**Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd.***
**長沙中聯重工科技發展股份有限公司**
*(a joint stock limited company incorporated in the People's Republic of China)*
**(Stock Code: 1157)**

# ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

## FINANCIAL HIGHLIGHTS

- As at 30 June 2011, total assets of the Group amounted to RMB75,198 million, representing an increase of RMB12,156 million or 19.3% over that of 31 December 2010
- As at 30 June 2011, total equity attributable to equity shareholders of the Company amounted to RMB32,070 million, representing an increase of RMB4,694 million or 17.1% over that of 31 December 2010
- For the six months ended 30 June 2011, turnover of the Group amounted to RMB24,148 million, representing an increase of RMB8,059 million or 50.1% over the same period of 2010
- For the six months ended 30 June 2011, profit attributable to equity shareholders of the Company amounted to RMB4,628 million, representing an increase of RMB2,426 million or 110.2% over the same period of 2010
- For the six months ended 30 June 2011, earnings per share amounted to RMB0.60, representing an increase of RMB0.25 over the same period of 2010

The board of directors (the "Board") of Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd.* (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011. The Group's interim financial report was prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" issued by the International Accounting Standards Board and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

# FINANCIAL RESULTS

**Consolidated statement of comprehensive income**

| | Note | For the six months ended 30 June<br>**2011**<br>***RMB millions*** | <br>2010<br>*RMB millions* |
|---|---|---|---|
| **Turnover** | *2* | **24,148** | 16,089 |
| Cost of sales and services | | **(16,291)** | (11,438) |
| **Gross profit** | | **7,857** | 4,651 |
| **Other revenues and net income** | | **66** | 6 |
| Sales and marketing expenses | | **(1,230)** | (986) |
| General and administrative expenses | | **(1,021)** | (852) |
| Research and development expenses | | **(145)** | (116) |
| **Profit from operations** | | **5,527** | 2,703 |
| Gain on disposal of an associate | | **12** | — |
| Net finance costs | | **(108)** | (150) |
| Share of profits less losses of associates | | **13** | 5 |
| **Profit before taxation** | *3* | **5,444** | 2,558 |
| Income tax | *4* | **(793)** | (395) |
| **Profit for the period** | | **4,651** | 2,163 |
| **Other comprehensive income for the period (after tax)** | | | |
| Change in fair value of available-for-sale equity securities | | **—** | (2) |
| Others | | **—** | 10 |
| Exchange differences on translation of financial statements of subsidiaries outside the PRC | | **92** | (183) |
| **Total other comprehensive income for the period** | | **92** | (175) |
| **Total comprehensive income for the period** | | **4,743** | 1,988 |
| **Profit attributable to:** | | | |
| Equity shareholders of the Company | | **4,628** | 2,202 |
| Non-controlling interests | | **23** | (39) |
| **Profit for the period** | | **4,651** | 2,163 |
| **Total comprehensive income attributable to:** | | | |
| Equity shareholders of the Company | | **4,713** | 1,996 |
| Non-controlling interests | | **30** | (8) |
| **Total comprehensive income for the period** | | **4,743** | 1,988 |
| **Basic and diluted earnings per share (RMB)** | *6* | **0.60** | 0.35 |

## Consolidated balance sheet

| | Note | As at 30 June 2011 RMB millions | As at 31 December 2010 RMB millions |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **4,519** | 4,135 |
| Lease prepayments | | **1,196** | 1,119 |
| Intangible assets | | **1,313** | 1,256 |
| Goodwill | | **2,005** | 1,907 |
| Interests in associates | | **92** | 86 |
| Other financial assets | | **16** | 50 |
| Trade and other receivables | *7* | **729** | 585 |
| Receivables under finance lease | | **10,984** | 9,775 |
| Pledged bank deposits | | **485** | 185 |
| Deferred tax assets | | **335** | 274 |
| **Total non-current assets** | | **21,674** | 19,372 |
| **Current assets** | | | |
| Inventories | | **10,405** | 8,678 |
| Trade and other receivables | *7* | **13,407** | 8,260 |
| Receivables under finance lease | | **7,422** | 6,397 |
| Pledged bank deposits | | **2,322** | 1,577 |
| Cash and cash equivalents | | **19,968** | 18,758 |
| **Total current assets** | | **53,524** | 43,670 |
| **Total assets** | | **75,198** | 63,042 |
| **Current liabilities** | | | |
| Loans and borrowings | | **10,833** | 8,107 |
| Trade and other payables | *8* | **23,032** | 17,203 |
| Income tax payable | | **803** | 757 |
| **Total current liabilities** | | **34,668** | 26,067 |
| **Net current assets** | | **18,856** | 17,603 |
| **Total assets less current liabilities** | | **40,530** | 36,975 |

| | Note | As at 30 June 2011 RMB millions | As at 31 December 2010 RMB millions |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Loans and borrowings | | **6,450** | 7,690 |
| Other non-current liabilities | | **1,430** | 1,379 |
| Deferred tax liabilities | | **483** | 471 |
| **Total non-current liabilities** | | **8,363** | 9,540 |
| **NET ASSETS** | | **32,167** | 27,435 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *9* | **5,928** | 5,797 |
| Reserves | | **26,142** | 21,579 |
| **Total equity attributable to equity shareholders of the Company** | | **32,070** | 27,376 |
| **Non-controlling interests** | | **97** | 59 |
| **TOTAL EQUITY** | | **32,167** | 27,435 |

# Notes to financial information

## 1 Basis of preparation

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

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 report Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

(b) The IASB has issued a number of new and revised IFRSs that are first effective for the current accounting period of the Group. The adoption of these new and revised IFRSs has had no significant effect on the interim financial statements and there have been no significant changes to the accounting policies applied in the preparation of the interim financial statements comparing to those adopted in the preparation of the 2010 annual financial statements.

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

## 2 Segment reporting

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2011 is set out below.

| | For the six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB millions*** | *RMB millions* |
| Reportable segment revenue: | | |
| Concrete machinery | **11,134** | 7,037 |
| Crane machinery | **8,208** | 5,910 |
| Environmental and sanitation machinery | **1,264** | 710 |
| Road construction and pile foundation machinery | **1,006** | 539 |
| Earth working machinery | **673** | 450 |
| Material handling machinery and systems | **282** | 281 |
| Finance lease services | **749** | 354 |
| Total reportable segment revenue | **23,316** | 15,281 |
| Revenue from all other segments | **832** | 808 |
| Total | **24,148** | 16,089 |
| Reportable segment profit: | | |
| Concrete machinery | **4,041** | 2,182 |
| Crane machinery | **2,159** | 1,634 |
| Environmental and sanitation machinery | **407** | 234 |
| Road construction and pile foundation machinery | **383** | 193 |
| Earth working machinery | **125** | 81 |
| Material handling machinery and systems | **34** | 17 |
| Finance lease services | **597** | 195 |
| Total reportable segment profit | **7,746** | 4,536 |
| Profit from all other segments | **111** | 115 |
| Total | **7,857** | 4,651 |

**Reconciliation of segment profit**

| | For the six months ended 30 June 2011 *RMB millions* | 2010 *RMB millions* |
|---|---|---|
| Total segment profit | **7,857** | 4,651 |
| Other revenues and net income | **66** | 6 |
| Sales and marketing expenses | **(1,230)** | (986) |
| General and administrative expenses | **(1,021)** | (852) |
| Research and development expenses | **(145)** | (116) |
| Gain on disposal of an associate | **12** | — |
| Net finance costs | **(108)** | (150) |
| Share of profits less losses of associates | **13** | 5 |
| Consolidated profit before taxation | **5,444** | 2,558 |

## 3 Profit before taxation

Profit before taxation is arrived at after charging:

| | For the six months ended 30 June 2011 *RMB millions* | 2010 *RMB millions* |
|---|---|---|
| Cost of inventories | **16,139** | 11,292 |
| Interest on loans and borrowings | **218** | 226 |
| Depreciation of property, plant and equipment | **178** | 172 |
| Amortisation of lease prepayments | **13** | 12 |
| Amortisation of intangible assets | **31** | 31 |

## 4 Income tax

Income tax in the consolidated statements of comprehensive income represents:

| | For the six months ended 30 June 2011 *RMB millions* | 2010 *RMB millions* |
|---|---|---|
| Current tax — PRC income tax | **856** | 504 |
| Current tax — Income tax in other tax jurisdictions | **3** | 5 |
| Deferred taxation | **(66)** | (114) |
| | **793** | 395 |

The PRC statutory income tax rate is 25% (2010: 25%).

The Company's subsidiaries in Italy, CIFA and its subsidiaries, are subject to income tax at rates ranging from 27.5% to 31.4% (2010: 27.5% to 31.4%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2010: 16.5%). No income tax provision was made for certain Hong Kong subsidiaries, as these subsidiaries either derived no income subject to Hong Kong Profits Tax or sustained tax losses for Hong Kong Profits Tax purposes.

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%. In 2008, the Company and certain of its subsidiaries were recognised as high-technology enterprises and accordingly were subject to income tax at 15% for the years from 2008 to 2010. In 2009, another subsidiary of the Company was recognised as a high-technology enterprise for 2009 to 2011.

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 2011.

## 5 Dividends

### (a) Cash dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 3 June 2011, a final cash dividend of RMB0.26 per share based on 5,928 million ordinary shares totalling RMB1,541 million in respect of the year ended 31 December 2010 was declared, and among which RMB1,113 million was paid in July 2011, and the remaining balance is expected to be paid by the end of 2011.

### (b) Bonus shares

Pursuant to the shareholders' approval at the Annual General Meeting held on 3 June 2011, the Company announced a stock split in the form of bonus shares on the basis of 0.3 share for every outstanding ordinary share on July 2011. The total number of shares issued was 1,778 million. The par value of the ordinary shares issued of RMB1,778 million was charged to capital reserve in accordance with the Board of Directors' resolution as approved by the shareholders.

**(c)** The Company's board of directors does not recommend the payment of interim dividend for the six months ended 30 June 2011.

## 6 Basic and diluted earnings per share

For the purpose of calculating earnings per share, the number of ordinary shares used in the calculation has been retrospectively adjusted to reflect the stock split in the form of bonus shares issued in July 2011 (see Note 5(b)) as if it had occurred at the beginning of the earliest period presented and such shares had been outstanding for the period.

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company of RMB4,628 million (the six months ended 30 June 2010: RMB2,202 million), and the weighted average number of shares of 7,695 million during the six months ended 30 June 2011 (the six months ended 30 June 2010: 6,233 million) after adjusting for the stock split mentioned in the above paragraph.

There were no dilutive potential ordinary shares as at 30 June 2010 and 30 June 2011.

## 7 Trade and other receivables

| | **As at 30 June 2011** ***RMB millions*** | As at 31 December 2010 *RMB millions* |
|---|---|---|
| Trade receivables | **12,561** | 7,504 |
| Less: allowance for doubtful debts | **(784)** | (557) |
| | **11,777** | 6,947 |
| Less: trade receivables due after one year | **(729)** | (585) |
| | **11,048** | 6,362 |
| Bills receivable | **612** | 627 |
| | **11,660** | 6,989 |
| Amounts due from related parties | **15** | 27 |
| Prepayments for purchase of raw materials | **757** | 388 |
| Prepaid expenses | **160** | 178 |
| VAT recoverable | **278** | 179 |
| Others | **537** | 499 |
| | **13,407** | 8,260 |

Ageing analysis of trade receivables (net of allowance for doubtful debts) as at the balance sheet dates is as follows:

| | **As at 30 June 2011** ***RMB millions*** | As at 31 December 2010 *RMB millions* |
|---|---|---|
| Within 1 month | **4,368** | 2,642 |
| Over 1 month but less than 3 months | **3,306** | 921 |
| Over 3 months but less than 1 year | **2,975** | 2,403 |
| Over 1 year but less than 2 years | **835** | 772 |
| Over 2 years but less than 3 years | **230** | 174 |
| Over 3 years but less than 5 years | **63** | 35 |
| | **11,777** | 6,947 |

There have been no significant charges to the credit policies as adopted by the Group comparing with 2010. Refer note 28(a) of the financial statements prepared under IFRSs for the year 2010 of details.

## 8 Trade and other payables

| | **As at 30 June 2011** *RMB millions* | As at 31 December 2010 *RMB millions* |
|---|---|---|
| Trade creditors | **7,310** | 6,841 |
| Bills payable | **8,320** | 5,441 |
| Trade creditors and bills payable | **15,630** | 12,282 |
| Amounts due to related parties | **8** | 12 |
| Receipts in advance | **1,298** | 1,021 |
| Payable for acquisition of property, plant and equipment | **333** | 375 |
| Accrued staff costs | **442** | 642 |
| VAT payable | **661** | 722 |
| Security deposits | **1,151** | 608 |
| Product warranty provision | **112** | 113 |
| Sundry taxes payable | **332** | 325 |
| Dividend payable | **1,613** | 116 |
| Others | **1,452** | 987 |
| | **23,032** | 17,203 |

Ageing analysis of trade creditors and bills payable as at the balance sheet date is as follows:

| | **As at 30 June 2011** *RMB millions* | As at 31 December 2010 *RMB millions* |
|---|---|---|
| Due within 1 month or on demand | **5,589** | 4,640 |
| Due after 1 month but within 3 months | **4,598** | 3,567 |
| Due after 3 months but within 6 months | **4,534** | 3,067 |
| Due after 6 months but within 12 months | **909** | 1,008 |
| | **15,630** | 12,282 |

## 9 Share capital

On 5 January 2011, the underwriters of the Global Offering exercised the over-allotment option in full. As a result, 130,437,400 H Shares with a par value of RMB1 per share were issued at a price of HKD14.98 per share, which raised gross proceeds of approximately HKD1,954 million (RMB equivalent 1,659 million) and net proceeds of RMB1,507 million. In this connection, Hunan SASAC and Hunan Development Group transferred a total of additional 13,043,740 A Shares to the NSSF, which were converted into H Shares on a one-for-one basis. Upon completion of the issuance of new H Shares and conversion of A Shares into H Shares, the share capital of the Company was increased to approximately RMB5,928 million, comprising 4,827,634,742 A Shares and 1,100,022,220 H Shares.

# BUSINESS REVIEW AND OUTLOOK

**Review of six months ended 30 June 2011**

In the first half of 2011, to cope with the complex macroeconomic situation, the Company further improved its strategic management. By reinforcing its overall strategic guidance and the strategy implementation under its operating units, the Company achieved a new breakthrough for its results of operations and continued to outperform its peers.

***1. Excellent results of operations***

In the first half of the year, the Company recorded turnover of RMB24,148 million, representing growth of 50.1% as compared to the same period last year. Net profit attributable to equity shareholders of the Company was RMB4,628 million, representing a growth of 110.2% as compared to the same period last year.

***2. Rapid growth in core products***

Concrete machinery and truck crane products maintained leading positions in the industry, in particular:

- The remarkable competitive edges of the Company's tower crane products consolidated leading position of the products in the industry;

- Market share of crawling crane products continued to rank first in the industry;

- Market share of environmental and sanitation machinery products continued to be the top in the industry. The Company continued to expand vertically in the industry chain of garbage treatment and new products including snow cleaning equipment, whole set of equipment for landfill and sanitation vehicles powered by new energy generated new income stream;

- Road construction and pile foundation machinery maintained rapid growth and consolidated its position in the industry.

***3. Improving overseas marketing network***

The overseas marketing network developed rapidly. With an addition of 10 sales outlets and 16 distributors in the first half of 2011, the marketing network covering six continents of the world was formed to conduct sales through regional dealers, direct sales and establishing major customer base. Increases in sales of key products (tower cranes and crawling cranes) and sales in key overseas markets (South Asia, Middle East and CIS zone) exceeded the average level of the whole industry.

## 4. *Fruitful achievements in technology innovation*

The Company strived to become a global leading enterprise in technology through its continuous effort on developing advanced technologies in the world.

- Fruitful results were attained by developing innovative proprietary technologies. The Company was selected as one of the "Model Enterprise of Technology Innovation in the PRC of 2011 (2011年國家技術創新示範企業)" by the Ministry of Industry and Information Technology and the Ministry of Finance. It was among the first batch of enterprises in the PRC and the only enterprise in Hunan province receiving this title.

- The Company acquired and integrated the proprietary technology of the German JOST flat top tower crane, the leading tower crane technology in the world, which will allow the Company to enter the international high-end markets such as Europe and the United States;

- The ultra-high pressure trailer-mounted concrete pumps designed and developed by the Company successfully pumped C120 high mark concrete to a record high of 417 meters;

- The new truck-mounted concrete pump and mixer jointly developed by Zoomlion and CIFA demonstrated the perfect combination of the world's leading technologies to facilitate highly-intensive operation and received market recognition;

- The hoisting capacity of the self-developed 3,200-ton ZCC3200NP crawler crane for construction of the third-generation nuclear plant in the PRC broke the record of domestic crawler cranes. As such, the Company rose to the leading position in the international crane industry with this technological breakthrough in the field of heavy crane products which had been dominated by foreign enterprises;

- The Company innovated and developed the QY80 crane, a crane with 4 axles possessing the highest hoisting capacity in the world;

- The 100-ton crane for off road tyres, the largest crane for tyres in the PRC currently, was successfully launched.

## 5. *Leading the industry with innovated service*

The service innovation and management of the Company were strengthened. The Company provided one-stop service before, during and after sales to its customers by implementing a service system and security platform with interaction inside and outside the Company and information management for the whole process focused on onsite services supported by its headquarter. The Company aimed to provide high quality service within the industry and improve industry standard with its innovative services.

6. ***Optimization of management***

The Company focused on the business process re-engineering of functional departments to further optimize its structure, streamline processes, consolidate the management system and enhance operating efficiency to facilitate implementation of our international development strategy.

7. ***Further enhancement of brand image***

The Company further promoted its brand image with a view to becoming a leading brand in the industry. During the first half of the year, the Company won the following honours:

- The Company ranked the eighth amongst the top 50 construction machinery manufacturers in the world of 2011 by "China Mechanical Engineering", up from the rank of tenth in last year.

- In the Fifth National After-sale Service Awards organized jointly by China Commercial Association and Chinese Foundation for Consumers Protection, the Company won the award of "National Meritorious Enterprise of After-sale Service" again. The Company was the only construction machinery manufacturer that won this honour.

- In the Sixth Conference of Machine Management and Leasing Division of China Construction Industry Association, our crane product received two major awards, namely the "Best Quality Product" and the "Best After-sale Service" awards.

- The Board was also selected the "Most Outstanding Board of Directors" during the "Golden Roundtable Award" of the Seventh Session. The Company is the only listed company won the award for four times and the most frequently awarded listed company in the Shenzhen and Shanghai stock markets.

- The Company received the first Hunan Governor Quality Award and was the only company unanimously approved by the assessment team as the top-ranked awarded company.

- The Company was also honored as one of the "Top Ten Most Sustainable Listed Companies in Investment Value in China" for the fourth time, and sustainable investment value of the Company won high recognition from investors.

## Outlook

### (I) Economic outlook of the second half of the year

There are uncertainties in global economic outlook as the problems hindering the development of world economy still exist. Recovery will be slow due to weak demand. The possible quantitative easing monetary policy of the US may have negative effect on real economy. As for the overseas market, the developing countries and emerging markets will see a more rapid economic growth, which is expected to boost the international demand of construction machines.

Positive as well as negative factors will have their effects on domestic market in the second half of the year. On the negative side, it is unlikely that austerity policy will be eased in the near future and the growth in fixed asset investments will slow down. The sales of construction machinery will therefore be affected. On the positive side, the development of construction machinery industry will be driven by the on-going urbanization, construction of low-income housing, irrigation systems and other infrastructures, rapid growth of private investment and promotion of investment by the government.

**(II) Operating risks in the second half of the year**

1. Macroeconomic policy risks: it is unlikely that the austerity policies will be eased; there is uncertainty about the recovery of demand from down-stream industries for construction machinery;

2. Exchange risks: appreciation of RMB is anticipated and sales revenue and assets denominated in foreign currencies may have exchange loss;

3. Credit risks: the credibility of customers may have impact on the business of the Company due to the rapid growth of sales and client base;

4. Cost risks: profit may be eroded by rising raw material cost and labour cost.

**(III) Major operating measures in the second half of the year**

In the second half of the year, the Company will continue to closely monitor the market and improve domestic and overseas marketing and services network. The Company will strengthen the sense of responsibility and risk awareness of its staff members so as to achieve its operation targets.

***1. Focus in domestic market and step up marketing efforts***

The Group will further explore the markets in second and third tier of cities to increase market share and focus on niche markets by providing customized products and services to fulfill customers' needs.

The Group will coordinate marketing activities in first tier cities through a centralized market information management system.

To supplement the second and third tier sales networks established by operating units and agents, the Group will establish its first tier sales network to further improve its response mechanism and overall capability.

***2. Accelerate expansion into overseas market to promote sales***

The Group will push forward its overseas development strategy by speeding up the development of overseas production base and research and development centre. More overseas sales and customer service centers will be established.

The Group will also expedite the establishment of information technology system for overseas network to improve its management and communication.

The Company will change its overseas sales strategy and improve the management and selection of overseas sale agents.

3. ***Expedite technology development to maintain leading position***

The Group will increase its investment in scientific research and development of innovative technology, and continue to launch new products.

The Group will focus on large-scale scientific research projects. The Group aims to launch world-class advanced construction machinery products by promoting the application of intelligent, energy conservation and environmental friendly technologies in products with lighter weight.

In addition, the Group will focus on patents application and actively participate in the formulation and revision of national and industrial standards.

The Group will organize internal training programs and recruit talents of medium and high end technology worldwide to strengthen its technology capability.

Strategic alliance with local and overseas academic institutions will be established to strengthen its research and development capability.

4. ***Promote the sense of responsibility and enhance risk control capability***

The Company will develop a corporate culture of "responsibility". Responsibility of each function role will be clearly defined to eliminate ambiguity. Operating efficiency will be improved by monitoring the implementation and results of management policies.

We will strengthen the analysis and forecast on macro economic conditions so as to promptly respond to market changes. Production and sales plans will be carefully devised to maintain optimal structure and level of inventory. The Group will also strengthen its credit assessment and debt collection measures. In addition, the Group will also exploit potentials to increase efficiency and strictly control its costs and expenses to improve profitability.

## CORPORATE GOVERNANCE

The Board has adopted all code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules as the code of the Company. During the six months ended 30 June 2011, the Company has complied with all the applicable code provisions set out in the Code, save and except the only deviation from code provision A.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Dr. Zhan Chunxin is currently the chairman of the Board and chief executive officer of the Company. The Board is of the view that vesting of these two roles in Dr. Zhan Chunxin can facilitate efficient formulation and implementation of business strategies of the Company, and that through the supervision of the Board and its independent non-executive directors as well as the internal check-and-balance system, the balance of power and authority between the Board and management of the Company will not be affected. The Board believes that this arrangement is in the interests of the Company and its business.

## COMPLIANCE OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the rules governing the securities transactions by directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all its directors and supervisors, and all its directors and supervisors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2011. The Company has not identified any non-compliance with the Model Code by any of its directors or supervisors.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities in the six months ended 30 June 2011.

## REVIEW BY THE AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the interim financial report of the Group for the six months ended 30 June 2011 prepared in accordance with International Accounting Standard 34.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.zoomlion.com).

The Company's 2011 interim report containing all the information required under the Listing Rules will be dispatched to holders of H shares and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board of
**Changsha Zoomlion Heavy Industry**
**Science and Technology Development Co., Ltd.***
**Zhan Chunxin**
*Chairman*

Changsha, the PRC, 30 August 2011

*As at the date of this announcement, the executive directors of the Company are Dr. Zhan Chunxin and Mr. Liu Quan; the nonexecutive director is Mr. Qiu Zhongwei; and the independent non-executive directors are Mr. Liu Changkun, Dr. Qian Shizheng, Mr. Wang Zhile and Mr. Lian Weizeng.*

* *For identification purpose only*