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

2019
Interim Report

* For identification purpose only

Important Notice

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

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

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

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

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

Definitions

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

“the Company” or “Zoomlion”	Zoomlion Heavy Industry Science and Technology Co., Ltd.
“the Reporting Period”	the six months ended 30 June 2019

ZOOMLION
中联重科

2019 Interim Report

Contents

Company Profile

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

II. Legal representative of the Company: Zhan Chunxin

III. Secretary of the Board of Directors: Yang Duzhi
Representative of securities affairs: Guo Tao
Contact Address: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC
Telephone: (86 731) 85650157
Fax: (86 731) 85651157
E-mail: 157@zoomlion.com

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

V. Authorized representatives: Zhan Chunxin
Yang Duzhi
Address of the authorized representatives: No. 361 Yinpen South Road, Changsha, Hunan Province, PRC

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

VII. Listing information: A Shares
Shenzhen Stock Exchange of China ("SZSE")
Stock Name: ZOOMLION
Stock Code: 000157
H Shares
The Stock Exchange of Hong Kong Limited ("SEHK")
Stock Name: ZOOMLION
Stock Code: 1157

Company Profile

VIII.	H Share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
IX.	Legal Advisors	
	As to PRC law:	Fangda Partners 27/F North Tower Beijing Kerry Centre, 1 Guanghua Road Chaoyang District, Beijing 100020, China
	As to Hong Kong law:	Norton Rose Fulbright Hong Kong 38/F, Jardine House, 1 Connaught Place, Central, Hong Kong
X.	Auditors	
	Domestic auditors:	Baker Tilly China Certified Public Accountants Co., Ltd.
	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	Corresponding period of last year	Changes in the Reporting Period as compared with the corresponding period of last year
Operating income (RMB)	22,262,105,264.98	14,720,283,618.34	51.23%
Net profit attributable to shareholders of the Company (RMB)	2,576,288,984.24	864,217,917.89	198.11%
Net profit attributable to equity shareholders of the Company after extraordinary items (RMB)	2,114,313,029.02	647,813,984.30	226.38%
Net cash flow from operating income (RMB)	3,575,081,807.12	1,594,696,110.85	124.19%
Basic earnings per share (RMB/share)	0.33	0.11	200.00%
Diluted earnings per share (RMB/share)	0.33	0.11	200.00%
Weighted average return on net assets	6.52%	2.27%	4.25%

	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)	101,518,535,378.33	93,456,651,846.14	8.63%
Net assets attributable to shareholders of the Company (RMB)	37,010,015,804.97	38,201,194,804.37	-3.12%

Principal Financial Data and Indicators

Extraordinary items

Unit: RMB

Items	Amount
Gain or loss on disposal of non-current assets (including written off of provision for impairment of assets)	1,953,576.92
Government grants recorded in current profit or loss, except government grants of fixed amount or quantity closely related to business operations of the Company and entitled pursuant to government unified policy	44,802,046.10
Gain or loss on debt restructuring	-10,927,843.12
Gain or loss on changes in fair value of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment gains from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment, other than effective hedging activities related to normal business operations of the Company	500,449,722.76
Non-operating income and expenses other than those set out above	17,611,487.40
Less: Income tax effect	88,133,702.06
Minority interests after tax	3,779,332.78
Total	461,975,955.22

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	
	2019	2018
	RMB millions	RMB millions (note)
Profit attributable to:		
Equity shareholders of the Company	**2,585**	874
Non-controlling interests	**(5)**	(11)
	2,580	863
Profit for the period	**2,580**	863
Earnings per share (cents)		
Basic	**33.80**	11.46
Diluted	**33.80**	11.46
Profit for the period	**2,580**	863
Total comprehensive income attributable to:		
Equity shareholders of the Company	**2,570**	873
Non-controlling interests	**(5)**	(11)
Total comprehensive income for the period	**2,565**	862

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

Principal Financial Data and Indicators

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions (note 1)
Total non-current assets	**30,773**	28,657
Total current assets	**70,709**	64,762
Total assets	**101,482**	93,419
Total current liabilities	**50,343**	39,623
Net current assets	**20,366**	25,139
Total assets less current liabilities	**51,139**	53,796
Total non-current liabilities	**13,605**	15,065
NET ASSETS	**37,534**	38,731
Total equity attributable to equity shareholders of the Company	**36,972**	38,164
Non-controlling interests	**562**	567
TOTAL EQUITY	**37,534**	38,731
Gearing ratio (Note 2)	**63.01%**	58.54%

Note 1: The Group has initially applied IFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated.

Note 2: Gearing ratio is calculated based on the total liabilities divided by total assets at the end of the respective reporting period.

Principal Financial Data and Indicators

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

Unit: RMB

	Net profit attributable to the shareholders of the Company		Net assets attributable to the shareholders of the Company	
	Current period	Last period	**Current period**	Last period
Under PRC GAAP	**2,576,288,984.24**	864,217,917.89	**37,010,015,804.97**	38,201,194,804.37
Items and amounts adjusted under IFRS				
Acquisition related costs incurred on prior year business combination			**-36,528,600.00**	-36,528,600.00
Excess in the limit of withdrawal over expenses of safety production fund for the current period	**9,606,612.69**	9,894,477.81		
Under IFRS	**2,585,895,596.93**	874,112,395.70	**36,973,487,204.97**	38,164,666,204.37

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

Management Discussion and Analysis

I. Business Review

In the first half of 2019, global economic growth slowed down and US-China trade frictions intensified, while Chinese economy maintained a generally stable development trend. Driven by multiple favorable factors such as demand in infrastructure, promotion of environmental protection, upgrade of equipment and replacement of labors, the scale of the construction machinery industry continued to grow strongly. The agricultural machinery industry was affected by factors such as weak market demand, decline in crop prices and decrease in government subsidies, resulting in the decline in sales volume in the traditional agricultural machinery market while the industry is still at the stage of transformation and upgrade.

Since 2019, the Company has upheld the business motto of "Year of Development, Year of Management, Year of Intelligence, Year of Quality, Year of Service, Year of Ecology", with emphasis on implementation, responsibility and innovation. The Company has achieved sustainable and healthy development in all aspects of operation indicators and further solidify its market leading position in the market. Gross profit margin has risen stably, profitability has increased significantly and operating cash flow has been healthy, achieving high quality, efficiency and sustainable performance growth.

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

(1) Emerging effect from strategic focus and strong growth in sectors with competitive edges

The Company focused on its main business of equipment manufacturing, optimized resource allocation, further promoted industrial upgrade and continued to establish the Company as a new equipment manufacturing enterprise of "equipment manufacturing + Internet" and "industry + finance".

1. Strengthened construction machinery

During the Reporting Period, sales revenue of the Company's construction machinery products amounted to RMB21,017 million, representing a year-on-year increase of 54.79%, maintaining strong growth of construction machinery sector with competitive edges.

① Continuously improved the market position of major products. In 2019, the Company relaunched the "multidivisional system". Divisions regained the sales function of product lines, further achieved an accurate cooperation between production and sales. The domestic market shares of crane machinery and concrete machinery products continued to maintain their leading positions, among which construction crane machinery and long-arm pump trucks maintained the number one position in the industry and the domestic market share of truck cranes increased 6.8% compared to that of 2018, achieving the strategic goal of market leading.

Management Discussion and Analysis

② Emerging industries ready to be introduced and striving to develop potential markets. The introduction of work-at-height platform has initially received positive feedback from the market and our products were widely complimented by customers. Maintaining an extraordinary market acceptance of our products, the Company has the potential to become the top enterprise in the work-at-height platform field. Earth working machinery sector entered the market with strong momentum by finalizing the layout of sales service outlets throughout the provinces in the PRC and introducing new product series such as ZE60E-10 and ZE75E-10 that had remarkable fuel consumption efficiency, were popular in market and were expected to be the profit-making focus of the Company in the future. The businesses of manufactured sand, dry mortar and spraying robotic arm continued to expand in a favorable momentum.

2. Enhanced agricultural machinery

The Company explicitly formulated the strategy for the development of mid-to-high-end agricultural machinery, based on the business motto of "building foundation, preventing losses, navigating focus and achieving breakthrough", creating reliable products and promoting the application of intelligent agriculture.

① Market edges remained solid. The sales volume of drying machinery ranked first again in the domestic market, while the domestic market share of wheat harvester machinery and sugarcane machinery products ranked second in the industry. The Company intensified the adjustment of the structure of agricultural machinery products and expanded the research and development along with production of agricultural machinery of economic crops in 2019.

② AI empowered intelligent agriculture industry. The Company further broadened and deepened the strategic cooperation with Landing. AI, an artificial intelligence company founded by Professor Andrew Yan-Tak Ng. The Company expedited the application of artificial intelligence in agricultural machinery field.

3. Escalated the expansion of financial business

Financing guarantee companies operated effectively and improved the industrial chain layout corresponding to the industrial sector, promoting industrial transformation and upgrade; the Company expanded the cooperation with Zhongqi Yunlian, resulting in lower cost, more effective and flexible financial services provided to upstream and downstream industry chain.

4. Speeding up digital transformation

In 2019, the Company comprehensively advanced digital transformation, published new version of ZValley OS, created downstream customized new application products, promoted product design and upgrade of big data such as Industrial Intellect and Agricultural Machinery Intellect; empowered product divisions to provide user-end general operation solutions based on intelligent equipment, fostering the transformation of traditional manufacturing into intelligent manufacturing.

(2) Comprehensively intensifying intelligent manufacturing, striving to promote industrial upgrade

The Company speeded up the upgrade of manufacturing, continuously creating a new model for the development of high-end equipment manufacturing industry.

1. Promoted industrial agglomeration and upgrade

On 21 July, the Company duly signed the contract of the project of Zoomlion Intelligent Industrial City, which was invested, constructed, operated and managed by Zoomlion, marking an overall commencement of the world's largest scale of integrated industrial base project in construction machinery and agricultural machinery that offers the most variety of products, creating an intelligent, ecological and international industrial city that produces high quality products upon the completion of production.

2. Escalated the advancement of intelligent manufacturing

The world's biggest Zoomlion intelligent tower crane factory stably achieved the targeted capacity and crawler intelligent work-at-height platform production line achieved mass production, pushing the intelligentization of the Company to a new level. The intelligent mixer manufacturing industrial park and hydraulic key component industrial park under planning and construction will turn into internationally top-notch and domestic leading intelligent manufacturing industrial parks that achieve industry leading level of craftsmanship, equipment and production management.

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

The Company achieved new breakthroughs in the area of international standards, with our momentum in independent innovation continuously enhancing.

1. Continuous leading the international standards

The Company is the first domestic construction machinery enterprise to lead the formulation of international standards, with the number of registered international standardization experts increased to 13. During the Reporting Period, for international standards revised under the lead of the Company, 10245-3 "Cranes — Limiting and Indicating Devices — Part 3: Tower Cranes" was published; working groups in respect of ISO 9928-3 "Crane Driving Manual — Part 3: Tower Cranes" formulated under the lead of the Company and ISO 12480-1 "Cranes — Safe use — Part 1: General" revised under the lead of the Company were duly formed and the first version of the Working Draft has been completed.

Management Discussion and Analysis

2. **Achieved fruitful results in independent innovation**

① Construction machinery products: ZCC9800W crawler crane, T7525 series flat-head tower crane, ZLJ5318GJBHE truck-mounted concrete mixer and intelligent and lithium battery driven crosscutting work-at height platform ZS1212HD-Li were included in the list of 2019 TOP50 Chinese Construction Machinery Products (中國工程機械年度產品 TOP50)(2019), among which, ZCC9800W crawler crane was awarded "Application Contribution Golden Award". The world's first hybrid truck-mounted fabrics mixer MK28E was launched and sold.

② Agricultural machinery products: TB80 drum grain integrated harvester was awarded Market-leading Award of 2018 TOP50 Chinese Agricultural Machinery (2018中國農業機械年度TOP50市場領先獎); production of the PRC first 4GQT-1 mountainous sugarcane machine and 9YY-2200 bundling machine samples symbolizing innovative technology of the PRC has been completed.

③ Maintaining a leading position in patent application. The Company was included in the list of the first domestically published "Chinese Enterprise Patent Top 500" and ranked the 186th, which was the top in the construction machinery industry. Based on intelligent technology, the Company achieved new breakthrough in respect of patent layout planning of industrial Internet technology.

(4) Intensifying efforts in overseas markets, fostering international breakthroughs

The Company continued to focus on key countries and regions and intensified its efforts in exploring overseas markets. In accordance with the principle of "leading, intensifying and penetrating", the Company speeded up the layout planning and upgrade of overseas production bases to form a localized manufacturing cluster along the "One Belt, One Road".

1. **Stably advanced overseas integration**

Main divisions regained the sales function of product lines, comprehensively streamlining research, production, sales and services and significantly enhancing response speed and operating efficiency, which promoted the swift breakthrough of overseas operations.

2. **Continuously advanced the expansion and upgrade of overseas bases**

The progress of the construction of the China-Belarus Industrial Park project was orderly and smooth, where phase one of the project will be completed by the end of this year and commence production. India division was set up and the planning and design of India Industrial Park was completed. This helped to establish a comprehensive production and manufacturing base integrating research, production and sales along the "One Belt, One Road". The localization of manufacturing of the European CIFA crane achieved great breakthrough, and ATC960 and ATC1000 all-terrain crane samples, 100% designed and made in Europe, were unveiled in bauma GERMANY.

3. **Stably improved operation quality of overseas businesses**

Improving the structure of export goods, upgrading technology to have a share in high-end market, gradually increasing profitability, in particular the significant rise in revenue from the export of construction crane machinery; strictly managing overdue risk of overseas operations, enhancing the management of capital budgeting to reduce translation loss from exchange rate fluctuation were the measures taken by the Company.

(5) Strengthening management innovation, significantly improving operational quality

During the Reporting Period, the Company continuously strengthened its management platform, innovated management tools and improved management capabilities, achieving a new level of management standards and operational efficiency.

1. **Gradually implemented multi-level incentives**

The Company enhanced its profit-centered assessment incentive model, improved the performance accountability and termination mechanism of managers at all levels, strengthened training of talent teams, reinforced the crisis awareness and benign competition of all employees and ensured the accomplishment of the strategic goals and enhancement of the operational quality of the Company. The Company comprehensively promoted market performance partnership scheme, in order to stimulate new vitality of marketing, strengthen teamwork and promote the rapid growth of new employees.

2. **Continuously enhanced risk management and control capabilities**

The Company adhered to tightening credit policy, verified the quality of individual new machinery sales contracts, eliminated low-quality orders and firmly grasped the key points of risk control, significantly enhancing the quality of operations.

3. **Establishing new supplier relationship**

The Company formed strategic alliance with reputable enterprises within professional fields in the PRC and abroad and held regular meetings, in order to transform trading relationship to long-term mutually beneficial strategic alliance relationship, so that the sharing of high-quality resources of technology, techniques and manufacturing can be achieved and a stable, efficient and low-cost supply chain system can be established.

4. **Establishing core competitiveness in services**

The Company continuously optimized and improved its service system to enhance service level and component supply capabilities. The Company introduced “Miles of Service” in 2019. Leveraging on industrial Internet platform to promote innovative service mode, the Company constantly provided users with more convenient, personalized and customized services, setting the benchmark for industry services.

Management Discussion and Analysis

II Analysis of Financial Position

1. Analysis of operating income and profit

Driven by multiple favorable factors such as demand in infrastructure, promotion of environmental protection, upgrade of equipment and replacement of labors, the construction machinery industry continued to grow strongly. The agricultural machinery industry was affected by factors such as weak market demand, decline in crop prices and decrease in government subsidies, resulting in the decline in sales volume in the traditional agricultural machinery market while the industry is still at the stage of transformation and upgrade. For the six months ended 30 June 2019, the Group's revenue was RMB22,262 million, representing an increase of 51.38% as compared to the same period of 2018. In which, the Group recorded revenue of RMB18,495 million in concrete machinery and crane machinery products, representing an increase of 62.78% as compared to the same period of last year. The Group recorded revenue of RMB911 million in agricultural machinery products, representing a decrease of 2.57% as compared to the same period of last year. During the six months ended 30 June 2019, the Company's gross profit increased by 77.94% year-on-year as driven by the construction machinery segment. Due to further optimization in the mix of product sales such that the share of products with high profit margin kept increasing, the overall gross profit margin increased to 30%.

2. Cash flow and capital expenditure

As at 30 June 2019, the Company had RMB6,145 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 2019, net cash generated from operating activities was RMB3,298 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 and control of expenses which had positive contribution to the cash flow in the first half of 2019.

(2) Investing activities

For the six months ended 30 June 2019, net cash used in investing activities was RMB3,584 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 wealth management products and structured deposits issued by banks to improve the utilization efficiency of its idle funds.

(3) Financing activities

For the six months ended 30 June 2019, net cash generated from financing activities was RMB2,327 million, including the repayment of bank and other borrowings of RMB199,39 million, increase in bank and other borrowings of RMB20,371 million and interest payment of RMB494 million.

(4) Capital expenditures

For the six months ended 30 June 2019, the capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB296 million.

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 its 2018 annual report.

III. Employees

As at 30 June 2019, the Company had employed a total of 17,578 employees. Details of the Company's staff costs are enclosed in note 6(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 2018.

IV. Dividend

The Board of the Company recommended not to declare any interim dividend.

Corporate Governance

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

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

The Board had adopted all code provisions of the code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Codes") contained in Appendix 14 to the Listing Rules as the codes of the Company. During the six months ended 30 June 2019, the Company had complied with all applicable code provisions of the Codes, other than the deviation of Code A.2.1 which the roles of the Chairman and Chief Executive Officer were not separated. Mr. Zhan Chunxin is currently the Chairman and Chief Executive Officer of the Company. The Board believes that Mr. Zhan Chunxin acting as the above two positions concurrently can more effectively facilitate the formulation and implementation of the business strategies of the Company. Through the regulation of the Board and Independent Executive Directors as well as the effective internal balancing mechanism of the Company, such arrangement will not affected the balance of the rights and authorizations regarding business management between the Board and the Company. The Board believes that such arrangement will benefit the Company and its operations.

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

The Company had adopted the code provisions regarding the purchase and sale of the Company's shares by the Directors on the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had fully complied with the Model Code during the six months ended 30 June 2019. 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 2019 prepared in accordance with the International Accounting Standard No. 34.

Changes in Share Capital and Shareholders

1. Changes in share capital

Unit: share

	Before this change		Increase/Decrease in this change (+,-)					After this change	
	Number	Percentage	Issue of new shares	Bonus issue	Issue of bonus shares from the capital reserve	Other	Sub-total	Number	Percentage
I. Shares subject to sales restriction	132,422,307	1.70%				10,811,456	10,811,456	143,233,763	1.83%
3. Shares held by other domestic listed companies	132,422,307	1.70%				10,811,456	10,811,456	143,233,763	1.83%
Shares held by domestic natural persons	132,422,307	1.70%				10,811,456	10,811,456	143,233,763	1.83%
II. Shares not subject to sales restriction	7,676,114,326	98.30%				25,224,102	25,224,102	7,701,338,428	98.17%
1. Ordinary shares denominated in RMB	6,287,907,240	80.52%				25,224,102	25,224,102	6,313,131,342	80.47%
3. Overseas listed foreign invested shares	1,388,207,086	17.78%						1,388,207,086	17.70%
III. Total number of shares	7,808,536,633	100.00%				36,035,558	36,035,558	7,844,572,191	100.00%

As of 30 June 2019, as a result of the vesting of 36,035,558 share options by participants of its equity incentive scheme, the total number of shares of the Company became 7,844,572,191.

Changes in Share Capital and Shareholders

2. Number and shareholdings of the shareholders of the Company

Unit: share

Total number of holders of ordinary shares as at the end of the Reporting Period	306,069

Shareholdings of holders of ordinary shares holding more than 5% of shares or the top ten shareholders

Name of shareholder	Nature of interest	Percentage of shares held	Number of 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	17.66%	1,385,321,219	-247,220		1,385,321,219		
State-owned Assets Supervision and Administration Commission of Hunan Province People's Government	State-owned legal person	15.98%	1,253,314,876			1,253,314,876		
Securities account designated for share repurchase of Zoomlion Heavy Industry Science and Technology Co., Ltd.*	Other	4.98%	390,449,924	390,449,924		390,449,924		
Changsha Hesheng Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	4.93%	386,517,443			386,517,443	Pledged	350,000,000
Hong Kong Securities Clearing Company Limited	Overseas legal person	4.09%	321,175,379	228,113,162		321,175,379		
China Securities Finance Corporation Limited	State-owned legal person	2.97%	233,042,928			233,042,928		
Real Smart International Limited	Overseas legal person	2.15%	168,635,602			168,635,602	Pledged	168,635,602
Changsha Yifang Science and Technology Investment Co., Ltd.	Domestic non state-owned legal person	2.00%	156,864,942			156,864,942		
AVIC Trust Co., Ltd. – AVIC Trust Tianshun [2018] No. 220 Zoomlion Single Capital Trust	Domestic non state-owned legal person	1.77%	138,819,479			138,819,479		
Central Huijin Asset Management Ltd.	State-owned legal person	1.48%	115,849,400			115,849,400		

Changes in Share Capital and Shareholders

Shareholdings of the top ten holders of unrestricted ordinary shares

Name of shareholder	Number of unrestricted ordinary shares held at the end of the reporting period	Class of shares: Class of shares	Class of shares: Number
HKSCC NOMINEES LIMITED	1,385,321,219	Domestic-listed foreign-invested shares	1,385,321,219
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
Securities account designated for share repurchase of Zoomlion Heavy Industry Science and Technology Co., Ltd.*	390,449,924	Ordinary shares denominated in RMB	390,449,924
Changsha Hesheng Science and Technology Investment Co., Ltd.	386,517,443	Ordinary shares denominated in RMB	386,517,443
Hong Kong Securities Clearing Company Limited	321,175,379	Ordinary shares denominated in RMB	321,175,379
China Securities Finance Corporation Limited	233,042,928	Ordinary shares denominated in RMB	233,042,928
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
AVIC Trust Co., Ltd. — AVIC Trust Tianshun [2018] No. 220 Zoomlion Single Capital Trust	138,819,479	Ordinary shares denominated in RMB	138,819,479
Central Huijin Asset Management Ltd.	115,849,400	Ordinary shares denominated in RMB	115,849,400

Changes in Share Capital and Shareholders

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

As at 30 June 2019, 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:

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	19.41	15.98
Changsha Hesheng Science and Technology Investment Co., Ltd.(1)	Beneficial	A shares	386,517,443	5.99	4.93

(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 2019, so far as the Directors and the Company's chief executive were aware, no 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.

Changes in Share Capital and Shareholders

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

During the Reporting Period, the Company purchased a total of 390,449,924 ordinary shares on the Shenzhen Stock Exchange at an aggregate consideration of RMB2,144,813,074.51 (excluding stamp duty, brokerage fee and other transaction levies) as follows:

Month/year	Number of A shares purchased	Highest price paid per share RMB	Lowest price paid per share RMB	Aggregate consideration RMB
05/2019	164,295,362	5.46	5.07	863,272,548.93
06/2019	226,154,562	6.29	5.22	1,281,540,525.58
	390,449,924			2,144,813,074.51

The above repurchases were approved at the second extraordinary meeting of the sixth session of the Board of 2019 held on 13 May 2019. The total amount paid on the repurchased shares of RMB2,144,813,074.51 was paid wholly out of cash. The A shares repurchased are not subject to cancellation and will be used as the source of stocks for the subsequent implementation of employee stock ownership plan(s). As at the date of this interim report, no employee stock ownership plan has been formulated or implemented.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Changes in Share Capital and Shareholders

5. Share Option Scheme

On 1 November 2017, a share incentive scheme of the Company (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 extraordinary general meeting, the H shares class meeting and the A shares class meeting of the Company 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 participants to subscribe for an aggregate of 168,760,911 A shares under the First Grant of Options.

On 10 September 2018, during the sixth extraordinary meeting of the fifth session of the Board for 2018, the Board considered and approved the second grant of options under the Share Option Scheme (the "Second Grant of Options") and confirmed that the date of the Second Grant of Options shall be 10 September 2018, pursuant to which 19,063,218 options were granted to 405 participants. 16 participants waived their right to subscribe for new A shares under the Share Option Scheme, leaving 389 participants to subscribe for an aggregate of 18,554,858 A shares under the Second Grant of Options.

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 2019 were as follows:

Name or category of participant[1]	Date of grant	Vesting period	Exercise period	Exercise price (RMB)	Number of options: As at 1 January 2019	Granted during the period	Lapsed during the period	Cancelled during the period	Exercised during the period	As at 30 June 2019
Zhan Chunxin (chief executive of the Company)	7 November 2017	1-3 years from the date of grant	7 November 2018 to 5 November 2021	4.37[2]	2,888,520	–	–	–	–	2,888,520
					2,888,520	–	–	–	–	2,888,520
Key technical and managerial personnel	7 November 2017	1-3 years from the date of grant	7 November 2018 to 5 November 2021	4.37[2]	161,399,651	–	–	4,401,084[3]	36,035,558[5]	120,963,009
	10 September 2018	1-2 years from the date of grant	10 September 2019 to 9 September 2021	3.96	18,554,858	–	–	357,540[4]	–	18,197,318
					179,954,509	–	–	4,758,624	36,035,558	139,160,327
					182,843,029	–	–	4,758,624	36,035,558	142,048,847

(1) There are 1,192 participants in total under the First Grant of Options, and 389 participants in total under the Second Grant of Options.

(2) The exercise price of the options granted by the Company to participants under the First Grant of Options was RMB4.57 per A share. Pursuant to the terms of the Share Options Scheme, if the Company declares a dividend during the period from the date on which the Share Option Scheme is first announced to the date on which a participant exercises his/her options, the exercise price shall be adjusted such that it shall be the initial exercise price minus the amount of dividend declared per A share. Following payment of the 2017 final divided by the Company on 24 August 2018, the exercise price of the options granted under the First Grant of Options was adjusted to RMB4.37 per A share.

(3) The exercise price of such cancelled options was RMB4.37 per A share.

(4) The exercise price of such cancelled options was RMB3.96 per A share.

(5) The exercise price of such options was RMB4.37 per A share. The weighted averaging closing price of A shares immediately before the dates on which such options were exercised was RMB5.61 per A share.

Directors, Supervisors and Senior Management

I. Changes in Directors, Supervisors and Senior Management

Name	Post	Type	Date	Reason
Hu Xinbao	Director	Departure upon expiration of term	29 January 2019	Reshuffle of the board of directors
Fu Zheng	Chairman of Supervisory Board	Departure upon expiration of term	29 January 2019	Reshuffle of the board of supervisors
Liu Chi	Employee Supervisor	Departure upon expiration of term	29 January 2019	Reshuffle of the board of supervisors
Yin Zhengfu	Vice President	Departure upon expiration of term	29 January 2019	Reshuffle of the board of directors
Su Yongzhuan	Vice President	Departure upon expiration of term	29 January 2019	Reshuffle of the board of directors
Fang Minghua	Vice President	Departure upon expiration of term	29 January 2019	Reshuffle of the board of directors
Wang Jinfu	Vice President	Departure upon expiration of term	29 January 2019	Reshuffle of the board of directors
Huang Qun	Vice President	Departure upon expiration of term	29 January 2019	Reshuffle of the board of directors
Li Jiangtao	Vice President	Departure upon expiration of term	29 January 2019	Reshuffle of the board of directors
Liu Jie	Vice President	Departure upon expiration of term	29 January 2019	Reshuffle of the board of directors
He Liu	Director	Appointment and removal	29 January 2019	Reshuffle of the board of directors
Wang Minghua	Chairman of Supervisory Board	Appointment and removal	29 January 2019	Reshuffle of the board of supervisors
He Jianming	Supervisor	Appointment and removal	29 January 2019	Reshuffle of the board of supervisors
Liu Xiaoping	Employee Supervisor	Appointment and removal	29 January 2019	Reshuffle of the board of supervisors
Sun Changjun	Vice President	Appointment and removal	29 January 2019	Reshuffle of the board of directors, post change
Fu Ling	Vice President	Appointment and removal	29 January 2019	Reshuffle of the board of directors, post change
Huang Jianbing	Assistant President	Appointment and removal	29 January 2019	Reshuffle of the board of directors, appointed as a senior management member
Qin Xiuhong	Assistant President	Appointment and removal	29 January 2019	Reshuffle of the board of directors, appointed as a senior management member
Wang Yongxiang	Assistant President	Appointment and removal	29 January 2019	Reshuffle of the board of directors, appointed as a senior management member
Luo Kai	Assistant President	Appointment and removal	29 January 2019	Reshuffle of the board of directors, appointed as a senior management member
Tian Bing	Assistant President	Appointment and removal	29 January 2019	Reshuffle of the board of directors, appointed as a senior management member
Tang Shaofang	Assistant President	Appointment and removal	29 January 2019	Reshuffle of the board of directors, appointed as a senior management member
Shen Ke	Investment Director	Appointment and removal	29 January 2019	Reshuffle of the board of directors, post change
Yang Duzhi	Assistant President	Appointment and removal	29 January 2019	Reshuffle of the board of directors, appointed as a senior management member
Yang Duzhi	Board Secretary	Appointment and removal	29 March 2019	Post change

Directors, Supervisors and Senior Management

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

As at 30 June 2019, the directors, supervisors and senior management of the Company who have interest or a short position in the shares, underlying shares or debentures of the Company or associated corporation (as defined in Part XV of the SFO which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or required to be disclosed to the Company and SEHK under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Name of Directors/ Supervisors	Nature of interest	Class of shares	Number of shares[1]	Percentage of the total share capital of the same class
Zhan Chunxin	Beneficiary owner	A share	8,040,556 (L)	0.1245%
	Interest in a controlled corporation[2]	H share	5,250,000 (L)	0.3781%
He Jianming	Beneficiary owner	A share	2,895,126 (L)	0.0448%
Liu Xiaoping	Beneficiary owner	A share	489,800 (L)	0.0076%

(1) L represents long position.

(2) Such interest is being held by Fair Sun (Hong Kong) Holdings Limited, a wholly-owned subsidiary of Hunan Fangsheng Company Limited, which in turn is controlled by Zhan Chunxin.

As at 30 June 2019, save as disclosed above, none of the directors, supervisors or chief executive officer has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and SEHK pursuant to the Model Code.

As at 30 June 2019, none of the directors, supervisors, or chief executive officers or their respective spouse or children under 18 years of age has any rights to acquire the shares or debentures of the Company or any of its associated corporations nor exercise any of these rights.

Review Report

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 27 to 80 which comprises the consolidated statement of financial position of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") as of 30 June 2019, 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 2019 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 2019

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2019
(Expressed in RMB)

	Note	For the six-month period ended 30 June **2019** RMB millions	2018 RMB millions (Note)
Revenue	4	**22,262**	14,706
Cost of sales and services		**(15,584)**	(10,953)
Gross profit		**6,678**	3,753
Other income	5	**622**	397
Sales and marketing expenses		**(1,881)**	(1,213)
General and administrative expenses		**(1,324)**	(1,139)
Research and development expenses		**(461)**	(197)
Profit from operations		**3,634**	1,601
Net finance costs	6(a)	**(596)**	(607)
Share of profits less losses of associates		**82**	86
Profit before taxation	6	**3,120**	1,080
Income tax	7	**(540)**	(217)
Profit for the period		**2,580**	863

The notes on pages 37 to 80 form part of the interim financial report.

Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2019

(Expressed in RMB)

	Note	For the six-month period ended 30 June 2019 RMB millions	2018 RMB millions (Note)
Profit attributable to:			
Equity shareholders of the Company		**2,585**	874
Non-controlling interests		**(5)**	(11)
		2,580	863
Profit for the period		**2,580**	863
Earnings per share (cents)			
Basic	8	**33.80**	11.46
Diluted	8	**33.80**	11.46

The notes on pages 37 to 80 form part of the interim financial report.

Consolidated Statement of Comprehensive Income (continued) (Unaudited)

For the six-month period ended 30 June 2019

(Expressed in RMB)

	Note	For the six-month period ended 30 June 2019 RMB millions	2018 RMB millions (Note)
Profit for the period		**2,580**	863
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)		**(48)**	42
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		**33**	(43)
Total other comprehensive income for the period		**(15)**	(1)
Total comprehensive income for the period		**2,565**	862
Total comprehensive income attributable to:			
Equity shareholders of the Company		**2,570**	873
Non-controlling interests		**(5)**	(11)
Total comprehensive income for the period		**2,565**	862

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 37 to 80 form part of the interim financial report.

Consolidated Statement of Financial Position (Unaudited)

At 30 June 2019

(Expressed in RMB)

	Note	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions (Note)
Non-current assets			
Property, plant and equipment		**6,138**	6,077
Right-of-use assets	9	**2,306**	—
Lease prepayments		**—**	1,943
Intangible assets		**2,084**	2,153
Goodwill	10	**2,040**	2,046
Interests in associates	11	**3,591**	3,500
Other financial assets	12	**2,623**	2,379
Trade and other receivables	13	**6,179**	5,498
Receivables under finance lease	14	**4,631**	3,656
Pledged bank deposits		**36**	129
Deferred tax assets		**1,145**	1,276
Total non-current assets		**30,773**	28,657
Current assets			
Inventories	15	**10,356**	9,551
Other current assets		**1,211**	1,097
Financial assets at fair value through profit or loss	16	**17,443**	13,787
Trade and other receivables	13	**25,588**	21,554
Receivables under finance lease	14	**8,543**	8,835
Pledged bank deposits		**1,423**	1,184
Cash and cash equivalents	17	**6,145**	8,754
Total current assets		**70,709**	64,762
Total assets		**101,482**	93,419
Current liabilities			
Loans and borrowings	18(a)	**24,570**	22,044
Trade and other payables	19	**23,428**	15,786
Financial liabilities at fair value through profit or loss		**—**	40
Contract liabilities		**2,007**	1,602
Lease liabilities	3(d)	**50**	—
Income tax payable		**288**	151
Total current liabilities		**50,343**	39,623
Net current assets		**20,366**	25,139
Total assets less current liabilities		**51,139**	53,796

The notes on pages 37 to 80 form part of the interim financial report.

Consolidated Statement of Financial Position (continued) (Unaudited)

At 30 June 2019

(Expressed in RMB)

	Note	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions (Note)
Non-current liabilities			
Loans and borrowings	18(b)	**11,618**	13,645
Lease liabilities	3(d)	**269**	—
Deferred tax liabilities		**461**	429
Other non-current liabilities		**1,257**	991
Total non-current liabilities		**13,605**	15,065
NET ASSETS		**37,534**	38,731
CAPITAL AND RESERVES			
Share capital		**7,845**	7,809
Reserves		**29,127**	30,355
Total equity attributable to equity shareholders of the Company		**36,972**	38,164
Non-controlling interests		**562**	567
TOTAL EQUITY		**37,534**	38,731

Approved and authorised for issue by the board of directors on 30 August 2019.

Zhan Chunxin
Chairman and Chief Executive Officer

Du Yigang
Vice-president

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 37 to 80 form part of the interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended 30 June 2019

(Expressed in RMB)

	Note	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 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	20(a)	–	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	25(b)	–	–	–	–	–	–	10	(10)	–	–	–
Balance at 30 June 2018 and 1 July 2018		7,794	12,858	2,964	(1,127)	–	85	31	14,338	36,943	618	37,561

The notes on pages 37 to 80 form part of these financial statements.

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

For the six-month period ended 30 June 2019

(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 2018 and 1 July 2018	7,794	12,858	2,964	(1,127)	–	85	31	14,338	36,943	618	37,561
Changes in equity for the six-month period ended 31 December 2018:											
Profit for the period	–	–	–	–	–	–	–	1,157	1,157	(52)	1,105
Other comprehensive income	–	–	–	(112)	–	(97)	–	(16)	(225)	–	(225)
Total comprehensive income	–	–	–	(112)	–	(97)	–	1,141	932	(52)	880
Appropriation for surplus reserve	–	–	369	–	–	–	–	(369)	–	–	–
Cash dividends	–	2	–	–	–	–	–	(2)	–	–	–
Share incentive scheme											
– Share option scheme	–	24	–	–	–	–	–	–	24	–	24
– Restricted share scheme	15	245	–	–	–	–	–	–	260	–	260
Equity pick up of capital reserve change in an associate	–	5	–	–	–	–	–	–	5	–	5
Contribution from non-controlling shareholders in a subsidiary	–	–	–	–	–	–	–	–	–	1	1
Safety production fund	–	–	–	–	–	–	2	(2)	–	–	–
Balance at 31 December 2018	7,809	13,134	3,333	(1,239)	–	(12)	33	15,106	38,164	567	38,731

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 37 to 80 form part of these financial statements.

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

For the six-month period ended 30 June 2019

(Expressed in RMB)

		Attributable to equity shareholders of the Company										
	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
Balance at 31 December 2018 and 1 January 2019		7,809	13,134	3,333	(1,239)	–	(12)	33	15,106	38,164	567	38,731
Changes in equity for the six-month period ended 30 June 2019:												
Profit for the period		–	–	–	–	–	–	–	2,585	2,585	(5)	2,580
Other comprehensive income		–	–	–	33	–	(2)	–	(46)	(15)	–	(15)
Total comprehensive income		–	–	–	33	–	(2)	–	2,539	2,570	(5)	2,565
Cash dividends	20(a)	–	27	–	–	–	–	–	(1,861)	(1,834)	–	(1,834)
Repurchase of own shares	20(b)	–	(2,145)	–	–	–	–	–	–	(2,145)	–	(2,145)
Share incentive scheme												
– Share option scheme	20(c)	36	143	–	–	–	–	–	–	179	–	179
– Restricted share scheme	20(c)	–	38	–	–	–	–	–	–	38	–	38
Safety production fund	25(b)	–	–	–	–	–	–	10	(10)	–	–	–
Balance at 30 June 2019		7,845	11,197	3,333	(1,206)	–	(14)	43	15,774	36,972	562	37,534

The notes on pages 37 to 80 form part of these financial statements.

Consolidated Cash Flow Statement (Unaudited)

For the six-month period ended 30 June 2019

(Expressed in RMB)

		For the six-month period ended 30 June	
		2019	2018
		RMB	RMB
		millions	millions
			(Note)
Operating activities			
Profit before taxation		**3,120**	1,080
Adjustments for:			
Depreciation of property, plant and equipment	6(c)	**290**	285
Amortisation of lease prepayments	6(c)	**—**	26
Amortisation of intangible assets	6(c)	**104**	101
Depreciation of right-of-use assets	6(c)	**47**	—
Share of profits less losses of associates		**(82)**	(86)
Interest income	6(a)	**(277)**	(192)
Interest expenses	6(a)	**864**	747
Unrealised exchange gains		**(47)**	(82)
Gain on disposal of property, plant and equipment and lease prepayments		**(2)**	(4)
Net realised and unrealised gains on financial assets at FVPL	5	**(455)**	(235)
Dividends income from financial assets at FVOCI	5	**(76)**	(17)
Share incentive scheme expenses	20	**59**	121
Capital element of lease rentals paid		**23**	—
Interest element of lease rentals paid		**4**	—
		3,572	1,744
(Increase)/decrease in inventories		**(502)**	1,678
Increase in trade and other receivables		**(5,109)**	(3,065)
Increase in receivables under finance lease		**(762)**	(443)
Increase in trade and other payables		**5,934**	335
Increase in contract liabilities		**405**	1,421
Cash generated from operations		**3,538**	1,670
Income tax paid		**(240)**	(265)
Net cash generated from operating activities carried forward		**3,298**	1,405

The notes on pages 37 to 80 form part of the interim financial report.

Consolidated Cash Flow Statement (continued) (Unaudited)

For the six-month period ended 30 June 2019

(Expressed in RMB)

	Note	For the six-month period ended 30 June 2019 RMB millions	 2018 RMB millions (Note)
Net cash generated from operating activities brought forward		**3,298**	1,405
Investing activities			
Payment for purchase of property, plant and equipment		**(173)**	(159)
Payment for purchase of right-of-use assets		**(79)**	—
Payment for purchase of intangible assets		**(44)**	(34)
Dividends from associates		**5**	—
Payment for investments in associates		**(14)**	(3)
Payment for acquisition of financial assets at FVOCI		**(209)**	(69)
Payment for financial assets at FVPL		**(17,220)**	(14,850)
Proceeds from disposal of financial assets at FVPL		**13,949**	12,678
Dividend income from financial assets at FVOCI		**76**	17
Proceeds from disposal of property, plant and equipment, intangible assets and lease prepayments		**65**	26
Proceeds from disposal of financial assets at FVOCI		**94**	—
Payment for acquisition of a subsidiary	10	**(165)**	—
Interest received		**277**	192
(Increase)/decrease in pledged bank deposits		**(146)**	150
Net cash used in investing activities		**(3,584)**	(2,052)
Financing activities			
Proceeds from loans and borrowings		**20,371**	6,539
Contribution from non-controlling shareholders in a subsidiary		**—**	5
Repayments of loans and borrowings		**(19,939)**	(5,104)
Proceeds from exercise of share options		**158**	—
Payment on repurchase of guaranteed USD senior notes		**—**	(228)
Dividends paid to equity shareholders		**(251)**	—
Interest paid		**(494)**	(480)
Dividends paid by subsidiaries to non-controlling interests		**—**	(11)
Payment for acquisition of non-controlling interests		**—**	(2)
Capital element of lease rentals paid		**(23)**	—
Interest element of lease rentals paid		**(4)**	—
Payment for repurchase of own shares	20(b)	**(2,145)**	—
Net cash (used in)/generated from financing activities		**(2,327)**	719
Net (decrease)/increase in cash and cash equivalents		**(2,613)**	72
Cash and cash equivalents at the beginning of period		**8,754**	7,148
Effect of foreign exchange rate changes		**4**	6
Cash and cash equivalents at the end of period	17	**6,145**	7,226

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 37 to 80 form part of the interim financial report.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2019

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 services.

2 Basis of preparation

This 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"). It has been reviewed by the audit committee of the Company and approved for issue on 30 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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 2018 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2019

3 Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3 Changes in accounting policies (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

— right-of-use assets that meet the definition of investment property are carried at fair value;

— right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

— right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2019

3 Changes in accounting policies (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out a number of items of machinery as the lessor of operating leases and finance leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.6%.

3 Changes in accounting policies (continued)

(c) Transitional impact (continued)

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in Note 22(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB millions
Operating lease commitments at 31 December 2018	106
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(17)
— leases of low-value assets	(9)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	291
	371
Less: total future interest expenses	(37)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	334
Add: finance lease liabilities recognised as at 31 December 2018	—
Total lease liabilities recognised at 1 January 2019	334

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2019

3 Changes in accounting policies (continued)

(c) Transitional impact (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Right-of-use assets' and presents lease liabilities separately in the statement of financial position.

3 Changes in accounting policies (continued)

(c) Transitional impact (continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB millions	Capitalisation of operating lease contracts RMB millions	Carrying amount at 1 January 2019 RMB millions
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets	—	2,277	2,277
Lease prepayments	1,943	(1,943)	—
Total non-current assets	28,657	334	28,991
Lease liabilities (current)	—	50	50
Current liabilities	39,623	50	39,673
Net current assets	25,139	(50)	25,089
Total assets less current liabilities	53,796	284	54,080
Lease liabilities (non-current)	—	284	284
Total non-current liabilities	15,065	284	15,349
Net assets	38,731	—	38,731

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019 RMB millions	At 1 January 2019 RMB millions
Right-of-use assets, carried at depreciated cost	**2,306**	2,277

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2019

3 Changes in accounting policies (continued)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB millions	**Total minimum lease payments RMB millions**	Present value of the minimum lease payments RMB millions	Total minimum lease payments RMB millions
Within 1 year	**50**	**50**	50	50
After 1 year but within 2 years	**47**	**51**	47	49
After 2 years but within 5 years	**95**	**103**	101	111
After 5 years	**127**	**147**	136	161
	269	**301**	284	321
	319	**351**	334	371
Less: total future interest expenses		**(32)**		(37)
Present value of lease liabilities		**319**		334

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of comprehensive income, as compared to the results had IAS 17 been applied during the year.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2019

3 Changes in accounting policies (continued)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 had this superseded standard continued to be applied to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2019

3 Changes in accounting policies (continued)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

	2019				2018
	Amounts reported under IFRS 16	Add back: IFRS 16 depreciation and interest expense (Note 1)	Deduct: Estimated amounts related to operating leases as if under IAS 17 (Note 1)	Hypothetical amounts for 2019 as if under IAS 17	Compared to amounts reported for 2018 under IAS 17
	(A)	(B)	(C)	(D=A+B-C)	
	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	3,634	22	(27)	3,629	1,601
Net finance Cost	(596)	4	–	(592)	(607)
Profit before taxation	3,120	26	(27)	3,119	1,080
Profit for the period	2,580	26	(27)	2,579	863
Reportable segment profit for the six months ended 30 June 2019 (Note 4(b)) impacted by the adoption of IFRS 16:					
— Construction machinery	6,253	5	(6)	6,252	3,465
— Agricultural machinery	91	–	–	91	95
— Financial services	334	–	–	334	193
— Total	6,678	5	(6)	6,677	3,753

3 Changes in accounting policies (continued)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

	2019			2018
	Amounts reported under IFRS 16	Estimated amounts related to operating leases as if under IAS 17 (Notes 1 & 2)	Hypothetical amounts for 2019 as if under IAS 17	Compared to amounts reported for 2018 under IAS 17
	(A)	(B)	(C=A+B)	
	RMB millions	RMB millions	RMB millions	RMB millions
Line items in the consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	**3,538**	**(27)**	**3,511**	1,670
Net cash generated from operating activities	**3,298**	**(27)**	**3,271**	1,405
Capital element of lease rentals paid	**(23)**	**23**	**—**	—
Interest element of lease rentals paid	**(4)**	**4**	**—**	—
Net cash (used in)/generated from financing activities	**(2,327)**	**27**	**(2,300)**	719

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, had IAS 17 been still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, had IAS 17 been still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 was still applied.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2019

4 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	
	2019	2018
	RMB	RMB
	millions	millions
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
Construction machinery		
— Concrete machinery	**7,481**	5,701
— Crane machinery	**10,992**	5,639
— Others	**2,510**	2,201
Agricultural machinery	**911**	935
	21,894	14,476
Revenue from other sources		
Construction machinery		
— Concrete machinery	**9**	10
— Crane machinery	**13**	12
— Others	**12**	15
Rental income from construction machinery	**34**	37
Financial services	**334**	193
	368	230
	22,262	14,706

4 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 2019 is set out below:

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Point in time RMB millions	**Over time RMB millions (Note)**	**Total RMB millions**	Point in time RMB millions	Over time RMB millions (Note)	Total RMB millions
Reportable segment revenue:						
Construction machinery						
— Concrete machinery	**7,481**	**9**	**7,490**	5,701	10	5,711
— Crane machinery	**10,992**	**13**	**11,005**	5,639	12	5,651
— Others	**2,510**	**12**	**2,522**	2,201	15	2,216
Agricultural machinery	**911**	**—**	**911**	935	—	935
Financial services	**—**	**334**	**334**	—	193	193
	21,894	**368**	**22,262**	14,476	230	14,706

Note: 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 2019

4 Revenue and segment reporting (continued)

(b) Information about profit or loss

	For the six-month period ended 30 June	
	2019	2018
	RMB millions	RMB millions (Note)
Reportable segment profit:		
Construction machinery		
— Concrete machinery	**2,050**	1,265
— Crane machinery	**3,541**	1,602
— Others	**662**	598
Agricultural machinery	**91**	95
Financial services	**334**	193
	6,678	3,753

(c) Reconciliations of segment profit

	For the six-month period ended 30 June	
	2019	2018
	RMB millions	RMB millions (Note)
Total reportable segment profit	**6,678**	3,753
Other income	**622**	397
Sales and marketing expenses	**(1,881)**	(1,213)
General and administrative expenses	**(1,324)**	(1,139)
Research and development expenses	**(461)**	(197)
Net finance costs	**(596)**	(607)
Share of profits less losses of associates	**82**	86
Profit before taxation	**3,120**	1,080

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

5 Other income

	For the six-month period ended 30 June	
	2019	2018
	RMB	RMB
	millions	millions
Government grants	**89**	127
Gain on disposal of property, plant and equipment, intangible assets, lease prepayments and right-of-use assets	**2**	4
Net realised and unrealised gains on financial assets at FVPL	**455**	235
Dividend income from financial assets at FVOCI	**76**	17
Others	**—**	14
	622	397

6 Profit before taxation

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

(a) Net finance costs:

	For the six-month period ended 30 June	
	2019	2018
	RMB	RMB
	millions	millions
Interest income	**(277)**	(192)
Interest on loans and borrowings	**864**	747
Interest on lease liabilities	**4**	—
Net exchange loss	**5**	52
	596	607

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2019

6 Profit before taxation (continued)

(b) Staff costs:

	For the six-month period ended 30 June	
	2019	2018
	RMB	RMB
	millions	millions
Salaries, wages and other benefits	**1,510**	1,143
Contributions to retirement schemes	**171**	109
Share incentive scheme expense	**59**	121
	1,740	1,373

(c) Other items:

	For the six-month period ended 30 June	
	2019	2018
	RMB	RMB
	millions	millions
		(Note)
Cost of inventories sold	**15,584**	10,953
Depreciation charge		
— owned property, plant and equipment	**290**	285
— right-of-use assets, lease prepayments	**25**	—
— right-of-use assets, other than lease prepayments	**22**	—
Amortisation of lease prepayments	**—**	26
Amortisation of intangible assets	**104**	101
Gain on disposal of property, plant and equipment, intangible assets and lease prepayments	**(2)**	(4)
Product warranty costs	**115**	76
Impairment losses		
— trade receivables (Note 13(b))	**107**	112
— receivables under finance lease (Note 14(c))	**105**	32
— inventories	**81**	5

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2019

7 Income tax

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

	For the six-month period ended 30 June	
	2019	2018
	RMB millions	RMB millions
Current tax — PRC income tax	**372**	229
Current tax — Income tax in other tax jurisdictions	**5**	2
Deferred taxation	**163**	(14)
Tax expenses	**540**	217

(b) Reconciliation between actual income tax expenses and accounting profit at applicable tax rates:

	For the six-month period ended 30 June	
	2019	2018
	RMB millions	RMB millions
Profit before taxation	**3,120**	1,080
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned (Note (a))	**780**	270
Tax effect of non-deductible expenses	**107**	52
Current year loss for which no deferred tax assets was recognised	**43**	75
Tax effect of non-taxable income	**(86)**	(21)
Tax effect of tax concessions (Note (b))	**(259)**	(129)
Additional deduction for qualified research and development expenses (Note (c))	**(45)**	(30)
Actual income tax expenses	**540**	217

Notes to the Unaudited Interim Financial Report

For the six-month period ended 30 June 2019

7 Income tax (continued)

(b) Reconciliation between actual income tax expenses and accounting profit at applicable tax rates: (continued)

Notes:

(a) The PRC statutory income tax rate is 25% (2018: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2018: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2019, the Group did not derive any income chargeable to Hong Kong Profits Tax on the basis that all the income was offshore sourced, all the expenses incurred by the subsidiaries in Hong Kong have been disallowed.

The Company's overseas subsidiaries are subject to income tax at rates ranging from 19.0% to 28.4% (2018: 19.0% to 28.4%).

(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 2018 and accordingly are subject to income tax at 15% for the years from 2018 to 2020.

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 75% additional tax deduction is allowed for qualified research and development expenditure for the year ending 31 December 2019 (2018:75%).

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2019 is based on the profit attributable to equity shareholders of the Company of RMB2,585 million (six months ended 30 June 2018: RMB874 million), and the weighted-average number of ordinary shares in issue of 7,647 shares million (six-month period ended 30 June 2018: 7,625 million shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six-month period ended 30 June 2019 is based on the profit attributable to equity shareholders of the Company of RMB2,585 million (six months ended 30 June 2018: RMB874 million), and the weighted-average number of ordinary shares in issue of 7,647 shares million (six-month period ended 30 June 2018: 7,625 million shares) after adjusting for the exercisable options in 2019.

9 Right-of-use assets

As discussed in Note 3, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17 and lease prepayments. Further details on the net book value of the Group's right-of-use assets by class of underlying assets are set out in Note 3.

10 Goodwill and business combination

	2019 RMB millions	2018 RMB millions
Balance at 1 January	**2,046**	2,088
Impairment loss	**–**	(50)
Effect of exchange rate difference	**(6)**	8
Balance at 30 June/31 December	**2,040**	2,046

On 19 June 2019, the Company completed the acquisition of 100% interest in Guoyu Europe Holding GmbH and its wholly-owned subsidiary, Wilbert TowerCranes GmbH (collectively "Wilbert") with a cash consideration of EUR22 million (equivalent to RMB171million). The purpose of the business combination was to broaden the Group's business in tower cranes and construction machinery.

The acquisition was accounted for under the acquisition method. As the allocation of purchase price to identifiable assets acquired and liabilities assumed of this business combination at their respective fair values has not been completed by the end of June 2019, the items were reported in their provisional amounts in the interim financial statements.

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10 Goodwill and business combination (continued)

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

	RMB millions
Property, plant and equipment	172
Inventories	57
Trade and other receivables	48
Other current assets	4
Cash and cash equivalents	6
Total assets acquired	**287**
Loans and borrowings	(30)
Trade and other payables	(54)
Deferred tax liabilities	(13)
Other non-current liabilities	(19)
Total liabilities assumed	**(116)**
Total cost of acquisition	**171**
Cash acquired	(6)
Net cash outflow	**165**

11 Interests in associates

	30 June 2019 RMB millions	31 December 2018 RMB millions
Infore Environment	**2,875**	2,795
Aggregate carrying amount of individually material associates in the consolidated financial statements	**2,875**	2,795
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**716**	705
Total	**3,591**	3,500

The above associates are accounted for using the equity method in the consolidated financial statements.

The following list contains only the particulars of a material associate, which is a listed corporate entity whose quoted market price is 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
Infore Environment Technology Group Co., Ltd ("Infore Environment") (Note)	Incorporated	China	RMB3,163	12.62%	12.62%	Environmental construction and project operation

Note: Infore Environment is listed on the main board of Shenzhen Stock Exchange. On 30 June 2019, the quoted market price of Infore Environment was RMB7.3 per share and the fair value of the investment in Infore Environment was RMB2,914 million.

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12 Other financial assets

	Note	30 June 2019 RMB millions	31 December 2018 RMB millions
Financial assets at FVOCI			
Equity securities	(i)	**2,482**	2,268
Financial assets at FVPL			
Listed equity securities	(ii)	**141**	111
Total		**2,623**	2,379

(i) The equity securities comprises equity funds and other unlisted equity securities. The aggregate fair value of equity funds and unlisted equity securities was RMB1,421 million and RMB1,061 million at 30 June 2019 (2018: RMB1,364 million and RMB904 million). The Group designated these investments at FVOCI (non-recycling), as these investments are held for strategic purposes. Dividends of RMB76 million were received on investments in equity securities during the period (30 June 2018: RMB17 million) (see Note 5).

(ii) The listed equity securities represent the Group's investments in shares of listed companies in the PRC. The aggregate fair value of these investments was RMB141 million, based on their quoted market prices as at 30 June 2019 (30 June 2018: RMB111 million).

13 Trade and other receivables

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Trade receivables	**31,892**	28,497
Less: loss allowance for doubtful debts (Note (b))	**(5,084)**	(5,912)
	26,808	22,585
Less: trade receivables due after one year	**(6,179)**	(5,498)
	20,629	17,087
Bills receivable (Note (c))	**1,700**	1,350
	22,329	18,437
Amounts due from related parties	**179**	376
Prepayments for purchase of raw materials	**595**	558
Prepaid expenses	**604**	494
VAT recoverable	**1,001**	970
Deposits	**136**	123
Others	**744**	596
	25,588	21,554

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13 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 loss allowance for doubtful debts is as follows:

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Within 1 year	**15,506**	11,495
Over 1 year but less than 2 years	**4,188**	4,132
Over 2 years but less than 3 years	**2,923**	2,813
Over 3 years but less than 5 years	**3,752**	3,754
Over 5 years	**439**	391
	26,808	22,585

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2018: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 40% to 50% (2018: 40% to 50%) of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2018: 6 to 42 months), customers are normally required to make an upfront payment ranging from 30% to 50% (2018: 30% to 50%) of the product price.

13 Trade and other receivables (continued)

(b) Loss allowance of trade receivables

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

	Note	**2019 RMB millions**	2018 RMB millions
Balance at 31 December 2017 under IAS 39			5,937
Impact on initial application of IFRS 9			56
Balance/adjusted at 1 January		**5,912**	5,993
Impairment losses recognised		**107**	145
Reclassification from loss allowance of receivables under finance lease	14(c)	**16**	16
Uncollectible amounts written off		**(45)**	(242)
Written off upon sale of trade receivables		**(906)**	—
Balance at 30 June/31 December		**5,084**	5,912

During the period ended 30 June 2019, RMB 906 million of loss allowance for trade receivables were written off due to disposal of certain receivables in a bulk sale.

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13 Trade and other receivables (continued)

(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 2019, 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 2019, 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 RMB1,336 million (31 December 2018: RMB2,343 million).

14 Receivables under finance lease

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Gross investment	**15,496**	14,623
Unearned finance income	**(566)**	(465)
	14,930	14,158
Less: loss allowance for doubtful debts (Note(c))	**(1,756)**	(1,667)
	13,174	12,491
Less: receivables under finance lease due after one year	**(4,631)**	(3,656)
Receivables under finance lease due within one year	**8,543**	8,835

14 Receivables under finance lease (continued)

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 (2018: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 40% of the product price (2018: 5% to 40%) and pay a security deposit ranging from 1% to 10% of the product price (2018: 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.

(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 2019 RMB millions	As at 31 December 2018 RMB millions
Present value of the minimum lease payments		
Within 1 year	**10,065**	10,260
Over 1 year but less than 2 years	**2,708**	2,102
Over 2 years but less than 3 years	**1,518**	1,235
Over 3 years	**639**	561
	14,930	14,158
Unearned finance income		
Within 1 year	**379**	320
Over 1 year but less than 2 years	**116**	88
Over 2 years but less than 3 years	**52**	41
Over 3 years	**19**	16
	566	465

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14 Receivables under finance lease (continued)

(a) Ageing analysis of receivables under finance lease (continued)

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Gross investment		
Within 1 year	**10,444**	10,580
Over 1 year but less than 2 years	**2,824**	2,190
Over 2 years but less than 3 years	**1,570**	1,276
Over 3 years	**658**	577
	15,496	14,623

(b) Overdue analysis

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

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Not yet due	**8,939**	6,663
Within 1 year past due	**2,069**	2,535
Over 1 year but less than 2 years past due	**1,913**	2,588
Over 2 years past due	**2,009**	2,372
Total past due	**5,991**	7,495
	14,930	14,158
Less: loss allowance	**(1,756)**	(1,667)
	13,174	12,491

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.

14 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	**2019 RMB millions**	2018 RMB millions
Balance at 31 December 2017 under IAS 39			1,560
Impact on initial application of IFRS 9			38
Balance/adjusted at 1 January		**1,667**	1,598
Impairment losses recognised		**105**	85
Reclassification to loss allowance of trade receivables	13(b)	**(16)**	(16)
Balance at 30 June/31 December		**1,756**	1,667

15 Inventories

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Raw materials	**3,124**	2,443
Work in progress	**1,611**	1,625
Finished goods (Note)	**5,621**	5,483
	10,356	9,551

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.

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16 Financial assets at fair value through profit or loss

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Financial assets carried at fair value through profit or loss:		
— Wealth management products (Note)	**11,585**	8,443
— Structured deposits (Note)	**5,858**	5,344
	17,443	13,787

Note: The Group invests its spare cash in wealth management products and structured deposits offered by banks and other financial institutions. These 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.

17 Cash and cash equivalents

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Cash at bank and on hand		
— RMB denominated	**4,868**	7,541
— USD denominated	**678**	650
— EUR denominated	**340**	352
— HKD denominated	**9**	12
— Other currencies	**250**	199
	6,145	8,754

18 Loans and borrowings

(a) Short-term loans and borrowings:

	Note	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Secured short-term bank loans			
— RMB denominated	(i)	**50**	50
Pledged short-term bank loans	(ii)	**741**	703
Unsecured short-term bank loans			
— RMB denominated	(iii)	**8,790**	6,911
— USD denominated	(iv)	**540**	639
— EUR denominated	(v)	**134**	23
— RUB denominated	(vi)	**8**	—
Deposits borrowed from an associate	(vii)	**32**	39
RMB commercial paper	(viii)	**2,000**	—
		12,295	8,365
Add: Current portion of long-term loans and borrowings	18(b)	**12,275**	13,679
		24,570	22,044

Notes:

(i) As at 30 June 2019, RMB denominated secured short-term bank loan of RMB50 million (31 December 2018: RMB50 million) bore interest at a fixed rate of 4.83% were secured by certain land and properties, and will be repayable in full in 2019.

(ii) As at 30 June 2019, RMB denominated pledged short-term bank loans of RMB741 million (31 December 2018: RMB703 million) bore interest at a fixed rate of 3.40% were pledged by financial assets and bank acceptance bills, and will be repayable in full in 2020.

(iii) As at 30 June 2019, RMB denominated unsecured short-term bank loan of RMB1,200 million (31 December 2018: RMB1,200 million) bore interest at a fixed rate of 4.13% per annum and will be repayable in full in 2019. Such short-term loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2019, the Group was in compliance with these financial covenants.

The remaining RMB denominated unsecured short-term bank loans of RMB7,590 million (31 December 2018: RMB5,711 million) bore interest at rates ranging from 2.25% to 4.57% per annum and will be repayable in full from 2019 to 2020.

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18 Loans and borrowings (continued)

(a) Short-term loans and borrowings: (continued)

(iv) As at 30 June 2019, USD denominated unsecured short-term bank loans of RMB540 million (31 December 2018: RMB639 million) bore interest at rates ranging from 3.12% to 3.50% per annum and will be repayable in full in 2020.

(v) As at 30 June 2019, EUR denominated unsecured short-term bank loans of RMB134 million (31 December 2018: RMB23 million) bore interest at a fixed rate of 1.10% annum and will be repayable in full in 2019.

(vi) As at 30 June 2019, RUB denominated unsecured short-term bank loans of RMB8 million (31 December 2018: nil) bore interest at a fixed rate of 8.30% annum and will be repayable in full in 2020.

(vii) As at 30 June 2019, the demand deposits due to an associate amounted to RMB32 million (31 December 2018: RMB39 million).

(viii) In March 2019, the Company issued 270-day RMB commercial paper of RMB 2,000 million, which bore interest at a fixed rate of 3.30% per annum and would mature in December 2019.

(b) Long-term loans and borrowings:

	Note	**As at 30 June 2019 RMB millions**	As at 31 December 2018 RMB millions
Unsecured long-term bank loans			
— RMB denominated	(i)	**4,849**	8,201
— EUR denominated	(ii)	**1,537**	1,629
— USD denominated	(iii)	**390**	389
RMB medium-term notes	(iv)	**11,493**	11,491
Guaranteed USD senior notes	(v)	**3,629**	3,620
Debentures	(vi)	**1,995**	1,994
		23,893	27,324
Less: Current portion of long-term loans and borrowings	18(a)	**(12,275)**	(13,679)
		11,618	13,645

18 Loans and borrowings (continued)

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

Notes:

(i) As at 30 June 2019, RMB denominated unsecured long-term bank loans of RMB450 million (31 December 2018: RMB465 million) bore interest at a fixed rate of 4.37% per annum and will be repayable in 2019. Such loan was subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2019, the Group was in compliance with these financial covenants.

As at 30 June 2019, RMB denominated unsecured long-term bank loans of RMB2,418 million (31 December 2018: RMB2,646 million) bore interest at rates ranging from 3.85% to 4.37% per annum and will be repayable in full in 2019.

As at 30 June 2019, RMB denominated unsecured long-term bank loans of RMB200 million (31 December 2018: RMB1,200 million) bore interest at a fixed rate at 4.37% per annum and will be repayable from 2019 to 2027. Such loans are subject to the fulfilment of certain financial covenants of the Group. As at 30 June 2019, the Group was in compliance with these financial covenants.

As at 30 June 2019, RMB denominated unsecured long-term bank loans of RMB1,781 million (31 December 2018: RMB3,890 million) bore interest at rates ranging from 3.45% to 4.90% per annum and will be repayable by half-yearly installments from 2019 to 2020.

(ii) As at 30 June 2019, EUR denominated unsecured long-term bank loans of RMB1,537 million (31 December 2018: RMB1,629 million) bore interest at rates ranging from 0.85% to 2.85% per annum and will be repayable from 2019 to 2022.

(iii) As at 30 June 2019, USD denominated unsecured long-term bank loans of RMB390 million (31 December 2018: RMB389 million) bore interest at rates ranging from 3.15% to 3.98% 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.

In December 2018, the Company issued 5-year RMB medium-term notes with principal amount of RMB2,500 million. The notes bore interest at a fixed rate of 4.49% per annum and will mature in December 2023. Interest on the notes will be payable yearly in arrears in December, beginning from December 2019.

(v) In December 2012, Zoomlion H.K. SPV Co., Limited issued 10-year senior notes with principal amount of USD600 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 consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

In December 2018, senior notes with the carrying amount of USD49.10 million (RMB equivalent 329 million) was repurchased at the quoted market price of USD48.60 million (RMB equivalent 325 million) and the difference of RMB4 million between the purchase price and the carrying amount was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

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18 Loans and borrowings (continued)

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

(vi) In December 2018, the Company issued 5-year RMB debentures with principal amount of RMB2,000 million. The debentures bore interest at a fixed rate of 4.65% per annum and will mature in December 2023. Interest on the debentures will be payable yearly in arrears in December, beginning from December 2019.

(c) Except as disclosed in Notes 18(a)(iii) and 18(b)(i) above, none of the Group's loans and borrowings contains any financial covenants.

19 Trade and other payables

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Trade creditors	**8,907**	6,998
Bills payable	**6,472**	3,802
Trade creditors and bills payable	**15,379**	10,800
Amounts due to related parties (Note 24(b))	**3**	23
Amounts due to non-controlling shareholders of certain subsidiaries	**338**	338
Payable for acquisition of property, plant and equipment	**270**	259
Accrued staff costs	**814**	568
Product warranty provision	**94**	82
VAT payable	**1,000**	601
Sundry taxes payable	**110**	131
Security deposits	**587**	397
Interest payable	**504**	143
Financial guarantees issued (Note 23)	**67**	55
Other accrued expenses and payables	**2,196**	1,895
Dividends payable	**1,863**	251
Locked restricted share	**203**	243
	23,428	15,786

19 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 2019 RMB millions	As at 31 December 2018 RMB millions
Due within 1 month or on demand	**7,480**	4,638
Due after 1 month but within 3 months	**4,327**	2,791
Due after 3 months but within 6 months	**3,199**	3,223
Due after 6 months but within 12 months	**373**	148
	15,379	10,800

20 Capital, reserves and dividends

(a) Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 21 June 2019, a final cash dividend of RMB0.25 per share based on 7,460 million ordinary shares in issue, totaling RMB1,863 million in respect of the year ended 31 December 2018 was declared, in which RMB27 million was declared to restricted shareholders who are expected to be unlocked and RMB2 million was declared to restricted shareholders who are not expected to be unlocked, and will be paid before 31 December 2019. The forfeited restricted shares will not be entitled to the declared dividends.

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2018, a final cash dividend of RMB0.2 per share based on 7,794 million ordinary shares totalling RMB1,559 million in respect of the year ended 31 December 2017 was declared in which RMB31 million was declared to restricted shareholders who are expected to be unlocked and RMB3 million was declared to restricted shareholders who are not expected to be unlocked, and was fully paid by February 2019.

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20 Capital, reserves and dividends (continued)

(b) Purchase of own shares

During the reporting period, the Company repurchased its own shares on The Shenzhen Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share RMB	Lowest price paid per share RMB	Aggregate price paid RMB millions
May to June/2019	390,449,924	6.29	5.07	2,145

The total amount paid for the repurchased shares of RMB2,145 million was paid wholly out of capital reserve.

(c) Share incentive scheme

On 1 November 2017, a Share Incentive Scheme was considered and approved at the first extraordinary general meeting of 2017, the A shareholders' Class Meeting of 2017 and H shareholders' Class Meeting of 2017. On 7 November 2017, the Company adopted the Share Incentive Scheme and the related resolution was considered and passed at the seventh extraordinary meeting of the fifth session of the board of directors, pursuant to which the date of grant for the Share Incentive Scheme of the Company has been set for 7 November 2017, and 171,568,961 share options and 171,568,961 restricted shares were planned to be granted to 1,231 selected current employees (the "Participants") of the Group ("the First Grants"). 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 are 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. As a result, 168,760,911 share options and 168,760,911 restricted shares were granted to the Participants on 7 November 2017.

On 10 September 2018, the resolution in respect of the grant of additional options and additional restricted shares (the "Second Grants") under the Share Incentive Scheme was passed at sixth extraordinary meeting of the fifth session of board of directors, pursuant to which the date of grant for the Share Incentive Scheme of the Company has been set for 10 September 2018 and 19,063,218 share options and 19,063,218 restricted shares were planned to be granted to 405 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 RMB3.96, and the Participants are entitled to purchase Zoomlion restricted A shares at RMB1.96 each. As a result, 18,554,858 share options and 18,554,858 restricted shares were granted to the Participants on 10 September 2018.

20 Capital, reserves and dividends (continued)

(c) Share incentive scheme (continued)

On 6 November 2018, the board of directors further resolved to approve the commencement of the first exercise period in respect of options granted under the First Grants. A total number of 65,471,398 share options and 65,877,838 restricted shares granted to the Participants under First Grants were vested or unlocked.

During the six months ended 30 June 2019, 36,035,558 share options were exercised at an exercise price of RMB4.37 (six months ended 30 June 2018: nil). No share option was granted during the six months ended 30 June 2019 and 2018. There were no share options forfeited during the six months ended 30 June 2019 (six months ended 30 June 2018: nil). There were 146,807,471 share options outstanding and 29,435,840 share options exercisable at 30 June 2019 (31 December 2018: 182,843,029 and 65,471,398),

No restricted shares were granted or vested during the six months ended 30 June 2019 and 2018. There were no restricted shares forfeited during the six months ended 30 June 2019 (six months ended 30 June 2018: nil). There were 117,371,631 restricted shares outstanding at 30 June 2019 (31 December 2018: 117,371,631).

During the six months ended 30 June 2019, share incentive scheme expenses of RMB59 million (six months ended 30 June 2018: RMB121 million) were recognised in the consolidated statement of comprehensive income.

21 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.

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21 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 2019	Fair value measurements as at 30 June 2019		
		Level 1	**Level 2**	**Level 3**
Recurring fair value measurements				
Financial assets:				
Fair value through other comprehensive income				
— Equity securities	**2,482**	**—**	**1,421**	**1,061**
Fair value through profit or loss				
— Wealth management products	**11,585**	**—**	**11,585**	**—**
— Structured deposits	**5,858**	**—**	**5,858**	**—**
— Listed equity securities	**141**	**141**	**—**	**—**

	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018		
		Level 1	Level 2	Level 3
Recurring fair value measurements				
Financial assets:				
Fair value through other comprehensive income				
— Equity securities	2,268	—	1,364	904
Fair value through profit or loss				
— Wealth management products	8,443	—	8,443	—
— Structured deposits	5,344	—	5,344	—
— Listed equity securities	111	111	—	—
Financial liabilities:				
Fair value through profit or loss	(40)	—	(40)	—

21 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 2019 and 2018, there were no transfers between Level 1 and Level 2, nor 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 movements during the reporting period in the balance of Level 3 fair value measurements is as follows:

	2019 RMB millions	2018 RMB millions
Unlisted equity securities:		
At 1 January	**904**	580
Additional equity securities acquired	**157**	324
At 30 June/31 December	**1,061**	904
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**–**	–

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.

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21 Fair value measurement of financial instruments (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2019 and 31 December 2018 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 2019	**Fair value at 30 June 2019 categorised into level 1**	Carrying amount at 31 December 2018	Fair value at 31 December 2018 categorised into level 1
Guaranteed USD senior notes	**3,629**	**3,673**	3,620	3,434
RMB medium-term notes	**11,493**	**11,590**	11,491	11,639
Debentures	**1,995**	**2,029**	1,994	2,029

22 Commitments

(a) Capital commitments

As at 30 June 2019, the Group had capital commitments as follows:

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Authorised and contracted for		
— property, plant and equipment	**219**	214

(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.

22 Commitments (continued)

(b) Operating lease commitments (continued)

As at 31 December 2018, the future minimum lease payments under non-cancellable operating lease were as follows:

	As at 31 December 2018 RMB millions
Within 1 year	52
After 1 but within 2 years	24
After 2 but within 3 years	16
After 3 but within 4 years	10
After 4 but within 5 years	3
Thereafter	1
	106

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balance at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 3.

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23 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 2019, the Group's maximum exposure to such guarantees was RMB4,470 million (31 December 2018: RMB3,533 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 2019, the Group made payments of RMB24 million (six-month period ended 30 June 2018: RMB7 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 2019, the Group's maximum exposure to such guarantees was RMB288 million (31 December 2018: RMB292 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 2019, there was no payment made for repossession of machinery incurred (six-month period ended 30 June 2018: Nil) under the guarantee arrangement as a result of customer default.

Certain customers of the Group finance their purchase of the Group's agricultural machinery products through cargo-backed loans in the form of bank acceptance notes provided by the banks. The Group undertakes the joint liability guarantee for the customers. In the event of customer default, the Group is required to make payments to the banks for the outstanding amount due from the customers when the bank acceptant notes are due. As at 30 June 2019, the Group's maximum exposure to such guarantees was RMB17 million (31 December 2018: RMB74 million). For the six-month period ended 30 June 2019, there was no payment to banks incurred (six-month period ended 30 June 2018: Nil) under the guarantee arrangement as a result of customer default.

23 Contingent liabilities (continued)

(b) Contingent liability in respect of legal claims

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

24 Related party transactions

(a) Transactions with related parties

	For the six-month period ended 30 June	
	2019	2018
	RMB	RMB
	millions	millions
Transactions with associates:		
Sales of products	**103**	148
Purchase of raw materials	**—**	7
Payment for acquisition of receivables under commercial factoring	**198**	146
Payment for acquisition of finance lease assets	**1**	—
Guarantees provided	**2**	12
Net repayments of borrowings	**7**	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.

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25 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions
Total equity reported under PRC GAAP	**37,571**	38,768
— Acquisition-related costs incurred on prior year business combination	**(37)**	(37)
Total equity reported under IFRSs	**37,534**	38,731

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

	For the six-month period ended 30 June	
	2019 RMB millions	2018 RMB millions
Total comprehensive income for the period reported under PRC GAAP	**2,555**	852
— Safety production fund (Note)	**10**	10
Total comprehensive income for the period reported under IFRSs	**2,565**	862

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.

26 Comparative figures

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3.


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