vice President	Dismissed	30 March 2017	Applied for resignation as a Vice President of the Company and all positions held in the branches and subsidiaries of the Company due to personal reasons
Zhang Jianguo	Vice President	Dismissed	28 June 2017	Applied for resignation as a Vice President of the Company and all positions held in the branches and subsidiaries of the Company due to work reasons
Chen Peiliang	Vice President	Dismissed	28 June 2017	Applied for resignation as a Vice President of the Company and all positions held in the branches and subsidiaries of the Company due to work reasons
Liu Quan	Supervisor	Dismissed	28 June 2017	Applied for resignation as a supervisor of the Company and all positions held in the branches and subsidiaries of the Company due to work reasons

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

There are no changes in each of the directors, supervisors and chief executives' interests in shares of the Company as at 30 June 2017 and equity interest set out in the Annual Report of 2016.

As at 30 June 2017, 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 2017, 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 2017, 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.

Review Report

KPMG

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 24 to 68, which comprises the consolidated statement of financial position of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") as of 30 June 2017, 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 2017 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 2017

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2017

(Expressed in RMB)

	Note	For the six-month period ended 30 June **2017** RMB millions	2016 RMB millions (restated)
Continuing operations:			
Revenue	3	**10,125**	7,100
Cost of sales and services		**(8,298)**	(5,437)
Gross profit		**1,827**	1,663
Other income	4	**26**	29
Sales and marketing expenses		**(1,099)**	(814)
General and administrative expenses		**(9,546)**	(1,331)
Research and development expenses		**(185)**	(117)
Loss from operations		**(8,977)**	(570)
Net finance costs	5(a)	**(905)**	(656)
Share of profits less losses of associates		**—**	2
Loss before taxation	5	**(9,882)**	(1,224)
Income tax	6	**1,420**	181
Loss from continuing operations		**(8,462)**	(1,043)
Discontinued operation:			
Profit from discontinued operation	7	**9,546**	218
Profit/(loss) for the period		**1,084**	(825)

Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2017

(Expressed in RMB)

	Note	For the six-month period ended 30 June **2017** **RMB** **millions**	2016 RMB millions (restated)
Profit/(loss) attributable to:			
Equity shareholders of the Company			
— continuing operations		**(8,413)**	(1,048)
— discontinued operation		**9,554**	219
		1,141	(829)
Non-controlling interests			
— continuing operations		**(49)**	5
— discontinued operation		**(8)**	(1)
		(57)	4
Profit/(loss) for the period		**1,084**	(825)
Basic and diluted earnings/(losses) per share (RMB)	8		
— continuing operations		**(1.10)**	(0.14)
— discontinued operation		**1.25**	0.03
		0.15	(0.11)

The notes on pages 34 to 68 form part of the interim financial report.

Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2017

(Expressed in RMB)

	Note	For the six-month period ended 30 June 2017 RMB millions	2016 RMB millions (restated)
Profit/(loss) for the period		**1,084**	(825)
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		**258**	(163)
Change in fair value of available-for-sale financial assets		**4**	(1)
Total other comprehensive income for the period		**262**	(164)
Total comprehensive income for the period		**1,346**	(989)
Total comprehensive income attributable to:			
Equity shareholders of the Company			
— continuing operations		**(8,187)**	(1,213)
— discontinued operation		**9,575**	220
		1,388	(993)
Non-controlling interests			
— continuing operations		**(49)**	4
— discontinued operation		**7**	—
		(42)	4
Total comprehensive income for the period		**1,346**	(989)

The notes on pages 34 to 68 form part of the interim financial report.

Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2017

(Expressed in RMB)

	Note	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Non-current assets			
Property, plant and equipment		**6,655**	8,069
Lease prepayments		**1,938**	2,201
Intangible assets		**2,256**	2,682
Goodwill	10	**2,085**	2,076
Interests in associates		**3,022**	604
Available-for-sale financial assets		**1,546**	1,407
Trade and other receivables	12	**3,736**	3,032
Receivables under finance lease	13	**1,846**	1,895
Pledged bank deposits		**55**	72
Other non-current assets		**1**	64
Deferred tax assets		**2,270**	1,137
Total non-current assets		**25,410**	23,239
Current assets			
Inventories	11	**9,617**	12,770
Trade and other receivables	12	**26,132**	32,074
Consideration receivable	7	**5,800**	—
Receivables under finance lease	13	**11,342**	12,212
Pledged bank deposits		**1,108**	1,547
Other current assets		**713**	684
Cash and cash equivalents	14	**10,603**	6,575
Total current assets		**65,315**	65,862
Total assets		**90,725**	89,101
Current liabilities			
Loans and borrowings	15(a)	**6,699**	9,712
Trade and other payables	16	**20,065**	17,089
Income tax payable		**1,195**	75
Total current liabilities		**27,959**	26,876
Net current assets		**37,356**	38,986
Total assets less current liabilities		**62,766**	62,225

Consolidated Statement of Financial Position (continued) (Unaudited)

As at 30 June 2017

(Expressed in RMB)

	Note	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Non-current liabilities			
Loans and borrowings	15(b)	**23,951**	23,085
Payable for acquisition of non-controlling interests		**—**	265
Other non-current liabilities		**540**	583
Deferred tax liabilities		**476**	537
Total non-current liabilities		**24,967**	24,470
NET ASSETS		**37,799**	37,755
CAPITAL AND RESERVES			
Share capital		**7,664**	7,664
Reserves		**29,451**	29,109
Total equity attributable to equity shareholders of the Company		**37,115**	36,773
Non-controlling interests		**684**	982
TOTAL EQUITY		**37,799**	37,755

Approved and authorised for issue by the board of directors on 30 August 2017.

Zhan Chunxin
Chairman and Chief Executive Officer

Du Yigang
Vice-president

The notes on pages 34 to 68 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								
	Share capital RMB millions	Capital reserve RMB millions	Statutory surplus reserve RMB millions	Exchange reserve RMB millions	Other reserves RMB millions	Retained earnings RMB millions	Total RMB millions	Non-controlling interests RMB millions	Total equity 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	—	—	—	—	—	(1,150)	(1,150)	—	(1,150)
Safety production fund	—	—	—	—	6	(6)	—	—	—
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(10)	(10)
Business combination	—	(332)	—	—	—	—	(332)	253	(79)
Acquisition of non-controlling interests in a subsidiary	—	(107)	—	—	—	—	(107)	64	(43)
Balance at 30 June 2016 and 1 July 2016	7,664	12,627	2,917	(953)	16	15,043	37,314	984	38,298

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

For the six-month period ended 30 June 2017

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital RMB millions	Capital reserve RMB millions	Statutory surplus reserve RMB millions	Exchange reserve RMB millions	Other reserves RMB millions	Retained earnings RMB millions	Total RMB millions	Non-controlling interests RMB millions	Total equity RMB millions
Balance at 30 June 2016 and 1 July 2016	7,664	12,627	2,917	(953)	16	15,043	37,314	984	38,298
Changes in equity for the six-month period ended 31 December 2016:									
Profit for the period	—	—	—	—	—	(100)	(100)	25	(75)
Other comprehensive income	—	—	—	(509)	—	—	(509)	—	(509)
Total comprehensive income	—	—	—	(509)	—	(100)	(609)	25	(584)
Safety production fund	—	—	—	—	(2)	2	—	—	—
Business combination	—	67	—	—	—	—	67	(5)	62
Acquisition of non-controlling interests	—	1	—	—	—	—	1	(1)	—
Decrease in non-controlling interests on disposal of a subsidiary	—	—	—	—	—	—	—	(21)	(21)
Appropriation for surplus reserve	—	—	21	—	—	(21)	—	—	—
Balance at 31 December 2016	7,664	12,695	2,938	(1,462)	14	14,924	36,773	982	37,755

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

For the six-month period ended 30 June 2017

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
		Share capital	Less: treasury stock	Capital reserve	Statutory surplus reserve	Exchange reserve	Other reserves	Retained earnings	Total		
		RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions
Balance at 31 December 2016 and 1 January 2017		7,664	—	12,695	2,938	(1,462)	14	14,924	36,773	982	37,755
Changes in equity for the six-month period ended 30 June 2017:											
Profit for the period		—	—	—	—	—	—	1,141	1,141	(57)	1,084
Other comprehensive income		—	—	—	—	243	4	—	247	15	262
Total comprehensive income		—	—	—	—	243	4	1,141	1,388	(42)	1,346
Cash dividends	17	—	—	—	—	—	—	(1,144)	(1,144)	—	(1,144)
Repurchase of own shares	17	—	(170)	—	—	—	—	—	(170)	—	(170)
Safety production fund	22(b)	—	—	—	—	—	6	(6)	—	—	—
Dividends declared by subsidiaries to non-controlling interests		—	—	—	—	—	—	—	—	(11)	(11)
Acquisition of non-controlling interests in a subsidiary		—	—	(7)	—	—	—	—	(7)	5	(2)
Contribution from non-controlling shareholders in a subsidiary		—	—	—	—	—	—	—	—	23	23
Disposal of interests in subsidiaries	7	—	—	265	—	—	—	—	265	(273)	(8)
Dilution of interest in an associate		—	—	10	—	—	—	—	10	—	10
Balance at 30 June 2017		7,664	(170)	12,963	2,938	(1,219)	24	14,915	37,115	684	37,799

The notes on pages 34 to 68 form part of the interim financial report.

Consolidated cash flow statement (Unaudited)

For the six-month period ended 30 June 2017

(Expressed in RMB)

	For the six-month period ended 30 June	
	2017	2016
	RMB	RMB
	millions	millions
Operating activities		
Profit/(loss) for the period	**1,084**	(825)
Adjustments for:		
Depreciation of property, plant and equipment	**380**	362
Amortisation of lease prepayments	**32**	27
Amortisation of intangible assets	**108**	89
Share of profits less losses of associates	**20**	(2)
Interest income	**(168)**	(262)
Interest expenses	**767**	817
Unrealised exchange losses	**165**	—
Gain on sale of 80% equity interest in environmental industry, net of tax	**(9,355)**	—
Loss on disposal of property, plant and equipment and lease prepayments	**3**	1
Impairment loss on property, plant and equipment	**145**	—
Impairment loss of goodwill	**25**	—
Loss/(gain) on remeasurement of derivative financial instruments at fair value	**30**	(8)
Income tax expense	**(1,384)**	(144)
	(8,148)	55
Decrease/(increase) in inventories	**3,031**	(50)
Increase in trade and other receivables	**(1,663)**	(1,241)
Decrease in receivables under finance lease	**849**	353
Increase in trade and other payables	**6,528**	474
Cash generated from/(used in) operations	**597**	(409)
Income tax paid	**(68)**	(134)
Net cash generated from/(used in) operating activities carried forward	**529**	(543)

Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2017

(Expressed in RMB)

	Note	For the six-month period ended 30 June 2017 RMB millions	2016 RMB millions
Net cash generated from/(used in) operating activities brought forward		**529**	(543)
Investing activities			
Payment for purchase of property, plant and equipment		**(98)**	(172)
Lease prepayments		**(210)**	(59)
Payment for purchase of intangible assets		**(56)**	(43)
Acquisition of subsidiaries, net of cash acquired		**—**	(34)
Net proceed from sale of 80% equity interest in environmental industry	7	**5,687**	—
Payment for investment in an associate		**(2)**	(7)
Entrusted loan repayments received		**—**	27
Proceeds from disposal of property, plant and equipment, intangible assets and lease prepayments		**146**	79
Payment for settlement of derivative financial instruments		**(56)**	(103)
Interest received		**168**	241
Decrease/(increase) in pledged bank deposits		**220**	(157)
Net cash generated from/(used in) investing activities		**5,799**	(228)
Financing activities			
Proceeds from loans and borrowings		**6,339**	12,743
Contribution from non-controlling shareholders in a subsidiary		**23**	—
Repayments of loans and borrowings		**(5,226)**	(13,943)
Repayment of guaranteed USD senior notes		**(2,749)**	—
Dividends paid to equity shareholders		**—**	(8)
Interest paid		**(497)**	(524)
Dividends paid by subsidiaries to non-controlling interests		**(11)**	(11)
Payment for acquisition of non-controlling interests		**(2)**	(52)
Payment on repurchase of own shares		**(170)**	—
Net cash used in financing activities		**(2,293)**	(1,795)
Net increase/(decrease) in cash and cash equivalents		**4,035**	(2,566)
Cash and cash equivalents at the beginning of period		**6,575**	11,487
Effect of foreign exchange rate changes		**(7)**	34
Cash and cash equivalents at the end of period	14	**10,603**	8,955

The notes on pages 34 to 68 form part of the interim financial report.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2017

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, and agricultural machinery, as well as the provision of finance leasing service. Before sale of 80% equity interest in the environmental industry in June 2017, it was also engaged in the manufacturing and sales of environmental sanitation equipment, and the provision of environmental solutions.

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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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.

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. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report.

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

3 Revenue

	For the six-month period ended 30 June	
	2017 RMB millions	2016 RMB millions (restated)
Continuing operations:		
Construction machinery		
— Concrete machinery	**3,626**	2,113
— Crane machinery	**3,114**	1,586
— Others	**1,695**	1,054
Agricultural machinery	**1,558**	2,138
Financial services	**132**	209
	10,125	7,100
Discontinued operation:		
Environmental industry	**2,665**	1,904
	12,790	9,004

4 Other income

	For the six-month period ended 30 June	
	2017	2016
	RMB	RMB
	millions	millions
		(restated)
Continuing operations:		
Government grants	**60**	62
Loss on disposal of property, plant and equipment, intangible assets and lease prepayments	**(3)**	(1)
Cost of factoring trade receivables without recourse	**—**	(21)
Others	**(31)**	(11)
	26	29
Discontinued operation:		
Others	**2**	3
	2	3
	28	32

5 Profit/(loss) before taxation

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

(a) Net finance costs:

	For the six-month period ended 30 June	
	2017 RMB millions	2016 RMB millions (restated)
Continuing operations:		
Interest income	**(162)**	(257)
Loss/(gain) on re-measurement of derivative financial instruments at fair value	**33**	(8)
Interest on loans and borrowings	**758**	814
Net exchange loss	**276**	107
	905	656
Discontinued operation:		
Interest income	**(6)**	(5)
Gain on re-measurement of derivative financial instruments at fair value	**(3)**	—
Interest on loans and borrowings	**9**	3
Net exchange loss	**19**	—
	19	(2)
	924	654

5 Profit/(loss) before taxation (continued)

(b) Staff costs:

	For the six-month period ended 30 June	
	2017	2016
	RMB	RMB
	millions	millions
		(restated)
Continuing operations:		
Salaries, wages and other benefits	**1,009**	1,001
Contributions to retirement schemes	**104**	102
	1,113	1,103
Discontinued operation:		
Salaries, wages and other benefits	**159**	130
Contributions to retirement schemes	**16**	13
	175	143
	1,288	1,246

5 Profit/(loss) before taxation (continued)

(c) Other items:

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	RMB millions (restated)
Continuing operations:		
Cost of inventories sold	**8,298**	5,437
Depreciation of property, plant and equipment	**353**	347
Amortisation of lease prepayments	**32**	27
Amortisation of intangible assets	**91**	83
Loss on disposal of property, plant and equipment, intangible assets and lease prepayments	**3**	1
Operating lease charges	**87**	74
Product warranty costs	**59**	20
Impairment losses		
— trade receivables (Note 12(b))	**5,865**	355
— receivables under finance lease (Note 13(c))	**865**	129
— inventories (Note 11)	**1,772**	52
— property, plant and equipment	**145**	—
Discontinued operation:		
Cost of inventories sold	**1,803**	1,269
Depreciation of property, plant and equipment	**27**	15
Amortisation of intangible assets	**17**	6
Operating lease charges	**6**	6
Product warranty costs	**2**	4
Impairment losses/(reverse)		
— trade receivables (Note 12(b))	**10**	(2)

6 Income tax

(a) Continuing operations

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

	For the six-month period ended 30 June	
	2017 **RMB millions**	2016 RMB millions (restated)
Current tax — PRC income tax	**12**	48
Current tax — Income tax in other tax jurisdictions	**1**	—
Deferred taxation	**(1,433)**	(229)
Tax expenses on continuing operations	**(1,420)**	(181)

(ii) Reconciliation between tax credit and accounting loss at applicable tax rates:

	For the six-month period ended 30 June	
	2017 **RMB millions**	2016 RMB millions (restated)
Loss before taxation	**(9,882)**	(1,224)
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (note (a))	**(2,471)**	(306)
Tax effect of non-deductible expenses	**55**	104
Current year loss for which no deferred tax assets was recognised	**44**	24
Tax effect of non-taxable income	**(16)**	(31)
Tax effect of tax concessions (note (b))	**992**	42
Additional deduction for qualified research and development expenses (note (c))	**(24)**	(14)
Actual income tax credit	**(1,420)**	(181)

6 Income tax (continued)

(b) Discontinued operation

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

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	RMB millions (restated)
Current tax — PRC income tax	**1,164**	37
Deferred taxation	**255**	—
Tax expenses on continuing operations	**1,419**	37

(ii) Reconciliation between tax credit and accounting profit at applicable tax rates:

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	RMB millions (restated)
Profit before taxation	**10,965**	255
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (note (a))	**2,741**	64
Tax effect of non-taxable income	**(347)**	—
Tax effect of tax concessions (note (b))	**(975)**	(27)
Actual income tax expenses	**1,419**	37

6 Income tax (continued)

(b) Discontinued operation (continued)

(ii) Reconciliation between tax credit and accounting profit at applicable tax rates: (continued)

Notes:

(a) The PRC statutory income tax rate is 25% (2016: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2016: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2017, 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% (2016: 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 2015 and accordingly are subject to income tax at 15% for the years from 2015 to 2017. 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.

The 15% preferential tax rate applicable to high-technology enterprises is subject to renewal approval jointly by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations. The Company and the subsidiaries have begun the renewal approval process. It is probable that they are qualified as high-technology enterprises. Management therefore believes 15% represents the best estimate of the annual tax rate of these entities for the year ending 31 December 2018.

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

7 Discontinued operation

In 2017, the Company spun-off and transferred its environmental sanitation machinery business, related assets, including certain land use rights, and liabilities into its wholly-owned subsidiary, Changsha Zoomlion Environmental Industry Co., Ltd. (referred to as "ZEI"). After the transfer, all business of environmental industry of the Group was undertaken by ZEI and its subsidiaries, which are mainly engaged in research and development of environmental sanitation machines and equipment; research, development, production and sales of solid waste treatment equipment and equipment for preventing and controlling water pollution and provision of the related technical services; production and sales of equipment and parts for maintaining highways, bridges, tunnels and parks; as well as systematic solutions and technologies for urban waste collection and disposal, rural waste collection and disposal, recycling of household waste and recycling of food waste.

7 Discontinued operation (continued)

On 21 May 2017, the Company entered into the Equity Transfer Agreement with Infore Investments Holding Group Co.,Ltd.(referred to as "Infore Holding", which subsequently transfer all of its rights and obligations under the Equity Transfer Agreement to Ningbo Infore Asset Management Co., Ltd., a wholly-owned subsidiary of Infore Holding), Guangzhou Yuemintou Yinglian Investment Partnership (Limited Partnership), Hony (Shenzhen) Investment Centre (Limited Partnership) and Shanghai Lulian Junhe Industrial Equity Merger and Acquisition and Investment Fund Partnership to sell 80% of its interests in ZEI at a total consideration of RMB11,600 million in cash, among which RMB5,800 million has been received on 28 June 2017, and the remaining has been received by 30 August 2017. Infore Holding became the controlling shareholder of ZEI upon the completion of this transaction on 30 June 2017, and Zoomlion retained significant influence over ZEI. The Company remeasured the remaining 20% interests in ZEI to its fair value, amounting to RMB2,465 million, at the completion date. A gain of RMB10,738 million has been recognised in profit and loss in this period, representing the sum of the fair value of the retained 20% interest in ZEI and the cash consideration less the carrying cost of ZEI.

In accordance with the shareholders' agreement in relation to the above transaction, if ZEI fails to obtain the qualification of manufacturing environmental sanitation vehicles by 30 June 2018, the Purchasers may require, by written notice at any time thereafter, the Group to repurchase all the registered capital of an the corresponding equity interest in ZEI held by the Purchasers or any part thereof. The repurchase price is equal to the valuation of ZEI under the disposal, plus the amounts of payment representing a rate of return (compound interest) of 10% per annum.

The environmental industry was not previously classified as held-for-sale or a discontinued operation. The comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

7 Discontinued operation (continued)

(a) Results of discontinued operation

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	RMB millions
Revenue	**2,665**	1,904
Cost of sales and services	**(2,001)**	(1,343)
Other income	**2**	3
Sales and marketing expenses	**(272)**	(236)
General and administrative expenses	**(99)**	(57)
Research and development expenses	**(29)**	(18)
Net finance costs	**(19)**	2
Share of profits less losses of associates	**(20)**	—
Result from operating activities	**227**	255
Income tax	**(36)**	(37)
Result from operating activities, net of tax	**191**	218
Gain on sale of discontinued operation	**10,738**	—
Income tax on gain on sale of discontinued operation	**(1,383)**	—
Profit from discontinued operation for the period	**9,546**	218

(b) Cash flows (used in)/generated from discontinued operation

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	RMB millions
Net cash used in operating activities	**(294)**	(125)
Net cash generated from investing activities	**356**	166
Net cash (used in)/generated from financing activities	**(156)**	456
Net cash flow for the period	**(94)**	497

7 Discontinued operation (continued)

(c) Effect of disposal on the financial position of the Group

	At 30 June 2017 RMB millions
Property, plant and equipment	770
Intangible assets	620
Lease prepayments	251
Goodwill	46
Interest in associates	42
Other investments	21
Deferred tax assets	49
Inventories	1,162
Other current assets	123
Trade and other receivables	5,457
Cash and cash equivalents	1,172
Pledged bank deposits	236
Trade and other payables	(5,506)
Loans and borrowings	(705)
Other current liabilities	(32)
Payable for acquisition of non-controlling interests	(294)
Deferred tax liabilities	(87)
Net assets and liabilities	**3,325**
Consideration received	5,800
Net cash and cash equivalents disposed of	(113)
Net cash inflows	**5,687**

8 Basic and diluted earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company of RMB1,141 million (loss attributable to equity shareholders of the Company for six-month period ended 30 June 2016: RMB829 million), and the weighted-average number of ordinary shares in issue of 7,659 million during the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: 7,664 million shares).

There were no dilutive potential ordinary shares in issue as at 30 June 2017 (30 June 2016: Nil).

9 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 2017 is set out below.

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	RMB millions (restated)
Reportable segment revenue:		
Continuing operations:		
Construction machinery		
— Concrete machinery	**3,626**	2,113
— Crane machinery	**3,114**	1,586
— Others	**1,695**	1,054
Agricultural machinery	**1,558**	2,138
Financial services	**132**	209
Discontinued operation:		
Environmental industry	**2,665**	1,904
	12,790	9,004

9 Segment reporting (continued)

	For the six-month period ended 30 June	
	2017	2016
	RMB	RMB
	millions	millions
		(restated)
Reportable segment profit:		
Continuing operations:		
Construction machinery		
— Concrete machinery	**605**	469
— Crane machinery	**566**	489
— Others	**302**	178
Agricultural machinery	**222**	318
Financial services	**132**	209
Discontinued operation:		
Environmental industry	**664**	561
	2,491	2,224

9 Segment reporting (continued)

Reconciliation of segment loss:

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	RMB millions (restated)
Total reportable segment profit	**2,491**	2,224
Elimination of discontinued operation	**(664)**	(561)
Gross profit from continuing operations	**1,827**	1,663
Other income	**26**	29
Sales and marketing expenses	**(1,099)**	(814)
General and administrative expenses	**(9,546)**	(1,331)
Research and development expenses	**(185)**	(117)
Net finance costs	**(905)**	(656)
Share of profits less losses of associates	**—**	2
Loss before taxation from continuing operations	**(9,882)**	(1,224)

10 Goodwill and business combination

	2017 RMB millions	2016 RMB millions
Balance at 1 January	**2,076**	1,993
Additions	**—**	44
Disposal (Note 7)	**(46)**	—
Impairment loss (Note)	**(25)**	—
Effect of exchange rate difference	**80**	39
Balance at 30 June/31 December	**2,085**	2,076

Note: The impairment loss recognised during period ended 30 June 2017 relates to the Group's material handling machinery and systems cash generating unit, considering of the weak market demand and likelihood of recovery.

11 Inventories

	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Raw materials	**2,356**	2,233
Work in progress	**803**	1,159
Finished goods (Note)	**6,458**	9,378
	9,617	12,770

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. The group estimated the net realisable value of these machinery taking into account the expected selling price in the current second-hand machinery market, and made RMB1,772 million provision during the six-month period ended 30 June 2017.

12 Trade and other receivables

	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Trade receivables	**31,347**	32,687
Less: allowance for doubtful debts (Note (b))	**(8,656)**	(2,853)
	22,691	29,834
Less: trade receivables due after one year	**(3,736)**	(3,032)
	18,955	26,802
Bills receivable (Note (c))	**1,371**	2,197
	20,326	28,999
Amounts due from related parties (Note 21(b))	**3,280**	312
Prepayments for purchase of raw materials	**265**	205
Prepaid expenses	**324**	408
VAT recoverable	**899**	849
Deposits	**224**	264
Others	**814**	1,037
	26,132	32,074

During the six-month period ended 30 June 2017, none of trade receivables (six-month period ended 30 June 2016: RMB 1,021 million) 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 2017, the Group have not made any repurchase of assets from the bank under such commitment (six-month period ended 30 June 2016: Nil).

12 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 2017 RMB millions	As at 31 December 2016 RMB millions
Within 1 month	**3,139**	2,911
Over 1 month but less than 3 months	**1,972**	2,837
Over 3 months but less than 1 year	**5,522**	7,772
Over 1 year but less than 2 years	**6,915**	8,909
Over 2 years but less than 3 years	**4,933**	5,610
Over 3 years but less than 5 years	**210**	1,795
	22,691	29,834

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2016: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 20% to 40% (2016: 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 (2016: 6 to 42 months), customers are normally required to make an upfront payment ranging from 15% to 40% (2016: 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	**2017 RMB millions**	2016 RMB millions
Balance at 1 January		**2,853**	2,316
Impairment losses recognised		**5,875**	764
Reclassification from impairment of receivable under finance lease	13(c)	**2**	9
Transfer out upon sale of discontinued operation		**(63)**	—
Uncollectible amounts written off		**(11)**	(236)
Balance at 30 June/31 December		**8,656**	2,853

12 Trade and other receivables (continued)

(b) Impairment of trade receivables (continued)

During the six-month period ended 30 June 2017, the Group recognised RMB5,875 million and RMB865 million impairment losses for trade receivables and receivables under financial lease respectively, which mainly related to the long-aged trade receivables due from certain customers that have been impaired in previous years. Due to the complexity of the financial status of these customers, it is not practicable to make a reasonably reliable direct estimate of the present value of future cash flow expected from these receivables. As a practical expedient, the carrying amount of these impaired receivables were determined based on the quoted price to dispose of these receivables in a bulk sale.

(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 2017, 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 2017, 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 RMB744 million (31 December 2016: RMB332 million).

During the six-month period ended 30 June 2017, nil of bills receivable (six-month period ended 30 June 2016: RMB546 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.

13 Receivables under finance lease

	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Gross investment	**15,177**	15,220
Unearned finance income	**(361)**	(348)
	14,816	14,872
Less: allowance for doubtful debts (Note(c))	**(1,628)**	(765)
	13,188	14,107
Less: receivables under finance lease due after one year	**(1,846)**	(1,895)
Receivables under finance lease due within one year	**11,342**	12,212

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 (2016: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 25% of the product price (2016: 5% to 25%) and pay a security deposit ranging from 1% to 10% of the product price (2016: 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.

13 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 2017 RMB millions	As at 31 December 2016 RMB millions
Present value of the minimum lease payments		
Within 1 year	**12,687**	12,711
Over 1 year but less than 2 years	**1,009**	1,054
Over 2 years but less than 3 years	**656**	628
Over 3 years	**464**	479
	14,816	14,872
Unearned finance income		
Within 1 year	**301**	283
Over 1 year but less than 2 years	**35**	37
Over 2 years but less than 3 years	**17**	18
Over 3 years	**8**	10
	361	348
Gross investment		
Within 1 year	**12,988**	12,994
Over 1 year but less than 2 years	**1,044**	1,091
Over 2 years but less than 3 years	**673**	646
Over 3 years	**472**	489
	15,177	15,220

13 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 2017 RMB millions	As at 31 December 2016 RMB millions
Not yet due	**6,982**	7,414
Within 1 year past due	**3,952**	3,988
Over 1 year but less than 2 years past due	**2,426**	2,335
Over 2 years past due	**1,456**	1,135
Total past due	**7,834**	7,458
	14,816	14,872
Less: allowance for doubtful debts	**(1,628)**	(765)
	13,188	14,107

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.

13 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	**2017 RMB millions**	2016 RMB millions
Balance at 1 January		**765**	645
Impairment losses recognised	12(b)	**865**	129
Reclassification to impairment of trade receivables	12(b)	**(2)**	(9)
Balance at 30 June/31 December		**1,628**	765

14 Cash and cash equivalents

	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Cash at bank and on hand		
— RMB denominated	**9,415**	4,968
— USD denominated	**816**	1,026
— EUR denominated	**188**	425
— HKD denominated	**32**	16
— Other currencies	**152**	140
	10,603	6,575

15 Loans and borrowings

(a) Short-term loans and borrowings:

	Note	**As at 30 June 2017 RMB millions**	As at 31 December 2016 RMB millions
Secured short-term bank loans			
— RMB denominated		**240**	412
— EUR denominated		**6**	368
Unsecured short-term bank loans			
— RMB denominated	(i)	**3,493**	2,443
— EUR denominated	(ii)	**1,567**	1,860
— USD denominated		**207**	208
RMB commercial paper	(iii)	**—**	1,200
		5,513	6,491
Add: Current portion of long-term loans and borrowings	15(b)	**1,186**	3,221
		6,699	9,712

Notes:

(i) As at 30 June 2017, RMB denominated unsecured short-term bank loan of RMB1,200 million (31 December 2016: RMB1,320 million) bore interest at a fixed rate of 4% per annum and will repayable in full from 2017 to 2018. Such short-term loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2017, the Group was in compliance with these financial covenants.

The remaining RMB denominated unsecured short-term bank loans of RMB2,293 million (31 December 2016: RMB1,123 million) bore interest from 3.263% to 4.35% per annum and will be repayable in full from 2017 to 2018.

(ii) As at 30 June 2017, EUR denominated unsecured short-term bank loan of RMB620 million (31 December 2016: RMB365 million) bore interest from 0.18% to 0.83% per annum and will be repayable in full from 2017 to 2018. Such short-term loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2017, the Group was in compliance with these financial covenants.

As at 30 June 2017, EUR denominated unsecured short-term bank loans of RMB947 million (31 December 2016: RMB1,495 million) bore interest from 0.55% to 0.83% annum and will be repayable in full from 2017 to 2018.

(iii) In July 2016, the Company issued 270-day RMB commercial paper of RMB1,200 million, which bore interest at a fixed rate of 3.58% per annum and was matured in April 2017.

15 Loans and borrowings (continued)

(b) Long-term loans and borrowings:

	Note	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Secured long-term bank loans			
— EUR denominated		**–**	194
Unsecured long-term bank loans			
— RMB denominated	(i)	**9,586**	7,470
— EUR denominated	(ii)	**2,656**	2,885
RMB medium-term notes	(iii)	**8,996**	8,995
Guaranteed USD senior notes	(iv)	**3,899**	6,762
		25,137	26,306
Less: Current portion of long-term loans and borrowings	15(a)	**(1,186)**	(3,221)
		23,951	23,085

Notes:

(i) As at 30 June 2017, RMB denominated unsecured long-term bank loans of RMB245 million (31 December 2016: RMB245 million) bore interest from 2.65% to 3.35% per annum and will be repayable by half-yearly instalments from 2017 to 2018. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2017, the Group was in compliance with these financial covenants.

As at 30 June 2017, RMB denominated unsecured long-term bank loans of RMB464 million (31 December 2016: RMB465 million) bore interest at 4.37% per annum and will be repayable by half-yearly instalments from 2017 to 2019. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2017, the Group was in compliance with these financial covenants.

As at 30 June 2017, RMB denominated unsecured long-term bank loans of RMB600 million (31 December 2016: Nil) bore interest at 4.37% per annum and will be repayable by half-yearly instalments from 2018 to 2019. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2017, the Group was in compliance with these financial covenants.

As at 30 June 2017, RMB denominated unsecured long-term bank loan of RMB475 million (31 December 2016: Nil) bore interest at 4.37% per annum and will be repayable by half-yearly instalments from 2017 to 2020.

The remaining RMB denominated unsecured long-term bank loans of RMB7,802 million (31 December 2016: RMB6,760 million) will be repayable from 2017 to 2020.

15 Loans and borrowings (continued)

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

(ii) As at 30 June 2017, EUR denominated unsecured long-term bank loans of RMB1,625 million (31 December 2016: RMB1,533 million) bore interest ranging from 0.628% to 1.228% per annum and will be repayable in full in 2019.

As at 30 June 2017, EUR denominated unsecured long-term bank loans of RMB1,031 million (31 December 2016: RMB1,203 million) bore interest from 1.695% to 3.695% per annum and will be repayable by half-yearly instalments from 2017 to 2022.

(iii) 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.

(iv) 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 was matured in April 2017.

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 15(a)(i)(ii) and 15(b)(i) above, none of the Group’s loans and borrowings contains any financial covenants.

16 Trade and other payables

	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Trade creditors	**6,056**	6,579
Bills payable	**6,667**	5,601
Trade creditors and bills payable (Note)	**12,723**	12,180
Amounts due to related parties (Note 21(b))	**1,080**	49
Amounts due to non-controlling shareholders of certain subsidiaries	**468**	468
Receipts in advance	**1,117**	847
Payable for acquisition of property, plant and equipment	**371**	436
Accrued staff costs	**268**	328
Product warranty provision	**76**	72
VAT payable	**93**	211
Sundry taxes payable	**118**	114
Security deposits	**492**	568
Interest payable	**377**	187
Dividend payable (Note 17)	**1,144**	—
Other accrued expenses and payables	**1,738**	1,629
	20,065	17,089

Note:

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

	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Due within 1 month or on demand	**5,438**	5,154
Due after 1 month but within 3 months	**2,972**	2,923
Due after 3 months but within 6 months	**3,659**	3,485
Due after 6 months but within 12 months	**654**	618
	12,723	12,180

17 Capital, reserves and dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 27 June 2017, a final cash dividend of RMB 0.15 per share based on 7,625 million ordinary shares in issue totalling RMB1,144 million in respect of the year ended 31 December 2016 was declared, which will be paid before 31 December 2017.

During the period ended 30 June 2017, the Company repurchased 38,845,086 its own A Shares with an aggregate consideration of approximately RMB170 million, which was recorded as treasury stock before cancellation. As a result of the repurchase of the A Shares, the share capital of the Company was decreased to approximately RMB7,625 million, comprising 6,225,797,061 A Shares and 1,388,207,086 H Shares. The repurchased A Shares were cancelled on 7 July 2017.

18 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.

18 Fair value measurement of financial instruments (continued)

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

	Fair value at 30 June 2017	**Fair value measurements as at 30 June 2017**		
		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	**1,305**	**–**	**1,305**	**–**

	Fair value at 31 December 2016	Fair value measurements as at 31 December 2016		
		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	1,150	–	1,150	–
Derivative financial instrument	132	–	132	–
Financial liabilities:				
Derivative financial instrument	5	–	5	–

During the six-month period ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: 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.

18 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 2017 and 31 December 2016 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 2017	**Fair value at 30 June 2017 categorised into level 1**	Carrying amount at 31 December 2016	Fair value at 31 December 2016 categorised into level 1
Guaranteed USD senior notes	**3,899**	**3,932**	6,762	6,651
RMB medium-term notes	**8,996**	**9,045**	8,995	9,154

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.

19 Commitments

(a) Capital commitments

As at 30 June 2017, the Group had capital commitments as follows:

	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Authorised and contracted for		
— property, plant and equipment	**189**	339
— Intangible assets	**6**	—
	195	339
Authorised but no contacted for		
— Property, plant and equipment	**—**	8
	—	8

19 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 2017, the future minimum lease payments under operating lease are as follows:

	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Within 1 year	**48**	67
After 1 but within 2 years	**35**	49
After 2 but within 3 years	**27**	18
After 3 but within 4 years	**25**	16
After 4 but within 5 years	**24**	10
Thereafter	**2**	3
	161	163

20 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 2017, the Group's maximum exposure to such guarantees was RMB2,520 million (31 December 2016: RMB3,740 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 2017, the Group made payments of RMB119 million (six-month period ended 30 June 2016: RMB132 million) to the banks for repossession of machinery under the guarantee arrangement as a result of customer default.

20 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 2017, the Group's maximum exposure to such guarantees was RMB495 million (31 December 2016: RMB954 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 2017, there was no payment made for repossession of machinery incurred (six-month period ended 30 June 2016: 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 2017, the Group's maximum exposure to such guarantees was RMB54 million (31 December 2016: RMB123 million). For the six-month period ended 30 June 2017, 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.

21 Related party transactions

(a) Transactions with related parties

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	RMB millions
Transactions with associates:		
Sales of products	**60**	26
Purchase of raw materials	**1**	1

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.

22 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Total equity reported under PRC GAAP	**37,836**	37,795
— Acquisition-related costs incurred on prior year business combination	**(37)**	(40)
Total equity reported under IFRSs	**37,799**	37,755

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

	For the six-month period ended 30 June	
	2017 RMB millions	2016 RMB millions
Total comprehensive income for the period reported under PRC GAAP	**1,337**	(995)
— Safety production fund (Note)	**6**	6
— Impairment of goodwill	**3**	-
Total comprehensive income for the period reported under IFRSs	**1,346**	(989)

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.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