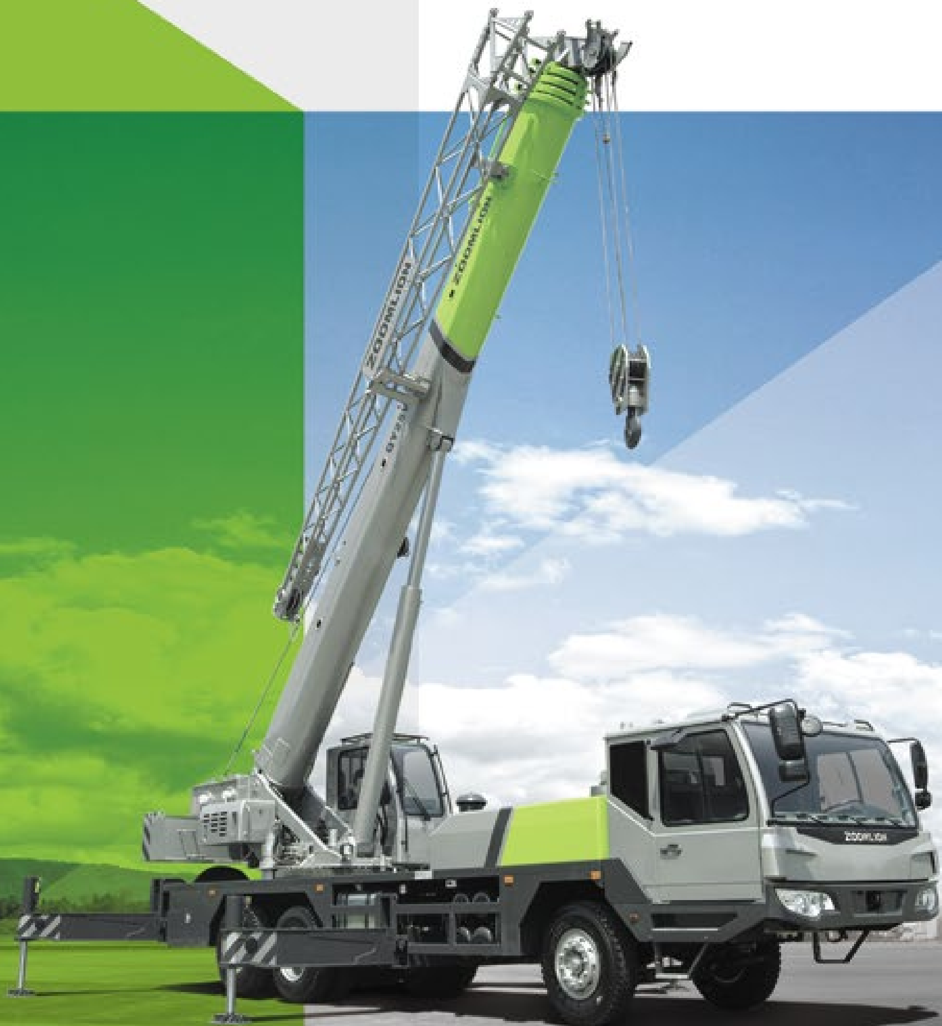
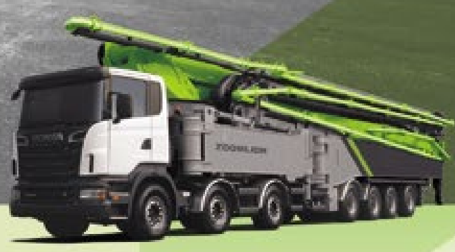
ZOOMLION
中联重科

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





2018
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 in respect of the Reporting Period 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:

"Board"	the board of Directors
"Company" or "Zoomlion"	Zoomlion Heavy Industry Science and Technology Co., Ltd.
"Group"	the Company and its subsidiaries
"Directors"	the directors of the Company
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Reporting Period"	the six months ended 30 June 2018
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"Supervisors"	the supervisors of the Company

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中联重科

2018 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. Board of Directors
Executive Director: Dr. Zhan Chunxin
Non-executive Directors: Mr. Hu Xinbao
Mr. Zhao John Huan
Independent non-executive Directors: Mr. Zhao Songzheng
Mr. Lai Kin Keung
Ms. Liu Guiliang
Mr. Yang Changbo

IV. 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

V. 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

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

VII. 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

Company Profile

VIII.	Listing information:	A Shares Shenzhen Stock Exchange of China ("SZSE") Stock Name: ZOOMLION Stock Code: 000157 H Shares Hong Kong Stock Exchange Stock Name: ZOOMLION Stock Code: 1157
IX.	H Share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
X.	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
XI.	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 (RMB)	14,720,283,618.34	12,790,140,942.64	15.09%
Net profit attributable to equity shareholders of the Company (RMB)	864,217,917.89	1,131,559,170.99	-23.63%
Net profit attributable to equity shareholders of the Company after extraordinary items (RMB)	647,813,984.30	-7,985,168,665.38	
Net cash flow from operating activities (RMB)	1,594,696,110.85	696,932,534.40	128.82%
Basic earnings per share (RMB/share)	0.11	0.15	-26.67%
Diluted earnings per share (RMB/share)	0.11	0.15	-26.67%
Weighted average return on net assets	2.27%	3.02%	-0.75%

	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 (RMB)	87,317,966,006.73	83,149,067,653.62	5.01%
Net assets attributable to the equity shareholders of the Company (RMB)	36,980,958,176.05	37,578,261,818.00	-1.59%

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)	1,664,608.79
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	4,460,600.00
Gain and loss from debt restructuring	-9,587,924.56
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	252,053,748.31
Non-operating income and expenses other than those set out above	7,816,081.45
Less: Income tax effect	39,678,296.72
Minority interests after tax	324,883.68
Total	216,403,933.59

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	
	2018	2017
	RMB millions	RMB millions (i)
Continuing operations:		
Revenue	**14,706**	10,125
Profit/(loss) before taxation	**1,080**	(9,882)
Income tax	**(217)**	1,420
Discontinued operation:		
Profit from discontinued operation	**—**	9,546
Profit for the period	**863**	1,084
Profit attributable to:		
Equity shareholders of the Company		
— continuing operations	**874**	(8,413)
— discontinued operation	**—**	9,554
Non-controlling interests		
— continuing operations	**(11)**	(49)
— discontinued operation	**—**	(8)
Basic and diluted earnings/(losses) per share (RMB)		
— continuing operations	**0.11**	(1.10)
— discontinued operation	**—**	1.25

Principal Financial Data and Indicators

	As at 30 June 2018 RMB millions	As at 31 December 2017 RMB millions (i)
Total non-current assets	**27,343**	25,218
Total current assets	**59,938**	57,894
Total assets	**87,281**	83,112
Total current liabilities	**30,066**	24,488
Net current assets	**29,872**	33,406
Total assets less current liabilities	**57,215**	58,624
Total non-current liabilities	**19,654**	20,434
NET ASSETS	**37,561**	38,190
Total equity attributable to equity shareholders of the Company	**36,943**	37,540
Non-controlling interests	**618**	650
TOTAL EQUITY	**37,561**	38,190
Gearing ratio (ii)	**56.97%**	54.05%

Notes:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

(ii) Gearing ratio is calculated based on the total liabilities divided by total assets at the end of the respective reporting period.

Principal Financial Data and Indicators

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

(a) Reconciliation of total equity of the Group

	As at 30 June 2018 RMB millions	As at 1 January 2018 RMB millions	As at 31 December 2017 RMB millions
Total equity reported under PRC GAAP	**37,598**	38,148	38,227
— Acquisition-related costs incurred on prior year business combination	**(37)**	(37)	(37)
Total equity reported under IFRSs	**37,561**	38,111	38,190

Note: Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on total equity of the Group.

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

	For the six-month period ended 30 June	
	2018 RMB millions	2017 RMB millions
Total comprehensive income for the period reported under PRC GAAP	**852**	1,337
— Safety production fund (Note)	**10**	6
— Impairment of goodwill	**—**	3
Total comprehensive income for the period reported under IFRSs	**862**	1,346

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.

Management Discussion and Analysis

I. Business Review

In the first half of 2018, global trade frictions intensified and economic growth slowed down, while Chinese economy maintained a stable and favorable general development trend. Driven by multiple factors such as the growth of infrastructure investment, promotion of environmental protection, upgrade of equipment and replacement of labors, the construction machinery industry continued to grow strongly, with the growth rate of concrete machinery and crane machinery products surpassing that of earth working machinery. As affected by the decline in crop prices and decrease in purchase subsidy, there was escalated downward pressure on the agricultural machinery industry market.

In the first half of 2018, the Company continued to focus on its main business and endeavored to become stronger and better. Benefiting from the increase in market share of the Company's leading products, the continuous expansion of proportion of high gross profit margin products, the further improvement of contract quality and the gradual mitigation of inventory risks, the Company's profitability improved significantly with a more robust market leading position, realizing high quality development.

During the Reporting Period, the Group achieved operating income from continuing operations of RMB14,706 million, representing a year-on-year increase of 45.24%; net profit attributable to the parent company of RMB874 million, representing a year-on-year decrease of 23.40%; and operating cash flow of RMB1,405 million, representing a year-on-year increase of 165.60%.

The major work carried out by the Group during the Reporting Period was as follows:

1. Emerging effect from strategic focus

The Group focused on its main business of equipment manufacturing, optimized resource allocation, strengthened construction machinery, enhanced agricultural machinery and speeded up the development of its financial business, realizing the quality upgrade of the Group's development.

(1) Strengthened construction machinery

During the Reporting Period, sales revenue of the Group's construction machinery products amounted to RMB13,578 million, representing a year-on-year increase of 60.97%.

The domestic market shares of crane machinery and concrete machinery products continued to maintain their leading positions, with an increase of 2 to 3 percentage points as compared to that of 2017, and the prices of our leading products surged by 1% to 5%. Among which, construction and crane machinery and long-arm pump trucks continued to maintain the highest market share in the industry. With the comprehensive advancement in research and development of a full range of work-at-height products, the first batch of such products was launched into the market in May. The research, development and trial production of the new generation "intelligent and efficient" excavators have been speeding up.

Management Discussion and Analysis

(2) Enhanced agricultural machinery

The Group explicitly formulated the strategy for the development of mid-to-high-end agricultural machinery, accelerated the development of agricultural machinery and speeded up product structure adjustment and technological upgrade.

The market edges of the Group's agricultural machinery remained solid. The sales volume of drying machinery ranked first in the domestic market; the domestic market share of wheat harvester machinery ranked second in the industry; and the domestic market share of rice harvester machinery ranked top three in the industry.

The Group signed a strategic cooperation agreement with Landing.AI, an artificial intelligence company, to focus on the application of artificial intelligence technology in agricultural machinery. Through this, the Group entered into the field of artificial intelligence technology at a high starting point, becoming the first AI agricultural equipment manufacturer in China.

(3) Speeded up the development of financial business

The Group continued to escalate its expansion in the financial sector, made contribution to establish financing guarantee companies and established the Zoomlion Industrial Fund in cooperation with leading fund management teams in China, in order to further enhance the financial services capabilities of Zoomlion Capital, improve the industrial chain layout corresponding to the industrial sector and promote industrial transformation and upgrade.

2. Intelligent manufacturing driving transformation and upgrade, speeding up digital transformation

With intelligent products 4.0 as the carrier, the Group connected equipment, enterprises and customers through the Internet of Things, big data and mobile Internet and integrating technologies such as sensing and interconnection, innovatively driving the Group to gradually transform from an "equipment manufacturer" to a "manufacturing and service-oriented enterprise".

(1) Continuously promoted the optimization and launching of intelligent products 4.0

In the first half of 2018, the Group developed 9 models of intelligent construction machinery products 4.0. The ZTC251 and ZTC800 intelligent truck cranes are equipped with big data and single-machine intelligent technology, through which remote fault diagnosis and equipment management can be integrated into mobile APP to achieve construction safety, accuracy and efficiency, and the functions have been well received by customers.

Management Discussion and Analysis

(2) **Built an industrial Internet technology platform**

The Company established an industrial Internet company to drive the Group to transform from an "equipment manufacturer" to a "manufacturing and service-oriented enterprise".

3. Leading the market by technological innovation, with outstanding results in research and development innovation

The Group achieved new breakthroughs in the area of international standards, with our momentum in independent innovation continuously enhancing and our intelligent and green manufacturing leading the development of the industry.

(1) **Led the transformation of Chinese advanced technology into international standards**

The Group is the first domestic construction machinery enterprise to lead the formulation of international standards. In February 2018, ISO 12480-1 "Cranes – Safe use – Part 1: General", an international standard which was revised under the lead of the Group, was successfully approved. The Group has cumulatively undertaken the revision of three international standards.

(2) **Achieved fruitful results in independent innovation**

Four of our products won the 2018 TOP50 Chinese Construction Machinery Products (2018中國工程機械年度產品TOP50) award. Our T7020 flat-arm tower crane, ZCC8800W crawler crane, RMAS3000 manufactured sand + dry mortar integrated production line and ZRS322E single-drum hydraulic double-drive road roller are new generation of products leading the development of the industry.

We successfully developed a new model of the largest probability screen for manufactured sand in China, which can significantly reduce energy consumption of products and reduce the power of vibrating electric machine by 27%. Our BWM-3 energy-saving construction elevator was awarded the first prize of the China Construction Science and Technology Award (華夏建設科學技術獎一等獎).

We developed the first unmanned grain harvester in China. Our agricultural machinery products have preliminarily realized functions such as automatic driving, automatic harvesting and intelligent drying, and a database is established, laying a foundation for artificial intelligence technology applications.

Our intelligent and green manufacturing led the development of the industry. The demonstration project of the integrated platform for green design and manufacturing of tower cranes was approved by the Ministry of Industry and Information Technology as a 2018 National Green Manufacturing System Integration Project (2018年度國家綠色製造系統集成項目).

Management Discussion and Analysis

4. Promoting management reform in-depth, significantly improving operational quality

The Group continuously strengthened market reform, business management and control, service upgrade and risk control, achieving an overall improvement in operational quality.

(1) Fully promoted the new business model of customer alliance

With "win-win development" as the philosophy, the Group fully promoted the in-depth development of our customer alliance. We propelled the cooperation between customers within the alliance as well as between alliance customers and other construction units such as central enterprises, in order to enhance the Company's operational capabilities, maintain a healthy and sustainable order in the industry and market and establish a highly efficient and sustainable industrial chain ecosystem.

(2) Established a new service management system based on customer satisfaction

We established a star rating system for after-sales service personnel, in order to enhance the quality of our accessories and after-sales services and improve customer satisfaction.

(3) Intensified the application of general business management platform

We fully implemented the order production model, achieving precise and efficient management and control in our new machinery business process.

(4) Strictly controlled new business risks and properly mitigated inventory risks

The Group continuously tightened our credit policy, verified the quality of new machinery sales contracts on individual basis and resolutely avoided low-quality orders, firmly grasping the key points of risk control, and the operational quality of our new business improved significantly. We advanced the "one case, one strategy" management of high-risk customers and speeded up the turnover of secondhand equipment, gradually achieving results in inventory risks mitigation.

(5) Strictly assessed employees and provided full incentives

We strictly implemented the mechanism of "profit-centered assessment based on internal transfer pricing" to stimulate the vitality of all employees.

5. Internationalization reaching a new level

The Group intensified its efforts in the overseas market and speeded up the planning of production bases layout in accordance with the principle of "leading, intensifying and penetrating", realizing the transfer of production capacity with edges, consolidating our leading position in the industry and forming a local manufacturing cluster around the "One Belt, One Road".

We quickly implemented our cooperation with MAZ Company from Belarus, successfully launching products such as truck cranes and tower cranes, smoothly commencing the joint development of agricultural machinery, and realizing sound market development covering the entire Russian and Eastern European regions. We speeded up the upgrade of CIFA from Italy from a regional company specializing in concrete equipment to a comprehensive company covering concrete, engineering and construction products. The QAY200 all-terrain crane was launched in Africa for the first time; the D1500-63 tower crane was used in the construction of national key projects in Argentina; and the new 4.0 truck crane was exported overseas for the first time. Our construction crane machinery products had a leading position in India, Indonesia, Algeria, East Africa, West Africa, Pakistan and Brazil.

II. Analysis of Financial Position

1. Analysis of operating income and profit

Driven by the growth of real estate investment, promotion of environmental protection and upgrade of equipment, the construction machinery industry continued to grow strongly. As affected by the decline in crop prices and adjustment in purchase subsidy policies, there was escalated downward pressure on the agricultural machinery industry market. For the six months ended 30 June 2018, the Group's revenue from continuing operation was RMB14,706 million, representing an increase of 45.24% as compared to the same period of 2017. In which, the Group recorded revenue of RMB11,362 million in concrete machinery and crane machinery products, representing an increase of 68.58% as compared to the same period of last year. The Group recorded revenue of RMB935 million in agricultural machinery products, representing a decrease of 39.99% as compared to the same period of last year.

During the six months ended 30 June 2018, the Company's overall revenue increased by 15% and gross profit increased by 50% year-on-year as driven by the construction machinery segment. Unit cost decreased due to the scale effect from the increase in production volume in the first half of 2018, and as a result, the overall gross profit margin increased to 26% with profitability enhanced significantly. Due to impairment of trade receivables made based on the quoted price to sell certain long-aging receivables in a bulk sale and inventory provision made to accelerate sell of the second-hand machineries based on the expected selling price in the market, general and administrative expenses in first half year of 2017 is RMB8,407 million more than this period. In addition in the first half year of 2017, a net after-tax gain of RMB9,355 million was recognised in relation to the sale of 80% of its interests in Changsha Zoomlion Environmental Industry Co., Ltd. Net profit attributable to the equity shareholders of the parent company amounted to RMB874 million for the first half of 2018.

Management Discussion and Analysis

Following the allocation of national food reserve categories came into effect in 2016, the agricultural product processing industry has entered a trough. In the first half of 2018, the agricultural machinery market overall continued to decline. In the first half of 2018, Zoomlion's agricultural machinery segment achieved operating income of RMB935 million, representing a year-on-year decrease of 40% (first half of 2017: RMB1,560 million).

2. Cash flow and capital expenditure

The Company finances its operations primarily through bank loans and borrowings. As at 30 June 2018, the Company had RMB7,226 million in cash and cash equivalents. The Company's cash and cash equivalents primarily consist of cash and deposits at bank.

(1) Operating activities

For the six months ended 30 June 2018, net cash generated from operating activities was RMB1,405 million, mainly attributable to the sales growth as a result of the continuous recovery of the construction machinery industry, and the better operating cash flow performance as compared to the previous period due to the Company's measures such as the continuous urging of receivables collection, control of expenses and reduction of expenses which had positive contribution to the cash flow in the first half of 2018.

(2) Investing activities

For the six months ended 30 June 2018, net cash used in investing activities was RMB2,052 million, mainly attributable to the improvement of performance and enhancement of cash flow condition. The Company utilized part of its idle funds for the purchase of capital-guaranteed structured deposits and the reverse repurchase of government bonds to improve the utilization efficiency of its idle funds.

(3) Financing activities

For the six months ended 30 June 2018, net cash generated from financing activities was RMB719 million, mainly attributable to the new borrowings for the expansion of production scale due to the recovery of industry, including the repayment of bank and other borrowings of RMB5,332 million, increase in bank and other borrowings of RMB6,539 million and interest payment of RMB480 million.

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

(4) Capital expenditures

For the six months ended 30 June 2018, the capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB192 million.

(5) Credit policies

Please refer to notes 12 and 13 in the unaudited interim report for the details of credit policies adopted by the Group.

3. Commitments and contingent liabilities

As at 30 June 2018, the Company's commitments consisted of capital commitments of RMB260 million and operating lease commitments of RMB102 million, of which RMB41 million was payable within one year.

Please refer to note 22 of the unaudited interim financial report for the details of the Company's contingent liabilities as at 30 June 2018.

Pursuant to paragraph 40 of Appendix 16 to 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 to the Listing Rules has not changed materially from the information disclosed in the Company's 2017 Annual Report.

III. Employees

As at 30 June 2018, the Company had employed a total of 14,606 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 2017.

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 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.

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 2018, 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 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 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 2018. 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 2018 prepared in accordance with the International Accounting Standard No. 34.

Changes in Share Capital and Shareholders

1. Change in share capital

Unit: share(s)

	Before this change		Increase (+)/ Decrease (-) in this change					After this change	
	Number	Percentage	Issuance of new shares	Bonus shares	Shares from contributed capital surplus	Others	Sub-total	Number	Percentage
I. Shares subject to sales restriction	180,043,928	2.31%	0	0	0	4	4	180,043,932	2.31%
3. Other domestic shares	180,043,928	2.31%	0	0	0	4	4	180,043,932	2.31%
Shares held by domestic natural persons	180,043,928	2.31%	0	0	0	4	4	180,043,932	2.31%
II. Shares not subject to sales restriction	7,614,004,147	97.69%	0	0	0	-4	-4	7,614,004,143	97.69%
1. Ordinary shares denominated in RMB	6,225,797,061	79.88%	0	0	0	-4	-4	6,225,797,057	79.88%
3. Overseas listed foreign invested shares	1,388,207,086	17.81%	0	0	0	0	0	1,388,207,086	17.81%
III. Total number of shares	7,794,048,075	100.00%	0	0	0	0	0	7,794,048,075	100.00%

Changes in Share Capital and Shareholders

2. Number of shareholders of the Company and shareholdings

Unit: share(s)

Total number of holders of ordinary shares as at the end of the Reporting Period	362,208

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 at the end of the Reporting Period	Changes during the Reporting Period	Number of restricted ordinary shares	Number of unrestricted ordinary shares	Condition of pledge of lock-up Condition of shares	Number
HKSCC NOMINEES LIMITED	Overseas legal person	17.78%	1,385,780,639	49,896		1,385,780,639		
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	State-owned legal person	16.08%	1,253,314,876			1,253,314,876		
Changsha Hesheng Science and Technology Investment Co., Ltd	Domestic non state-owned legal person	4.96%	386,517,443			386,517,443	Pledged	184,000,000
China Securities Finance Corporation Limited	State-owned legal person	3.59%	279,669,128	49,260,177		279,669,128		
GOOD EXCEL GROUP LIMITED	Overseas legal person	2.16%	168,635,680			168,635,680		
Real Smart International Limited	Overseas legal person	2.16%	168,635,602			168,635,602	Pledged	168,000,000
Changsha Yifang Science and Technology Investment Co., Ltd	Domestic non state-owned legal person	2.01%	156,864,942			156,864,942		
Central Huijin Asset Management Ltd.	State-owned legal person	1.49%	115,849,400			115,849,400		
Hony Capital Fund I (Tianjin), L.P.	Domestic non state-owned legal person	0.83%	64,600,000			64,600,000		
Hong Kong Securities Clearing Company Limited	Overseas legal person	0.82%	64,083,323			64,083,323		

Changes in Share Capital and Shareholders

Shareholdings of top ten holders of unrestricted ordinary shares

Name of shareholder	Number of unrestricted ordinary shares at the end of the Reporting Period	Shares: Class of shares	Shares: Number
HKSCC NOMINEES LIMITED	1,385,780,639	Overseas-listed foreign-invested shares	1,385,780,639
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	279,669,128	Ordinary shares denominated in RMB	279,669,128
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
Hong Kong Securities Clearing Company Limited	64,083,323	Ordinary shares denominated in RMB	64,083,323

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

As at 30 June 2018, so far as the Directors and the Company's chief executive were aware, the following persons (other than the Directors, the Supervisors and the Company's chief executive) had an interest or short position in the shares or underlying shares of the Company which would fall 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 required to be kept by the Company pursuant to Section 336 of SFO:

Changes in Share Capital and Shareholders

Name	Nature of interest	Class of shares	Number of shares	Percentage of class of shares issued (%)	Percentage of total shares issued (%)
State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government	Beneficial	A shares	1,253,314,876	19.57	16.08
Changsha Hesheng Science and Technology Investment Co., Ltd.(1)	Beneficial	A Shares	386,517,443	6.03	4.96

(1) Changsha Hesheng Science and Technology Investment Co., Ltd. is an investment entity controlled and owned by the management of the Group.

Save as disclosed above, as at 30 June 2018, so far as the Directors and the Company's chief executive were aware, no other persons (other than the Directors, the Supervisors and the Company's chief executive) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register to be kept by the Company pursuant to Section 336 of SFO.

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

For the six months ended 30 June 2018, there was no purchase, sale or redemption of any securities of the Company by the Company or any of its subsidiaries.

5. Share Option Scheme

On 1 November 2017, a share option scheme (the "Share Option Scheme") and the first grant of options thereunder (the "First Grant of Options") were approved by way of special resolutions at the Company's extraordinary general meeting, H shares class meeting and A shares class meeting, and adopted by the Company. On 7 November 2017, during the seventh extraordinary meeting of the fifth session of the Board for 2017, the Board considered and approved the First Grant of Options and confirmed that the date of the First Grant of Options shall be 7 November 2017, pursuant to which 171,568,961 options were granted to 1,231 participants. 39 participants waived their right to subscribe for new A shares under the Share Option Scheme, leaving 1,192 persons to subscribe for an aggregate of 168,760,911 new A shares thereunder.

Changes in Share Capital and Shareholders

Details of movement of the options granted under the Share Option Scheme for the six months ended 30 June 2018 were as follows:

						Number of options				
Name or category of participant	Date of grant	Vesting period	Exercise period	Exercise price (RMB)	As at 1 January 2018	Granted during the period	Lapsed during the period	Cancelled during the period	Exercised during the period	As at 30 June 2018
Zhan Chunxin (chief executive of the Company	07/11/2017	07/11/2017 to 06/11/2018	07/11/2018 to 06/11/2019	4.57	1,155,408	–	–	–	–	1,155,408
		07/11/2017 to 06/11/2019	07/11/2019 to 06/11/2020	4.57	866,556	–	–	–	–	866,556
		07/11/2017 to 06/11/2020	09/11/2020 to 05/11/2021	4.57	866,556	–	–	–	–	866,556
Key technical and managerial personnel (1,191 participants in total)	07/11/2017	07/11/2017 to 06/11/2018	07/11/2018 to 06/11/2019	4.57	66,348,957	–	–	–	–	66,348,957
		07/11/2017 to 06/11/2019	07/11/2019 to 06/11/2020	4.57	49,761,717	–	–	–	–	49,761,717
		07/11/2017 to 06/11/2020	09/11/2020 to 05/11/2021	4.57	49,761,717	–	–	–	–	49,761,717

As at 30 June 2018, the Company had 168,760,911 options outstanding under the Share Option Scheme, which represented approximately 2.17% of the Company's shares in issue on that date.

Directors, Supervisors and Senior Management

I. Changes in Directors, Supervisors and Senior Management

There were no changes in the Directors, the Supervisors and the Company's senior management during the Reporting Period as set out in the Company's Annual Report of 2017.

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

As at 30 June 2018, the Directors, Supervisors and the Company's chief executive who had an 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 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 the Hong Kong Stock Exchange under 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	8,040,556	0.1255%
Liu Chi	Beneficiary owner	A share	379,211	0.0059%
Liu Quan	Beneficiary owner	A share	1,068,052	0.0167%

As at 30 June 2018, save as disclosed above, none of the Directors, the Supervisors or the Company's 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 are 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 2018, none of the Directors, the Supervisors, or the Company's chief executive officer or their respective spouses or children under 18 years of age had any rights to acquire the shares or debentures of the Company or any of its associated corporations nor were any such rights exercised.

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 88, which comprises the consolidated statement of financial position of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") as of 30 June 2018, 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 2018 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 2018

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2018

(Expressed in RMB)

	Note	For the six-month period ended 30 June 2018 RMB millions	2017 RMB millions (i)
Continuing operations:			
Revenue	3	**14,706**	10,125
Cost of sales and services		**(10,953)**	(8,298)
Gross profit		**3,753**	1,827
Other income	4	**397**	26
Sales and marketing expenses		**(1,213)**	(1,099)
General and administrative expenses		**(1,139)**	(9,546)
Research and development expenses		**(197)**	(185)
Profit/(loss) from operations		**1,601**	(8,977)
Net finance costs	5(a)	**(607)**	(905)
Share of profits less losses of associates		**86**	—
Profit/(loss) before taxation	5	**1,080**	(9,882)
Income tax	6	**(217)**	1,420
Profit/(loss) from continuing operations		**863**	(8,462)
Discontinued operation:			
Profit from discontinued operation	7	**—**	9,546
Profit for the period		**863**	1,084

Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2018

(Expressed in RMB)

	Note	For the six-month period ended 30 June **2018** **RMB** **millions**	 2017 RMB millions (i)
Profit attributable to:			
Equity shareholders of the Company			
— continuing operations		**874**	(8,413)
— discontinued operation		**—**	9,554
		874	1,141
Non-controlling interests			
— continuing operations		**(11)**	(49)
— discontinued operation		**—**	(8)
		(11)	(57)
Profit for the period		**863**	1,084
Basic and diluted earnings/(losses) per share (RMB)	8		
— continuing operations		**0.11**	(1.10)
— discontinued operation		**—**	1.25
		0.11	0.15

Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2018

(Expressed in RMB)

	Note	For the six-month period ended 30 June 2018 RMB millions	 2017 RMB millions (i)
Profit for the period		**863**	1,084
Other comprehensive income for the period (after tax):			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)		**42**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		**(43)**	258
Available-for-sale securities: net movement in fair value reserve (recycling) (ii)		**—**	4
Total other comprehensive income for the period		**(1)**	262
Total comprehensive income for the period		**862**	1,346
Total comprehensive income attributable to:			
Equity shareholders of the Company			
— continuing operations		**873**	(8,187)
— discontinued operation		**—**	9,575
		873	1,388
Non-controlling interests			
— continuing operations		**(11)**	(49)
— discontinued operation		**—**	7
		(11)	(42)
Total comprehensive income for the period		**862**	1,346

Notes:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018 the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 2(c).

The notes on pages 34 to 88 form part of the interim financial report.

Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2018

(Expressed in RMB)

	Note	As at 30 June 2018 RMB millions	As at 31 December 2017 RMB millions (Note)
Non-current assets			
Property, plant and equipment		**6,132**	6,274
Lease prepayments		**1,909**	1,935
Intangible assets		**2,167**	2,250
Goodwill	9	**2,062**	2,088
Interests in associates	10	**3,213**	3,123
Other financial assets	11	**2,440**	2,154
Trade and other receivables	12	**5,036**	4,106
Receivables under finance lease	13	**2,938**	1,870
Pledged bank deposits		**81**	60
Deferred tax assets		**1,365**	1,358
Total non-current assets		**27,343**	25,218
Current assets			
Inventories	14	**7,688**	8,886
Other current assets		**959**	897
Financial assets at FVPL	15	**8,751**	6,323
Trade and other receivables	12	**24,173**	22,661
Receivables under finance lease	13	**10,264**	10,931
Pledged bank deposits		**877**	1,048
Cash and cash equivalents	16	**7,226**	7,148
Total current assets		**59,938**	57,894
Total assets		**87,281**	83,112
Current liabilities			
Loans and borrowings	17(a)	**11,404**	9,348
Trade and other payables	18	**17,065**	14,992
Financial liabilities at FVPL		**20**	—
Contract liability	18	**1,421**	—
Income tax payable		**156**	148
Total current liabilities		**30,066**	24,488
Net current assets		**29,872**	33,406
Total assets less current liabilities		**57,215**	58,624

Consolidated Statement of Financial Position (continued) (Unaudited)

As at 30 June 2018

(Expressed in RMB)

	Note	**As at 30 June 2018 RMB millions**	As at 31 December 2017 RMB millions (Note)
Non-current liabilities			
Loans and borrowings	17(b)	**18,470**	19,296
Deferred tax liabilities		**476**	485
Other non-current liabilities		**708**	653
Total non-current liabilities		**19,654**	20,434
NET ASSETS		**37,561**	38,190
CAPITAL AND RESERVES			
Share capital		**7,794**	7,794
Reserves		**29,149**	29,746
Total equity attributable to equity shareholders of the Company		**36,943**	37,540
Non-controlling interests		**618**	650
TOTAL EQUITY		**37,561**	38,190

Approved and authorised for issue by the board of directors on 30 August 2018.

Zhan Chunxin
Chairman and Chief Executive Officer

Du Yigang
Vice-president

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 34 to 88 form part of the interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2018

(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	Fair value reserve (recycling) RMB millions	Fair value reserve (non-recycling) 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 2017	7,664	12,695	2,938	(1,462)	(1)	–	15	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	–	–	–	–	–	–	–	(1,144)	(1,144)	–	(1,144)
Repurchase of own shares	(39)	(131)	–	–	–	–	–	–	(170)	–	(170)
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	–	265	–	–	–	–	–	–	265	(273)	(8)
Dilution of interest in an associate	–	10	–	–	–	–	–	–	10	–	10
Safety production fund	–	–	–	–	–	–	6	(6)	–	–	–
Balance at 30 June 2017 and 1 July 2017	7,625	12,832	2,938	(1,219)	3	–	21	14,915	37,115	684	37,799

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

For the six-month period ended 30 June 2018

(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	Fair value reserve (recycling) RMB millions	Fair value reserve (non-recycling) 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 2017 and 1 July 2017	7,625	12,832	2,938	(1,219)	3	–	21	14,915	37,115	684	37,799
Changes in equity for the six-month period ended 31 December 2017:											
Profit for the period	–	–	–	–	–	–	–	201	201	(27)	174
Other comprehensive income	–	–	–	135	41	–	–	–	176	15	191
Total comprehensive income	–	–	–	135	41	–	–	201	377	(12)	365
Appropriation for surplus reserve	–	–	26	–	–	–	–	(26)	–	–	–
Cash dividends	–	–	–	–	–	–	–	3	3	–	3
Share incentive scheme											
– Share option scheme	–	9	–	–	–	–	–	–	9	–	9
– Restricted share scheme	169	(133)	–	–	–	–	–	–	36	–	36
Contribution from non-controlling shareholders in a subsidiary	–	–	–	–	–	–	–	–	–	(22)	(22)
Balance at 31 December 2017	7,794	12,708	2,964	(1,084)	44	–	21	15,093	37,540	650	38,190

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

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

For the six-month period ended 30 June 2018

(Expressed in RMB)

	Note	Share capital RMB millions	Capital reserve RMB millions	Statutory surplus reserve RMB millions	Exchange reserve RMB millions	Fair value reserve (recycling) RMB millions	Fair value reserve (non-recycling) RMB millions	Other reserves RMB millions	Retained earnings RMB millions	Total RMB millions	Non-controlling interests RMB millions	Total equity RMB millions
		Attributable to equity shareholders of the Company										
Balance at 31 December 2017 and 1 January 2018		7,794	12,708	2,964	(1,084)	44	–	21	15,093	37,540	650	38,190
Impact on initial application of IFRS 9		–	–	–	–	(44)	43	–	(65)	(66)	(13)	(79)
Adjusted balance at 1 January 2018		7,794	12,708	2,964	(1,084)	–	43	21	15,028	37,474	637	38,111
Changes in equity for the six-month period ended 30 June 2018:												
Profit for the period		–	–	–	–	–	–	–	874	874	(11)	863
Other comprehensive income		–	–	–	(43)	–	42	–	–	(1)	–	(1)
Total comprehensive income		–	–	–	(43)	–	42	–	874	873	(11)	862
Cash dividends	19	–	29	–	–	–	–	–	(1,554)	(1,525)	–	(1,525)
Dividends declared by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	–	(11)	(11)
Share incentive scheme												
– Share option scheme		–	24	–	–	–	–	–	–	24	–	24
– Restricted share scheme		–	97	–	–	–	–	–	–	97	–	97
Acquisition of non-controlling interests in a subsidiary		–	–	–	–	–	–	–	–	–	(2)	(2)
Contribution from non-controlling shareholders in a subsidiary		–	–	–	–	–	–	–	–	–	5	5
Safety production fund	24(b)	–	–	–	–	–	–	10	(10)	–	–	–
Balance at 30 June 2018		7,794	12,858	2,964	(1,127)	–	85	31	14,338	36,943	618	37,561

The notes on pages 34 to 88 form part of these financial statements.

Consolidated cash flow statement (Unaudited)

For the six-month period ended 30 June 2018

(Expressed in RMB)

	For the six-month period ended 30 June	
	2018	2017
	RMB	RMB
	millions	millions
Operating activities		
Profit before taxation	**1,080**	1,083
Adjustments for:		
Depreciation of property, plant and equipment	**285**	380
Amortisation of lease prepayments	**26**	32
Amortisation of intangible assets	**101**	108
Share of profits less losses of associates	**(86)**	20
Interest income	**(192)**	(168)
Interest expenses	**747**	767
Unrealised exchange (gains)/losses	**(82)**	165
Gain on sale of 80% equity interest in Changsha Zoomlion Environmental Industry Co., Ltd.	**—**	(10,738)
(Gain)/loss on disposal of property, plant and equipment and lease prepayments	**(4)**	3
Impairment loss on property, plant and equipment	**—**	145
Impairment loss on goodwill	**—**	25
Loss on remeasurement of derivative financial instruments at fair value	**—**	30
Net realised and unrealised gains on financial assets at FVPL	**(252)**	—
Share incentive scheme expenses	**121**	—
	1,744	(8,148)
Decrease in inventories	**1,678**	3,031
Increase in trade and other receivables	**(3,065)**	(1,663)
(Increase)/decrease in receivables under finance lease	**(443)**	849
Increase in trade and other payables	**335**	6,528
Increase in contract liability	**1,421**	—
Cash generated from operations	**1,670**	597
Income tax paid	**(265)**	(68)
Net cash generated from operating activities carried forward	**1,405**	529

Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2018

(Expressed in RMB)

	Note	For the six-month period ended 30 June 2018 RMB millions	2017 RMB millions
Net cash generated from operating activities brought forward		**1,405**	529
Investing activities			
Payment for purchase of property, plant and equipment		**(159)**	(98)
Lease prepayments		**—**	(210)
Payment for purchase of intangible assets		**(34)**	(56)
Net proceed from sale of 80% equity interest in Changsha Zoomlion Environmental Industry Co., Ltd.	7	**—**	5,687
Payment for investment in associates		**(3)**	(2)
Payment for financial assets at FVOCI		**(69)**	—
Payment for financial assets at FVPL		**(14,850)**	—
Proceeds from financial assets at FVPL		**12,695**	—
Proceeds from disposal of property, plant and equipment, intangible assets and lease prepayments		**26**	146
Proceeds from settlement of derivative financial instruments		**—**	(56)
Interest received		**192**	168
Decrease in pledged bank deposits		**150**	220
Net cash (used in)/generated from investing activities		**(2,052)**	5,799
Financing activities			
Proceeds from loans and borrowings		**6,539**	6,339
Contribution from non-controlling shareholders in a subsidiary		**5**	23
Repayments of loans and borrowings		**(5,104)**	(5,226)
Payment on repurchase of guaranteed USD senior notes		**(228)**	(2,749)
Interest paid		**(480)**	(497)
Dividends paid by subsidiaries to non-controlling interests		**(11)**	(11)
Payment for acquisition of non-controlling interests		**(2)**	(2)
Payment on repurchase of own shares		**—**	(170)
Net cash generated from/(used in) financing activities		**719**	(2,293)
Net increase in cash and cash equivalents		**72**	4,035
Cash and cash equivalents at the beginning of period		**7,148**	6,575
Effect of foreign exchange rate changes		**6**	(7)
Cash and cash equivalents at the end of period	16	**7,226**	10,603

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 34 to 88 form part of the interim financial report.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

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 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 2(c), (d) and (e).

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 2017 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 new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 2(c) for IFRS 9 and note 2(d) for IFRS 15.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

2 Basis of preparation (continued)

(b) (continued)

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and IFRS 15:

	At 31 December 2017 RMB millions	Impact on initial application of IFRS 9 (Note 2(c)) RMB millions	Impact on initial application of IFRS 15 (Note 2(d)) RMB millions	At 1 January 2018 RMB millions
Other financial assets				
— Available-for-sale equity securities	2,154	(2,154)	—	—
— Financial assets measured at FVOCI	—	2,140	—	2,140
— Financial assets carried at FVPL	—	14	—	14
Trade and other receivables	4,106	(10)	—	4,096
Receivables under finance lease	1,870	(8)	—	1,862
Deferred tax assets	1,358	15	—	1,373
Total non-current assets	**25,218**	**(3)**	**—**	**25,215**
Trade and other receivables	22,661	(46)	—	22,615
Receivables under finance lease	10,931	(30)	—	10,901
Total current assets	**57,894**	**(76)**	**—**	**57,818**
Contract liability	—	—	1,330	1,330
Trade and other payables	14,992	—	(1,330)	13,662
Total current liabilities	**24,488**	**—**	**—**	**24,488**
Net current assets	**33,406**	**(76)**	**—**	**33,330**
Total assets less current liabilities	**58,624**	**(79)**	**—**	**58,545**
Deferred tax liabilities	485	—	—	485
Total non-current liabilities	**20,434**	**—**	**—**	**20,434**
Net assets	**38,190**	**(79)**	**—**	**38,111**
Reserves	29,746	(66)	—	29,680
Total equity attributable to equity shareholders of the Company	**37,540**	**(66)**	**—**	**37,474**
Non-controlling interests	650	(13)	—	637
Total equity	**38,190**	**(79)**	**—**	**38,111**

Further details of these changes are set out in sub-sections (c) and (d) of this note.

2 Basis of preparation (continued)

(c) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement.* It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB millions
Retained earnings	
Transferred from fair value reserve (recycling) relating to financial assets now measured at FVPL	1
Recognition of additional expected credit losses on financial assets measured at amortised cost	(80)
Related tax	14
Net decrease in retained earnings at 1 January 2018	(65)
Fair value reserve (recycling)	
Transferred to retained earnings relating to financial assets now measured at FVPL	(1)
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at FVOCI	(43)
Net decrease in fair value reserve (recycling) at 1 January 2018	(44)
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity securities now measured at FVOCI and increase in fair value reserve (non-recycling) at 1 January 2018	43
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost	(14)
Related tax	1
Net decrease in retained earnings at 1 January 2018	(13)

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

2 Basis of preparation (continued)

(c) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Basis of preparation (continued)

(c) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

(i) Classification of financial assets and financial liabilities (continued)

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

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For the six-month period ended 30 June 2018

2 Basis of preparation (continued)

(c) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

(i) Classification of financial assets and financial liabilities (continued)

	IAS 39 carrying amount at 31 December 2017 RMB millions	Reclassification RMB millions	Remeasurement RMB millions	IFRS 9 carrying amount at 1 January 2018 RMB millions
Financial assets carried at amortised cost				
Cash and cash equivalents	7,148	—	—	7,148
Pledged bank deposits	1,108	—	—	1,108
Trade and other receivables	26,767	—	(56)	26,711
Receivables under finance lease	12,801	—	(38)	12,763
	47,824	—	(94)	47,730
Financial assets measured at FVOCI (non-recyclable)				
Equity securities (note (i))	—	2,140	—	2,140
Financial assets carried at FVPL				
Wealth management products (note (ii))	6,319	—	—	6,319
Derivative financial instruments (note (ii))	4	—	—	4
Listed equity securities (note (i))	—	14	—	14
	6,323	14	—	6,337
Financial assets classified as available-for-sale under IAS 39 (notes (i))				
Other financial assets	2,154	(2,154)	—	—

Notes:

(i) Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in unlisted equity securities at FVOCI (non-recycling), as these investments are held for strategic purposes.

(ii) Wealth management products and derivative financial instruments were classified as financial assets at FVPL under IAS 39. These assets continue to be measured at FVPL under IFRS 9.

2 Basis of preparation (continued)

(c) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

(i) Classification of financial assets and financial liabilities (continued)

The measurement categories for all financial liabilities remain the same.

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

Financial guarantees issued are initially recognised within "trade and other payables" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 2(c)(ii)) on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee and a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(c)(ii) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the payments that are guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

2 Basis of preparation (continued)

(c) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables);

— lease receivables; and

— financial guarantee contracts issued (see note 2(c)(i)).

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), wealth management products and derivative financial instruments, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2 Basis of preparation (continued)

(c) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

(ii) Credit losses (continued)

Measurement of ECLs (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on the base of lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

2 Basis of preparation (continued)

(c) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

(ii) Credit losses (continued)

Significant increases in credit risk (continued)

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for financial assets that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

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

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

2 Basis of preparation (continued)

(c) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

(ii) Credit losses (continued)

Basis of calculation of interest income on credit-impaired financial assets (continued)

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

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB94 million, which decreased retained earnings by RMB66 million and non-controlling interests by RMB13 million and increased gross deferred tax assets by RMB15 million at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	RMB millions
Loss allowance at 31 December 2017 under IAS 39	7,692
Additional credit loss recognised at 1 January 2018 on:	
— Trade and other receivables	56
— Lease receivables	38
Loss allowance at 1 January 2018 under IFRS 9	7,786

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

2 Basis of preparation (continued)

(c) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

— The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  — the determination of the business model within which a financial asset is held; and

  — the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(d) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The adoption of the IFRS 15 did not have a material impact on retained earnings and the related tax.

2 Basis of preparation (continued)

(d) IFRS 15, Revenue from contracts with customers (continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

2 Basis of preparation (continued)

(d) IFRS 15, Revenue from contracts with customers (continued)

(ii) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group applied such a policy when payments were significantly deferred. Instalment payments are common in the Group's arrangements with its customers. In this situation, the Group may offer customers a right to defer payment over one year.

Where such instalment payment schemes include a significant financing component, the transaction price is adjusted to present value. Such adjustment results in interest income being recognised by the Group to reflect the effect of the financing benefit provided to the customers during the period between the payment date and the completion date of legal assignment, with a corresponding decrease to revenue on sale of products recognised when control of the completed product is transferred to the customer.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

The adoption of IFRS 15 does not have a significant impact on the recognition of revenue from instalment arrangement.

(iii) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented.

For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2 Basis of preparation (continued)

(d) IFRS 15, Revenue from contracts with customers (continued)

(iii) Presentation of contract assets and liabilities (continued)

Previously, contract balances relating to contract liability were presented in the statement of financial position under or "trade and other payables" until the products were delivered to the customer and the revenue was recognised for the reasons explained in paragraph (i) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

	IAS 18 carrying amount at 31 December 2017 RMB millions	Reclassification RMB millions	IFRS 15 carrying amount at 1 January 2018 RMB millions
Contract liability	—	1,330	1,330
Trade and other payables	14,992	(1,330)	13,662
	14,992	—	14,992

(e) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or contract liability of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

3 Revenue and segment reporting

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2018	2017
	RMB	RMB
	millions	millions
		(note (i))
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
Continuing operations:		
Construction machinery		
— Concrete machinery	**5,711**	3,626
— Crane machinery	**5,651**	3,114
— Others	**2,216**	1,695
Agricultural machinery	**935**	1,558
Financial services	**15**	—
Discontinued operation:		
Environmental industry	**—**	2,665
	14,528	12,658
Revenue from other sources		
Continuing operations:		
Financial services	**178**	132
	14,706	12,790

3 Revenue and segment reporting (continued)

(a) Disaggregation of revenue (continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition 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 2018 is set out below:

	Six months ended 30 June 2018			Six months ended
	Point in time	**Over time**	**Total**	30 June 2017
	RMB	**RMB**	**RMB**	RMB
	millions	**millions**	**millions**	millions
		(note (ii))		(note (i))
Reportable segment revenue:				
Continuing operations:				
Construction machinery				
— Concrete machinery	**5,703**	**8**	**5,711**	3,626
— Crane machinery	**5,639**	**12**	**5,651**	3,114
— Others	**2,216**	**—**	**2,216**	1,695
Agricultural machinery	**935**	**—**	**935**	1,558
Financial services	**—**	**193**	**193**	132
	14,493	**213**	**14,706**	10,125
Discontinued operation:				
Environmental industry	**—**	**—**	**—**	2,665
	14,493	**213**	**14,706**	12,790

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18.

(ii) Revenue recognised over time include rental income and service income.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

3 Revenue and segment reporting (continued)

(b) Information about profit or loss

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	RMB millions
Reportable segment profit:		
Continuing operations:		
Construction machinery		
— Concrete machinery	**1,265**	605
— Crane machinery	**1,602**	566
— Others	**598**	302
Agricultural machinery	**95**	222
Financial services	**193**	132
Discontinued operation:		
Environmental industry	**—**	664
	3,753	2,491

(c) Reconciliations of segment profit/(loss)

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	RMB millions
Total reportable segment profit	**3,753**	2,491
Elimination of discontinued operation	**—**	(664)
Gross profit from continuing operations	**3,753**	1,827
Other income	**397**	26
Sales and marketing expenses	**(1,213)**	(1,099)
General and administrative expenses	**(1,139)**	(9,546)
Research and development expenses	**(197)**	(185)
Net finance costs	**(607)**	(905)
Share of profits less losses of associates	**86**	—
Profit/(loss) before taxation from continuing operations	**1,080**	(9,882)

4 Other income

	For the six-month period ended 30 June	
	2018	2017
	RMB	RMB
	millions	millions
Continuing operations:		
Government grants	**127**	60
Gain/(loss) on disposal of property, plant and equipment, intangible assets and lease prepayments	**4**	(3)
Net realised and unrealised gains on financial assets at FVPL	**252**	—
Others	**14**	(31)
	397	26
Discontinued operation:		
Others	**—**	2
	—	2
	397	28

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

5 Profit before taxation

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

(a) Net finance costs:

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	RMB millions
Continuing operations:		
Interest income	**(192)**	(162)
Loss on re-measurement of derivative financial instruments at fair value	**–**	33
Interest on loans and borrowings	**747**	758
Net exchange loss	**52**	276
	607	905
Discontinued operation:		
Interest income	**–**	(6)
Gain on re-measurement of derivative financial instruments at fair value	**–**	(3)
Interest on loans and borrowings	**–**	9
Net exchange loss	**–**	19
	–	19
	607	924

5 Profit before taxation (continued)

(b) Staff costs:

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	RMB millions
Continuing operations:		
Salaries, wages and other benefits	**1,143**	1,009
Contributions to retirement schemes	**109**	104
	1,252	1,113
Discontinued operation:		
Salaries, wages and other benefits	**–**	159
Contributions to retirement schemes	**–**	16
	–	175
	1,252	1,288

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For the six-month period ended 30 June 2018

5 Profit before taxation (continued)

(c) Other items:

	For the six-month period ended 30 June	
	2018	2017
	RMB	RMB
	millions	millions
		(Note)
Continuing operations:		
Cost of inventories sold	**10,953**	8,298
Depreciation of property, plant and equipment	**285**	353
Amortisation of lease prepayments	**26**	32
Amortisation of intangible assets	**101**	91
(Gain)/loss on disposal of property, plant and equipment, intangible assets and lease prepayments	**(4)**	3
Operating lease charges	**68**	87
Product warranty costs	**76**	59
Impairment losses		
— trade receivables (Note 12(b))	**112**	5,865
— receivables under finance lease (Note 13(c))	**32**	865
— inventories	**5**	1,772
— property, plant and equipment	**—**	145
Discontinued operation:		
Cost of inventories sold	**—**	1,803
Depreciation of property, plant and equipment	**—**	27
Amortisation of intangible assets	**—**	17
Operating lease charges	**—**	6
Product warranty costs	**—**	2
Impairment losses		
— trade receivables	**—**	10

Note: The group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

6 Income tax

(a) Continuing operations

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

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	RMB millions
Current tax — PRC income tax	**229**	12
Current tax — Income tax in other tax jurisdictions	**2**	1
Deferred taxation	**(14)**	(1,433)
Tax expenses/(credit) on continuing operations	**217**	(1,420)

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

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	RMB millions
Profit/(loss) before taxation	**1,080**	(9,882)
Notional tax on profit/(loss) before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (note (a))	**270**	(2,471)
Tax effect of non-deductible expenses	**52**	55
Current year loss for which no deferred tax assets was recognised	**75**	44
Tax effect of non-taxable income	**(21)**	(16)
Tax effect of tax concessions (note (b))	**(129)**	992
Additional deduction for qualified research and development expenses (note (c))	**(30)**	(24)
Actual income tax expenses/(credit)	**217**	(1,420)

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6 Income tax (continued)

(b) Discontinued operation

(i) Taxation charged to profit or loss:

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	RMB millions
Current tax — PRC income tax	**–**	1,164
Deferred taxation	**–**	255
Tax expenses on continuing operations	**–**	1,419

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

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	RMB millions
Profit before taxation	**–**	10,965
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (note (a))	**–**	2,741
Tax effect of non-taxable income	**–**	(347)
Tax effect of tax concessions (note (b))	**–**	(975)
Actual income tax expenses	**–**	1,419

6 Income tax (continued)

(b) Discontinued operation (continued)

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

Notes:

(a) The PRC statutory income tax rate is 25% (2017: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2017: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2018, 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% (2017: 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 2017 and accordingly are subject to income tax at 15% for the years from 2017 to 2019.

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 2019.

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

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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.

On 21 May 2017, the Company entered into an 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 (collectively referred to as "the Purchasers") to sell 80% of its interests in ZEI at a total consideration of RMB11,600 million in cash, which has been received during the year. 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 or loss during the year, representing the sum of the fair value of the retained 20% interest in ZEI and the cash consideration less the then carrying cost of ZEI.

7 Discontinued operation (continued)

(a) Results of discontinued operation

	For the six-month period ended 30 June 2017 RMB millions
Revenue	2,665
Cost of sales and services	(2,001)
Other income	2
Sales and marketing expenses	(272)
General and administrative expenses	(99)
Research and development expenses	(29)
Net finance costs	(19)
Share of profits less losses of associates	(20)
Result from operating activities	227
Income tax	(36)
Result from operating activities, net of tax	191
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

(b) Cash flows used in discontinued operation

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

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

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	705
Intangible assets	432
Lease prepayments	439
Goodwill	46
Interest in associates	42
Available-for-sale financial assets	21
Other non-current assets	65
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	(689)
Other current liabilities	(48)
Payable for acquisition of non-controlling interests	(294)
Deferred tax liabilities	(87)
Net assets and liabilities	3,325
Consideration received	11,600
Net cash and cash equivalents disposed of	(1,172)
Net cash inflows	10,428

8 Basic and diluted earnings/(losses) per share

The calculation of basic earnings per share for the six-month period ended 30 June 2018 is based on the profit attributable to equity shareholders of the Company of RMB874 million (profit attributable to equity shareholders of the Company for six-month period ended 30 June 2017: RMB1,141 million), and the weighted-average number of ordinary shares in issue of 7,625 million during the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: 7,659 million shares).

The calculation of diluted earnings per share amount for the period ended 30 June 2018 has not included the potential effect of deemed issuance of shares and unlocking of restricted shares, as the share option has an anti-dilutive effect on the basic earnings per share amount for the period, and the restricted shares are subject to the unlocking conditions including certain performance conditions.

9 Goodwill

	2018 RMB millions	2017 RMB millions
Balance at 1 January	**2,088**	2,076
Disposal (Note 7)	**–**	(46)
Impairment loss	**–**	(24)
Effect of exchange rate difference	**(26)**	82
Balance at 30 June/31 December	**2,062**	2,088

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10 Interests in associates

The following list contains only the particulars of a material associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital (millions)	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activities
Changsha Zoomlion Environmental Industry Co., Ltd.	Incorporated	China	RMB2,352	20%	20%	Environmental construction and project operation

The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	30 June 2018 RMB millions	31 December 2017 RMB millions
Gross amounts of the associate		
Current assets	**9,662**	8,726
Non-current assets	**1,990**	1,874
Current liabilities	**(6,655)**	(5,947)
Non-current liabilities	**(581)**	(623)
Total equity attributable to equity shareholders of ZEI	**(4,194)**	(3,788)
Non-controlling interests	**(222)**	(242)

10 Interests in associates (continued)

	Six months from 1 January 2018 to 30 June 2018 RMB millions	Six months from 1 July 2017 to 31 December 2017 RMB millions
Revenue	**3,619**	4,261
Profit attributable to equity shareholders	**406**	534
Other comprehensive income	**—**	—
Total comprehensive income	**406**	534
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**4,194**	3,788
Group's effective interest	**20%**	20%
Group's share of net assets of the associate	**839**	758
Goodwill	**1,814**	1,814
Carrying amount in the consolidated financial statements	**2,653**	2,572

Aggregate information of associates that are not individually material:

	30 June 2018 RMB millions	30 June 2017 RMB millions
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**560**	551

	Six months from 1 January 2018 to 30 June 2018 RMB millions	Six months from 1 July 2017 to 1 December 2017 RMB millions
Aggregate amounts of the Group's share of those associates'		
Profit from operations	**5**	—
Other comprehensive income	**—**	—
Total comprehensive income	**5**	—

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For the six-month period ended 30 June 2018

11 Other financial assets

	30 June 2018 RMB millions	1 January 2018 RMB millions	31 December 2017 RMB millions
Financial assets measured at FVOCI			
Equity securities	**2,427**	2,140	—
Financial assets carried at FVPL			
Listed equity securities	**13**	14	—
Available-for-sale equity securities			
Equity securities	**—**	—	2,154
Total	**2,440**	2,154	2,154

Financial assets measured at FVOCI comprises equity funds and other unlisted equity securities. Under IAS 39, these equity securities were classified as available-for-sale financial assets. On 1 January 2018, the Group designated these equity securities at FVOCI (non-recycling), as they are held for strategic purposes.

12 Trade and other receivables

	As at 30 June 2018 RMB millions	As at 1 January 2018 RMB millions	As at 31 December 2017 RMB millions
Trade receivables	**28,891**	26,917	26,917
Less: allowance for doubtful debts (Note (b))	**(6,041)**	(5,993)	(5,937)
	22,850	20,924	20,980
Less: trade receivables due after one year	**(5,036)**	(4,096)	(4,106)
	17,814	16,828	16,874
Bills receivable (Note (c))	**2,817**	2,237	2,237
	20,631	19,065	19,111
Amounts due from related parties (Note 23(b))	**801**	1,175	1,175
Prepayments for purchase of raw materials	**271**	210	210
Prepaid expenses	**503**	465	465
VAT recoverable	**925**	885	885
Deposits	**128**	141	141
Others	**914**	674	674
	24,173	22,615	22,661

Note: Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables.

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For the six-month period ended 30 June 2018

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 2018 RMB millions	As at 31 December 2017 RMB millions
Within 1 month	**3,568**	3,089
Over 1 month but less than 3 months	**2,925**	2,555
Over 3 months but less than 1 year	**6,529**	5,961
Over 1 year but less than 2 years	**4,738**	4,810
Over 2 years but less than 3 years	**3,958**	3,775
Over 3 years but less than 5 years	**1,132**	790
	22,850	20,980

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2017: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 35% to 45% (2017: 30% to 40%) of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2017: 6 to 42 months), customers are normally required to make an upfront payment ranging from 25% to 45% (2017: 20% to 40%) of the product price.

12 Trade and other receivables (continued)

(b) Impairment of trade receivables

Movement in the loss allowance account in respect of trade receivables during the period is as follows:

	Note	**2018 RMB millions**	2017 RMB millions
Balance at 31 December 2017 under IAS 39		**5,937**	
Impact on initial application of IFRS 9		**56**	
Adjusted/balance at 1 January		**5,993**	2,853
Impairment losses recognised		**112**	5,937
Reclassification from impairment of receivable under finance lease	13(c)	**–**	2
Uncollectible amounts written off		**(64)**	(304)
Written off upon disposal of discontinued operation	7	**–**	(63)
Written off upon sale of trade receivables		**–**	(2,488)
Balance at 30 June/31 December		**6,041**	5,937

(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 2018, 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 2018, 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 RMB1,668 million (31 December 2017: RMB1,031 million).

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13 Receivables under finance lease

	As at 30 June 2018 RMB millions	As at 1 January 2018 RMB millions	As at 31 December 2017 RMB millions
Gross investment	**15,292**	14,715	14,715
Unearned finance income	**(460)**	(354)	(354)
	14,832	14,361	14,361
Less: allowance for doubtful debts (Note(c))	**(1,630)**	(1,598)	(1,560)
	13,202	12,763	12,801
Less: receivables under finance lease due after one year	**(2,938)**	(1,862)	(1,870)
Receivables under finance lease due within one year	**10,264**	10,901	10,931

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 (2017: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 30% of the product price (2017: 5% to 30%) and pay a security deposit ranging from 1% to 10% of the product price (2017: 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.

Note: Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on receivables under finance lease.

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 2018 RMB millions	As at 31 December 2017 RMB millions
Present value of the minimum lease payments		
Within 1 year	**11,685**	12,283
Over 1 year but less than 2 years	**1,578**	1,008
Over 2 years but less than 3 years	**1,055**	649
Over 3 years	**514**	421
	14,832	14,361
Unearned finance income		
Within 1 year	**346**	286
Over 1 year but less than 2 years	**67**	40
Over 2 years but less than 3 years	**33**	19
Over 3 years	**14**	9
	460	354
Gross investment		
Within 1 year	**12,031**	12,569
Over 1 year but less than 2 years	**1,645**	1,048
Over 2 years but less than 3 years	**1,088**	668
Over 3 years	**528**	430
	15,292	14,715

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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 2018 RMB millions	As at 31 December 2017 RMB millions
Not yet due	**7,789**	7,466
Within 1 year past due	**2,548**	2,879
Over 1 year but less than 2 years past due	**1,530**	1,702
Over 2 years past due	**2,965**	2,314
Total past due	**7,043**	6,895
	14,832	14,361
Less: allowance for doubtful debts	**(1,630)**	(1,560)
	13,202	12,801

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 loss allowance account in respect of receivables under finance lease during the period is as follows:

	Note	**2018 RMB millions**	2017 RMB millions
Balance at 31 December 2017 under IAS 39		**1,560**	
Impact on initial application of IFRS 9		**38**	
Adjusted/balance at 1 January		**1,598**	765
Impairment losses recognised		**32**	797
Reclassification to impairment of trade receivables	12(b)	**–**	(2)
Balance at 30 June/31 December		**1,630**	1,560

Note: Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on receivables under finance lease.

14 Inventories

	As at 30 June 2018 RMB millions	As at 31 December 2017 RMB millions
Raw materials	**2,189**	1,935
Work in progress	**1,042**	1,147
Finished goods (Note)	**4,457**	5,804
	7,688	8,886

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 RMB5 million provision during the six-month period ended 30 June 2018 (six-month period ended 30 June 2017:RMB1,610 million).

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15 Financial assets at fair value through profit or loss

	As at 30 June 2018 RMB millions	As at 31 December 2017 RMB millions
Financial assets carried at fair value through profit or loss:		
— Wealth management products (Note)	**2,611**	6,319
— Structured deposits	**6,140**	—
— Derivative financial instruments	**—**	4
	8,751	6,323

Note: The Group invested its spare cash in wealth management products offered by banks and other financial institutions. These wealth management products generally have a pre-set maturity and expected return, with its underlying assets being a wide range of government and corporate bonds, central bank bills, money market funds as well as other listed and unlisted equity securities in the PRC. The Group evaluates these wealth management products on a fair value basis in accordance with accounting policy.

16 Cash and cash equivalents

	As at 30 June 2018 RMB millions	As at 31 December 2017 RMB millions
Cash at bank and on hand		
— RMB denominated	**6,150**	5,727
— USD denominated	**683**	603
— EUR denominated	**271**	667
— HKD denominated	**6**	6
— Other currencies	**116**	145
	7,226	7,148

17 Loans and borrowings

(a) Short-term loans and borrowings:

	Note	As at 30 June 2018 RMB millions	As at 31 December 2017 RMB millions
Secured short-term bank loans			
— RMB denominated		**50**	50
— EUR denominated		**8**	6
Unsecured short-term bank loans			
— RMB denominated	(i)	**3,600**	3,975
— EUR denominated	(ii)	**13**	467
— USD denominated	(iii)	**885**	529
— Gold leasing arrangements	(iv)	**280**	396
— Demand deposits due to an associate	(v)	**10**	129
		4,846	5,552
Add: Current portion of long-term loans and borrowings	17(b)	**6,558**	3,796
		11,404	9,348

Notes:

(i) As at 30 June 2018, RMB denominated unsecured short-term bank loan of RMB1,415 million (31 December 2017: RMB1,515 million) bore interest at a fixed rate of 4.35% per annum and will repayable in full from 2018 to 2019. Such short-term loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2018, the Group was in compliance with these financial covenants.

The remaining RMB denominated unsecured short-term bank loans of RMB2,185 million (31 December 2017: RMB2,460 million) bore interest from 3.30% to 4.35% per annum and will be repayable in full from 2018 to 2019.

(ii) As at 30 June 2018, EUR denominated unsecured short-term bank loans of RMB13 million (31 December 2017: RMB467 million) bore interest from rate of 1.27% to 1.60% annum and will be repayable in full in 2018.

(iii) As at 30 June 2018, USD denominated unsecured short-term bank loans of RMB885 million (31 December 2017: RMB529 million) bore interest from 1.10% to 1.60% per annum and will be repayable in full in 2018.

(iv) As at 30 June 2018, the gold leasing agreements of RMB280 million (31 December 2017: RMB396 million) bore interest at a fixed rate of 2.01% per annum and will be repayable in full in 2018.

(v) As at 30 June 2018, the demand deposits due to an associate of RMB10 million (31 December 2017: RMB129 million) which bore interest at a fixed rate of 0.35% per annum were unsecured.

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17 Loans and borrowings (continued)

(b) Long-term loans and borrowings:

	Note	**As at 30 June 2018 RMB millions**	As at 31 December 2017 RMB millions
Unsecured long-term bank loans			
— RMB denominated	(i)	**10,693**	8,621
— EUR denominated	(ii)	**1,652**	1,711
— USD denominated	(iii)	**103**	—
RMB medium-term notes	(iv)	**8,997**	8,996
Guaranteed USD senior notes	(v)	**3,583**	3,764
		25,028	23,092
Less: Current portion of long-term loans and borrowings	17(a)	**(6,558)**	(3,796)
		18,470	19,296

Notes:

(i) As at 30 June 2018, RMB denominated unsecured long-term bank loans of RMB637 million (31 December 2017: RMB400 million) bore interest at a fixed rate of 4.37% per annum and will be repayable from 2018 to 2020. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2018, the Group was in compliance with these financial covenants.

As at 30 June 2018, RMB denominated unsecured long-term bank loans of RMB4,283 million (31 December 2017: RMB200 million) bore interest from 2.65% to 4.37% per annum and will be repayable from 2018 to 2019.

As at 30 June 2018, RMB denominated unsecured long-term bank loans of RMB1,070 million (31 December 2017: RMB2,134 million) bore interest at 4.37% per annum and will be repayable from 2019 to 2020. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2018, the Group was in compliance with these financial covenants.

As at 30 June 2018, RMB denominated unsecured long-term bank loan of RMB4,703 million (31 December 2017: RMB5,887 million) bore interest from 3.45% to 4.37% per annum and will be repayable by half-yearly instalments from 2019 to 2020.

(ii) As at 30 June 2018, EUR denominated unsecured long-term bank loans of RMB1,652 million (31 December 2017: RMB1,711 million) bore interest ranging from 0.67% to 2.25% per annum and will be repayable from 2018 to 2019.

17 Loans and borrowings (continued)

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

(iii) As at 30 June 2018, USD denominated unsecured long-term bank loans of RMB103 million (31 December 2017: Nil) bore interest at fixed rate of 3.15% per annum and will be repayable from 2019 to 2020.

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

(v) In December 2012, Zoomlion H.K. SPV Co., Limited issued 10-year senior notes with principal amount of USD546 million (RMB equivalent 3,583 million). The senior notes were guaranteed by the Company, bear interest at a fixed rate of 6.13% 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.

In December 2016, senior notes with the carrying amount of USD19.2 million (RMB equivalent 132 million) was repurchased at the quoted market price of USD19.1 million (RMB equivalent 131 million) and the difference of RMB1 million between the purchase price and the carrying amount was charged to the income statement for the year ended 31 December 2016.

In June 2018, senior notes with the carrying amount of USD34.66 million (RMB equivalent 229 million) was repurchased at the quoted market price of USD34.54million (RMB equivalent 228 million) and the difference of RMB1 million between the purchase price and the carrying amount was charged to the income statement for the six-month period ended 30 June 2018.

(c) Except as disclosed in Notes 17(a)(i) and 17(b)(i) above, none of the Group's loans and borrowings contains any financial covenants.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

18 Trade and other payables

	As at 30 June 2018 RMB millions	As at 1 January 2018 RMB millions	As at 31 December 2017 RMB millions
Trade creditors	**6,667**	5,700	5,700
Bills payable	**4,011**	3,394	3,394
Trade creditors and bills payable	**10,678**	9,094	9,094
Amounts due to related parties (Note 23(b))	**43**	50	50
Amounts due to non-controlling shareholders of certain subsidiaries	**468**	468	468
Contract liability (note)	**—**	—	1,330
Payable for acquisition of property, plant and equipment	**301**	249	249
Accrued staff costs	**447**	488	488
Product warranty provision	**79**	75	75
VAT payable	**543**	261	261
Sundry taxes payable	**123**	171	171
Security deposits	**560**	504	504
Interest payable	**388**	141	141
Financial guarantees issued (Note 22)	**36**	35	35
Other accrued expenses and payables	**1,487**	1,740	1,740
Dividends payable	**1,559**	—	—
Locked restricted share	**353**	386	386
	17,065	13,662	14,992

Note: As a result of the adoption of IFRS 15, gross amount due to customers for advances received is included in contract liability (see note 2(d)).

18 Trade and other payables (continued)

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

	As at 30 June 2018 RMB millions	As at 31 December 2017 RMB millions
Due within 1 month or on demand	**4,378**	4,254
Due after 1 month but within 3 months	**3,100**	2,103
Due after 3 months but within 6 months	**2,465**	2,542
Due after 6 months but within 12 months	**735**	195
	10,678	9,094

19 Capital, reserves and dividends

(a) Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2018, a final cash dividend of RMB0.20 per share based on 7,794 million ordinary shares in issue, including 169 million restricted shares, totalling RMB1,554 million in respect of the year ended 31 December 2017 was declared, which will be paid before 31 December 2018. The recalled restricted shares will not be entitled to the declared dividends.

(b) Reserves

(i) Fair value reserve (recycling)

Prior to 1 January 2018, the fair value reserve (recycling) included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with IAS 39. The amount relating to the equity fund and unlisted equity securities has been reclassified to fair value reserve (non-recycling) upon the initial adoption of IFRS 9 at 1 January 2018 (see note 2(c)).

(ii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprise the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 2(c)(i)).

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

19 Capital, reserves and dividends (continued)

(c) Share incentive scheme

Pursuant to Share Incentive Scheme approved by the Board of Directors in 2017, 171,568,961 share options and 171,568,961 restricted shares were planned to be granted to 1,231 selected current employees of the Group (the "Participants"). Each share option shall entitle its eligible holder to purchase one Zoomlion ordinary A share at an exercise price of RMB4.57, and the Participants were entitled to purchase Zoomlion restricted A shares at RMB2.29 each. The Participants of the Share Incentive Scheme included directors, senior executives and core technical employees. 168,760,911 share options and 168,760,911 restricted shares were granted to eligible employees in 2017.

During the six months ended 30 June 2018, no share options and restricted shares were exercised or granted (six months ended 31 December 2017: nil).

There were 168,760,911 share options and 168,760,911 restricted shares outstanding at 30 June 2018.

During the six months ended 30 June 2018, share incentive scheme expenses of RMB121 million were recognised in the consolidated statement of comprehensive income.

20 Fair value measurement of financial instruments

(a) Financial instruments measured at fair value

(i) Fair value hierarchy

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.

20 Fair value measurement of financial instruments (continued)

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

(i) Fair value hierarchy (continued)

	Fair value at 30 June 2018	Fair value measurements as at 30 June 2018 Level 1	Level 2	Level 3
Recurring fair value measurements				
Financial assets:				
Fair value through OCI				
— Equity securities	**2,427**	**—**	**1,616**	**811**
Fair value through PL				
— Wealth management products	**2,611**	**—**	**2,611**	**—**
— Structured deposits	**6,140**	**—**	**6,140**	**—**
— Listed equity securities	**13**	**13**	**—**	**—**
Financial liabilities:				
Fair value through PL	**(20)**	**—**	**(20)**	**—**

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 Level 1	Level 2	Level 3
Recurring fair value measurements				
Financial assets:				
Available-for-sale listed equity securities	14	14	—	—
Available-for-sale equity fund	1,560	—	1,560	—
Wealth management products	6,319	—	6,319	—
Derivative financial instruments	4	—	4	—

Note: Available-for-sale equity fund was reclassified to financial assets designated at FVOCI (non-recycling) upon the adoption of IFRS 9 at 1 January 2018 (see note 2(c)).

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

20 Fair value measurement of financial instruments (continued)

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

(i) Fair value hierarchy (continued)

During the six months ended 30 June 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

For unlisted equity securities without an active market, the Group establish the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs. If none of the valuation techniques results in a reasonable estimate on the fair value, the investment is stated in the balance sheet at cost less impairment losses.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2018 RMB millions	At 31 December 2017 RMB millions
Unlisted equity securities:		
At 1 January	**580**	—
Additional equity securities acquired	**231**	—
At 30 June/ 31 December	**811**	—
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**—**	—

20 Fair value measurement of financial instruments (continued)

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

(ii) Information about Level 3 fair value measurements (continued)

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings. Prior to 1 January 2018, any gains arising from the disposal of the unlisted equity securities were presented in the "Other income" line item in the consolidated statement of profit or loss.

During the six-month period ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: 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.

(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 2018 and 31 December 2017 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 2018	**Fair value at 30 June 2018 categorised into level 1**	Carrying amount at 31 December 2017	Fair value at 31 December 2017 categorised into level 1
Guaranteed USD senior notes	**3,583**	**3,401**	3,764	3,916
RMB medium-term notes	**8,997**	**9,048**	8,996	8,962

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

21 Commitments

(a) Capital commitments

As at 30 June 2018, the Group had capital commitments as follows:

	As at 30 June 2018 RMB millions	As at 31 December 2017 RMB millions
Authorised and contracted for		
— property, plant and equipment	**260**	149

(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 2018, the future minimum lease payments under operating lease are as follows:

	As at 30 June 2018 RMB millions	As at 31 December 2017 RMB millions
Within 1 year	**41**	69
After 1 but within 2 years	**23**	52
After 2 but within 3 years	**18**	32
After 3 but within 4 years	**12**	13
After 4 but within 5 years	**6**	7
Thereafter	**2**	2
	102	175

22 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 2018, the Group's maximum exposure to such guarantees was RMB2,453 million (31 December 2017: RMB2,199 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 2018, the Group made payments of RMB7 million (six-month period ended 30 June 2017: RMB119 million) to the banks for repossession of machinery under the guarantee arrangement as a result of customer default.

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 2018, the Group's maximum exposure to such guarantees was RMB148 million (31 December 2017: RMB274 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 2018, there was no payment made for repossession of machinery incurred (six-month period ended 30 June 2017: Nil) under the guarantee arrangement as a result of customer default.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

22 Contingent liabilities (continued)

(a) Financial guarantees issued (continued)

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 2018, the Group's maximum exposure to such guarantees was RMB39 million (31 December 2017: RMB103 million). For the six-month period ended 30 June 2018, 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.

23 Related party transactions

(a) Transactions with related parties

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	RMB millions
Transactions with associates:		
Sales of products	**148**	60
Purchase of raw materials	**7**	1
Commercial factoring service provided	**146**	—
Guarantees provided	**12**	—
Repayments of borrowings	**108**	—

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

(b) Outstanding balances with related parties

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

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2018

24 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	As at 30 June 2018 RMB millions	As at 1 January 2018 RMB millions	As at 31 December 2017 RMB millions
Total equity reported under PRC GAAP	**37,598**	38,148	38,227
— Acquisition-related costs incurred on prior year business combination	**(37)**	(37)	(37)
Total equity reported under IFRSs	**37,561**	38,111	38,190

Note: Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on total equity of the Group.

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

	For the six-month period ended 30 June	
	2018 RMB millions	2017 RMB millions
Total comprehensive income for the period reported under PRC GAAP	**852**	1,337
— Safety production fund (Note)	**10**	6
— Impairment of goodwill	**—**	3
Total comprehensive income for the period reported under IFRSs	**862**	1,346

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.

25 Comparative figures

The group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.


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