ZOOMLION

Zoomlion Heavy Industry Science and Technology Co., Ltd.*

中聯重科股份有限公司

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

(Stock Code: 1157)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

- Turnover of the Group for 2013 was RMB38,542 million, representing a decrease of RMB9,529 million or 19.82% over 2012.
- Profit attributable to equity shareholders of the Company for 2013 was RMB3,844 million, representing a decrease of RMB3,486 million or 47.56% over 2012.
- Earnings per share for 2013 was RMB0.50.
- The Board proposed a final dividend of RMB0.15 per share for the year of 2013.

The board of directors (the "Board") of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (the "Company") hereby announces the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for 2012:

FINANCIAL RESULTS

Financial information extracted from the audited financial statements for 2013 prepared in accordance with International Financial Reporting Standards ("IFRSs"):

Consolidated statement of comprehensive income
For the year ended 31 December 2013
(Expressed in RMB)

	Note	**2013** **RMB** ***millions***	2012 *RMB* *millions*
Turnover	*2*	**38,542**	48,071
Cost of sales and services		**(27,300)**	(32,546)
Gross profit		**11,242**	15,525
Other revenues and net loss		**(49)**	(101)
Sales and marketing expenses		**(3,631)**	(3,376)
General and administrative expenses		**(2,701)**	(2,368)
Research and development expenses		**(570)**	(584)
Profit from operations		**4,291**	9,096
Net finance costs	*3(a)*	**195**	(274)
Share of profits less losses of associates		**41**	36
Profit before taxation	*3*	**4,527**	8,858
Income tax	*4*	**(570)**	(1,329)
Profit for the year		**3,957**	7,529
Other comprehensive income for the year (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		**(51)**	21
Change in fair value of available-for-sale equity securities		**(1)**	—
Total other comprehensive income for the year		**(52)**	21
Total comprehensive income for the year		**3,905**	7,550

	Note	**2013**	2012
		RMB millions	*RMB millions*
Profit attributable to:			
Equity shareholders of the Company		**3,844**	7,330
Non-controlling interests		**113**	199
Profit for the year		**3,957**	7,529
Total comprehensive income attributable to:			
Equity shareholders of the Company		**3,792**	7,352
Non-controlling interests		**113**	198
Total comprehensive income for the year		**3,905**	7,550
Basic and diluted earnings per share (RMB)	*6*	**0.50**	0.95

Consolidated balance sheet
As at 31 December 2013
(Expressed in RMB)

	Note	**2013** ***RMB millions***	2012 *RMB millions*
Non-current assets			
Property, plant and equipment		**6,847**	6,112
Lease prepayments		**1,610**	1,443
Intangible assets		**1,320**	1,288
Goodwill		**1,796**	1,803
Interests in associates		**195**	188
Other financial assets		**146**	197
Trade and other receivables	*8*	**3,610**	2,685
Receivables under finance lease	*9*	**7,407**	10,458
Pledged bank deposits		**974**	1,061
Deferred tax assets	*11(b)*	**644**	456
Total non-current assets		**24,549**	25,691
Current assets			
Inventories		**8,747**	11,733
Other current assets		**306**	231
Trade and other receivables	*8*	**26,569**	19,939
Receivables under finance lease	*9*	**10,228**	9,194
Pledged bank deposits		**2,441**	2,062
Cash and cash equivalents		**16,657**	20,084
Total current assets		**64,948**	63,243
Total assets		**89,497**	88,934
Current liabilities			
Loans and borrowings		**8,397**	9,639
Trade and other payables	*10*	**23,891**	23,387
Income tax payable	*11(a)*	**437**	1,083
Total current liabilities		**32,725**	34,109
Net current assets		**32,223**	29,134

	Note	**2013**	2012
		RMB millions	*RMB millions*
Total assets less current liabilities		**56,772**	54,825
Non-current liabilities			
Loans and borrowings		**12,750**	10,674
Other non-current liabilities		**1,542**	2,562
Deferred tax liabilities	*11(b)*	**468**	440
Total non-current liabilities		**14,760**	13,676
NET ASSETS		**42,012**	41,149
CAPITAL AND RESERVES			
Share capital		**7,706**	7,706
Reserves		**33,873**	33,056
Total equity attributable to equity shareholders of the Company		**41,579**	40,762
Non-controlling interests		**433**	387
TOTAL EQUITY		**42,012**	41,149

Consolidated statement of changes in equity
For the year ended 31 December 2013
(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital	**Capital reserve**	**Statutory surplus reserve**	**Exchange reserve**	**Other reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB millions	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*
Balance at 1 January 2012	**7,706**	**14,676**	**1,963**	**(81)**	**(2)**	**11,145**	**35,407**	**188**	**35,595**
Appropriation	—	—	650	—	—	(650)	—	—	—
Cash dividends	—	—	—	—	—	(1,927)	(1,927)	—	(1,927)
Contribution from non-controlling interests	—	(1)	—	—	—	—	(1)	49	48
Acquisition of non-controlling interests	—	(69)	—	—	—	—	(69)	(9)	(78)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(39)	(39)
Total comprehensive income for the year	—	—	—	22	—	7,330	7,352	198	7,550
Balance at 31 December 2012 and 1 January 2013	**7,706**	**14,606**	**2,613**	**(59)**	**(2)**	**15,898**	**40,762**	**387**	**41,149**
Appropriation	—	—	289	—	—	(289)	—	—	—
Cash dividends	—	—	—	—	—	(1,541)	(1,541)	—	(1,541)
Safety production fund	—	—	—	—	5	(5)	—	—	—
Contribution from non-controlling interests	—	—	—	—	—	—	—	3	3
Acquisition of non-controlling interests	—	(1,434)	—	—	—	—	(1,434)	(43)	(1,477)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(27)	(27)
Total comprehensive income for the year	—	—	—	(51)	(1)	3,844	3,792	113	3,905
Balance at 31 December 2013	**7,706**	**13,172**	**2,902**	**(110)**	**2**	**17,907**	**41,579**	**433**	**42,012**

Consolidated cash flow statement
For the year ended 31 December 2013
(Expressed in RMB)

	2013	2012
	RMB	*RMB*
	millions	*millions*
Operating activities		
Profit before taxation	**4,527**	8,858
Adjustments for:		
Depreciation of property, plant and equipment	**459**	407
Amortisation of lease prepayments	**29**	27
Amortisation of intangible assets	**74**	68
Share of profits less losses of associates	**(41)**	(36)
Interest income	**(694)**	(349)
Interest expense	**970**	779
Loss on disposal of property, plant and equipment, and intangible assets	**22**	19
Loss on disposal of a subsidiary	**1**	—
(Gain)/loss on remeasurement of derivative financial instruments at fair value	**(3)**	18
Impairment loss of property, plant and equipment	**12**	18
Impairment loss of goodwill	**25**	18
	5,381	9,827
Decrease/(increase) in inventories	**3,041**	(2,077)
Increase in trade and other receivables	**(8,086)**	(8,312)
Decrease in receivables under finance lease	**2,543**	217
Cash paid for repurchase of equipment at fair market value from banks to which the Group previously factored its receivables without recourse	**(673)**	—
Cash paid for repurchase of equipment from third-party leasing company under joint leasing arrangement	**(64)**	—
(Decrease)/increase in trade and other payables	**(720)**	4,613
Cash generated from operations	**1,422**	4,268
Income tax paid	**(1,379)**	(1,657)
Net cash generated from operating activities carried forward	**43**	2,611

	2013 *RMB millions*	2012 *RMB millions*
Net cash generated from operating activities brought forward	**43**	2,611
Investing activities		
Payment for purchase of property, plant and equipment	**(853)**	(1,635)
Lease prepayments	**(196)**	(80)
Payment for purchase of intangible assets	**(89)**	(119)
Dividends received from associates	**13**	7
Payment for investments in associates and equity investments	**(22)**	(258)
Proceeds from disposal of property, plant and equipment and intangible assets	**51**	67
Proceeds from disposal of a subsidiary	**2**	—
Interest received	**694**	349
Increase in pledged bank deposits	**(292)**	(1,381)
Net cash used in investing activities	**(692)**	(3,050)
Financing activities		
Proceeds from loans and borrowings	**12,175**	16,356
Repayments of loans and borrowings	**(10,924)**	(15,368)
Interest paid	**(956)**	(717)
Dividends paid to equity shareholders	**(1,540)**	(1,927)
Dividends paid by subsidiaries to non-controlling interests	**(42)**	(19)
Contribution from non-controlling interests	**2**	56
Payment for acquisition of non-controlling interests	**(1,469)**	(50)
Net proceeds from issuance of USD senior notes	**—**	6,181
Net cash (used in)/generated from activities	**(2,754)**	4,512
Net (decrease)/increase in cash and cash equivalents	**(3,403)**	4,073
Cash and cash equivalents at beginning of year	**20,084**	16,002
Effect of foreign exchange rate changes	**(24)**	9
Cash and cash equivalents at end of year	**16,657**	20,084

Notes to the financial information

Notes to the consolidated financial statements
For the year ended 31 December 2013

1 STATEMENT OF COMPLIANCE

Consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). IFRSs include all individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations. Consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 TURNOVER

The principal activities of the Group are research, development, manufacturing and sale and leasing of concrete machinery, crane machinery, environmental and sanitation machinery, road construction and pile foundation machinery and other related heavy machinery and capital equipment.

Turnover represents revenue from sales and lease of the Group's machinery products, net of value-added tax and is after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in turnover are as follows:

	2013	2012
	RMB millions	*RMB millions*
Sales of:		
Concrete machinery	**17,191**	23,596
Crane machinery	**12,479**	14,132
Environmental and sanitation machinery	**3,282**	3,034
Road construction and pile foundation machinery	**1,731**	1,558
Earth working machinery	**772**	2,269
Other machinery products	**1,626**	1,882
Finance income under finance lease	**1,461**	1,600
	38,542	48,071

3 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	2013	2012
	RMB millions	*RMB millions*
Finance income:		
Interest income	**(694)**	(349)
(Gain)/loss on remeasurement of derivative financial instruments at fair value	**(3)**	18
	(697)	(331)
Finance costs:		
Interest on loans and borrowings	**970**	756
Net exchange gains	**(468)**	(151)
	502	605
	(195)	274

(b) Staff costs:

	2013	2012
	RMB millions	*RMB millions*
Salaries, wages and other benefits	**3,029**	3,074
Contributions to retirement schemes	**265**	276
	3,294	3,350

(c) Other items:

	2013	2012
	RMB	*RMB*
	millions	*millions*
Cost of inventories sold	**27,295**	32,437
Depreciation of property, plant and equipment	**459**	407
Amortisation of lease prepayments	**29**	27
Amortisation of intangible assets	**74**	68
Operating lease charges	**230**	207
Auditors' remuneration:		
— audit services	**14**	13
— non-audit services	**1**	—
Product warranty costs	**156**	180
Impairment losses/(reversal):		
— trade receivables	**591**	346
— receivables under finance lease	**432**	159
— inventories	**(49)**	187
— property, plant and equipment	**12**	18
— goodwill	**25**	18

4 INCOME TAX

Income tax in the consolidated statements of comprehensive income represents:

	2013	2012
	RMB	*RMB*
	millions	*millions*
Current tax — PRC income tax		
Provision for the year	**729**	1,446
Current tax — Income tax in other tax jurisdictions		
Provision for the year	**4**	5
Deferred taxation (Note 11(b))		
Origination and reversal of temporary differences	**(163)**	(122)
	570	1,329

Reconciliation between actual income tax expense and notional tax on profit before taxation is as follows:

	2013	2012
	RMB millions	*RMB millions*
Profit before taxation	**4,527**	8,858
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned *(Note (a))*	**1,132**	2,215
Tax effect of non-deductible expenses	**23**	26
Tax effect of non-taxable income	**(26)**	(37)
Tax effect of tax concessions *(Note (b))*	**(390)**	(730)
Additional deduction for qualified research and development expenses *(Note (c))*	**(169)**	(145)
Actual income tax expense	**570**	1,329

Notes:

(a) The PRC statutory income tax rate is 25% (2012: 25%).

The Company's subsidiaries in Italy are subject to income tax at rates ranging from 27.5% to 31.4% (2012: 27.5% to 31.4%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2012: 16.5%).

(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 the renewal approval of high-technology enterprises in 2011 and accordingly are subject to income tax at 15% for the years from 2011 to 2013. During 2013, another subsidiary of the Company was recognised as a high-technology enterprise for the years from 2013 to 2015. Besides, another subsidiary of the Company was qualified as software developer and is entitled to income tax exemption for the years from 2013 to 2014 and a 12.5% preferential tax rate for the years from 2015 to 2017.

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

5 DIVIDEND

(i) Dividends paid during year

Pursuant to the shareholders' approval at the Annual General Meeting held on 18 June 2013, a final cash dividend of RMB0.20 per share based on 7,706 million ordinary shares totalling RMB1,541 million in respect of the year ended 31 December 2012 was declared, of which RMB1,540 million was paid by the end of 2013, and the remaining balance of RMB1 million will be paid in 2014.

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2012, a final cash dividend of RMB0.25 per share based on 7,706 million ordinary shares totalling RMB1,927 million in respect of the year ended 31 December 2011 was declared, and was fully paid by the end of 2012.

(ii) Dividends proposed after the balance sheet date

Pursuant to a resolution passed at the directors' meeting on 28 March 2014, a final dividend in respect of the year ended 31 December 2013 of RMB0.15 (2012: RMB0.20) per share totalling RMB1,156 million (2012: RMB1,541 million) was proposed for shareholders' approval at the Annual General Meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

6 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB3,844 million (2012: RMB7,330 million), and the weighted average number of shares of 7,706 million in issue during the year (2012: 7,706 million shares).

There were no dilutive potential ordinary shares in issue as at 31 December 2013 (2012: Nil).

7 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Concrete machinery segment: this segment primarily researches, develops, manufactures and sells various concrete machineries, including truck-mounted concrete pumps, trailer-mounted concrete pumps, concrete placing booms, concrete mixing plants, truck-mounted concrete mixers, truck-mounted line concrete pumps and self-propelled boom concrete pumps.

(ii) Crane machinery segment: this segment primarily researches, develops, manufactures and sells a variety of cranes, including truck cranes, all-terrain truck cranes, crawler cranes and various types of tower cranes.

(iii) Environmental and sanitation machinery segment: this segment primarily researches, develops, manufactures and sells a wide range of environmental and sanitation machineries, including road sweepers, washing vehicles and waste treatment equipment.

(iv) Road construction and pile foundation machinery segment: this segment primarily researches, develops, manufactures and sells different types of road construction and pile foundation machineries, including road surface heaters, motor graders, road rollers, pavers, road surface cold planners, asphalt mixing equipment and rotary drilling rigs.

(v) Earth working machinery segment: this segment primarily researches, develops, manufactures and sells a variety of earth working machineries, including loaders, bulldozers and excavators.

(vi) Finance lease segment: this segment primarily provides finance lease services to customers for purchasing machinery products of the Group and from other vendors.

Other operating segments of the Group include research, development, manufacturing and sale of other machinery products, including material handling machinery and systems segment, specialised vehicles and vehicle axles. None of these segments met any of the quantitative thresholds for determining reportable segments for the years ended 31 December 2013 and 2012.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

The measure used for reporting segment profit is turnover less cost of sales and services.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

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 year ended 31 December 2013 is set out below:

	2013	2012
	RMB millions	*RMB millions*
Reportable segment revenue:		
Concrete machinery	**17,191**	23,596
Crane machinery	**12,479**	14,132
Environmental and sanitation machinery	**3,282**	3,034
Road construction and pile foundation machinery	**1,731**	1,558
Earth working machinery	**772**	2,269
Finance lease services	**1,461**	1,600
Total reportable segment revenue	**36,916**	46,189
Revenue from all other segments *(Note)*	**1,626**	1,882
Total	**38,542**	48,071
Reportable segment profit:		
Concrete machinery	**4,568**	8,007
Crane machinery	**3,361**	3,802
Environmental and sanitation machinery	**947**	860
Road construction and pile foundation machinery	**562**	652
Earth working machinery	**14**	503
Finance lease services	**1,456**	1,491
Total reportable segment profit	**10,908**	15,315
Profit from all other segments *(Note)*	**334**	210
Total	**11,242**	15,525

Note:

In 2013, the data of material handling machinery and systems segment is included in "other segments" and not separately disclosed as the amounts involved are not significant. The comparative figures have been reclassified to conform with the current year presentation.

(b) Reconciliation of segment profit

	2013	2012
	RMB millions	*RMB millions*
Total segment profit	**11,242**	15,525
Other revenues and net loss	**(49)**	(101)
Sales and marketing expenses	**(3,631)**	(3,376)
General and administrative expenses	**(2,701)**	(2,368)
Research and development expenses	**(570)**	(584)
Net finance costs	**195**	(274)
Share of profits less losses of associates	**41**	36
Consolidated profit before taxation	**4,527**	8,858

(c) Geographic information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, and lease prepayments ("specified non-current assets"). The geographical location of revenue is based on the selling location. The geographical location of specified non-current assets is based on the physical location of the asset. No geographic information is presented for trademarks, technical know-how and goodwill as these assets are commonly used by the Group both in and outside PRC. All other non-current assets are physically located in the PRC, except for customer relationships acquired through business combination of CIFA, which are determined to be outside PRC.

	2013	2012
	RMB	*RMB*
	millions	*millions*
Revenue from external customers		
— Mainland PRC	**35,755**	45,300
— Outside PRC	**2,787**	2,771
Total	**38,542**	48,071

	2013	2012
	RMB	*RMB*
	millions	*millions*
Specified non-current assets		
— Mainland PRC	**8,255**	7,389
— Outside PRC, primarily in Italy	**202**	166
Total	**8,457**	7,555

8 TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB	*RMB*
	millions	*millions*
Trade receivables	**28,671**	19,343
Less: provision for impairment	**(1,451)**	(871)
	27,220	18,472
Less: trade receivables due after one year	**(3,610)**	(2,685)
	23,610	15,787
Bills receivable	**848**	1,721
	24,458	17,508
Amounts due from related parties	**604**	441
Amounts due from subsidiaries	**—**	—
Prepayments for purchase of raw materials	**251**	565
Prepaid expenses	**398**	396
VAT recoverable	**371**	284
Deposits	**125**	150
Others	**362**	595
	26,569	19,939

All of the trade and other receivables (including amounts due from subsidiaries), except those described below, are expected to be recovered or recognised as expense within one year.

The Group allows certain customers with appropriate credit standing to make payments in equal monthly instalments over a maximum period of 60 months ("instalment payment method"). Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2013, the weighted average discount rate was approximately 6.15% (2012: 6.15%) per annum. As at 31 December 2013, trade receivables due after one year of RMB3,610 million (31 December 2012: RMB2,685 million) were presented net of unearned interest of RMB285 million (31 December 2012: RMB246 million).

During the year ended 31 December 2013, trade receivables of RMB2,021 million (2012: RMB4,830 million) were factored to banks and other financial institutions without recourse, and were therefore derecognised. Under the non-recourse factoring agreements, the Group has agreed to repurchase equipment at fair value from banks and other financial institutions to which the Group previously factored its receivables, upon repossession of the equipment under the relevant equipment sales contracts by such banks or financial institutions. During the year ended 31 December 2013, the Group did not have repurchase of assets from banks and other financial institutions under such commitment (2012: Nil).

Ageing analysis based on billing date of trade receivables (net of provision for impairment) as at the balance sheet date is as follows:

	2013 ***RMB*** ***millions***	2012 *RMB* *millions*
Within 1 month	**5,091**	4,947
Over 1 month but less than 3 months	**5,599**	4,345
Over 3 months but less than 1 year	**11,392**	7,826
Over 1 year but less than 2 years	**4,648**	1,018
Over 2 years but less than 3 years	**379**	251
Over 3 years but less than 5 years	**111**	85
	27,220	18,472

Trade receivables under credit sales arrangement are generally due within 1 to 3 months from the date of billing, and customers are normally required to make an upfront payment ranging from 15% to 30% of the product price (2012: 10% to 30%). For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 48 months (2012: 3 to 60 months), customers are normally required to make an upfront payment ranging from 10% to 30% of the product price (2012: 3% to 40%).

As part of the Group's ongoing control procedures, management monitors the creditworthiness of customers to which it grants credit in the normal course of business. Credit exposure limits are established to avoid concentration risk with respect to any single customer.

9 RECEIVABLES UNDER FINANCE LEASE

	2013	2012
	RMB millions	*RMB millions*
Gross investment	**19,515**	21,499
Unearned finance income	**(1,149)**	(1,548)
	18,366	19,951
Less: provision for impairment	**(731)**	(299)
	17,635	19,652
Less: receivables under finance lease due after one year	**(7,407)**	(10,458)
Receivables under finance lease due within one year	**10,228**	9,194

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 (2012: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 25% of the product price (2012: 5% to 20%) and pay a security deposit ranging from 1% to 10% of the product price (2012: 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.

During the year ended 31 December 2013, receivables under finance lease of RMB6,759 million (2012: RMB16,518 million) were factored to banks without recourse, and were therefore derecognised. Under the non-recourse factoring agreements, the Group has agreed to repurchase equipment at fair market value from banks to which the Group previously factored its receivables, upon repossession of the equipment under the relevant finance lease contracts by such banks. During the year ended 31 December 2013, the Group made payments of RMB673 million (2012: Nil) to banks to repurchase the repossessed equipment and/or related property rights to the outstanding debt balance due from customers.

(a) Ageing analysis of receivables under finance lease

The minimum lease payments receivable as at the balance sheet date are as follows:

	2013 *RMB* *millions*	2012 *RMB* *millions*
Present value of the minimum lease payments		
Within 1 year	**10,643**	9,336
Over 1 year but less than 2 years	**3,726**	5,373
Over 2 years but less than 3 years	**2,504**	3,116
Over 3 years	**1,493**	2,126
	18,366	19,951
Unearned finance income		
Within 1 year	**751**	882
Over 1 year but less than 2 years	**230**	405
Over 2 years but less than 3 years	**109**	182
Over 3 years	**59**	79
	1,149	1,548
Gross investment		
Within 1 year	**11,394**	10,218
Over 1 year but less than 2 years	**3,956**	5,778
Over 2 years but less than 3 years	**2,613**	3,298
Over 3 years	**1,552**	2,205
	19,515	21,499

(b) Overdue analysis

Overdue analysis of receivables under finance lease as at the balance sheet date is as follows:

	2013	2012
	RMB millions	*RMB millions*
Not yet due	**13,741**	17,962
Less than 1 month past due	**461**	309
1 to 3 months past due	**749**	483
3 to 12 months past due	**2,126**	1,086
12 to 24 months past due	**1,186**	101
More than 24 months past due	**103**	10
Total past due	**4,625**	1,989
	18,366	19,951
Less: provision for impairment	**(731)**	(299)
	17,635	19,652

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.

The Group monitors the credit risk arising from finance lease arrangement through various control measures. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, finance income under finance lease is recognised in accordance with the accounting policies.

10 TRADE AND OTHER PAYBLES

	2013	2012
	RMB millions	*RMB millions*
Trade creditors	**8,629**	7,720
Bills payable	**7,027**	5,763
Trade creditors and bills payable	**15,656**	13,483
Amounts due to related parties	**27**	94
Receipts in advance	**1,066**	1,225
Payable for acquisition of property, plant and equipment	**750**	608
Accrued staff costs	**676**	713
VAT payable	**616**	1,106
Security deposits	**1,091**	930
Product warranty provision	**116**	93
Sundry taxes payable	**303**	496
Payables for factoring discount	**478**	970
Cash collected on behalf of banks	**1,550**	2,385
Other accrued expenses and payables	**1,562**	1,284
	23,891	23,387

Notes:

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

	2013	2012
	RMB millions	*RMB millions*
Due within 1 month or on demand	**6,091**	4,643
Due after 1 month but within 3 months	**4,760**	5,120
Due after 3 months but within 6 months	**4,020**	3,119
Due after 6 months but less than 12 months	**785**	601
	15,656	13,483

11 INCOME TAX IN THE BALANCE SHEET

(a) Income tax payable in the balance sheets represents:

	2013	2012
	RMB millions	*RMB millions*
Provision for PRC income tax	**433**	1,078
Provision for income tax in other tax jurisdictions	**4**	5
	437	1,083

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheets and the movements during the year are presented as follows:

Year ended 31 December 2013

	Balance at 1 January 2013	**Credited/ (charged) to profit or loss**	**Effect of exchange rate**	**Balance at 31 December 2013**
	RMB millions	***RMB millions***	***RMB millions***	***RMB millions***
Deferred tax assets arising from:				
Receivables	**213**	**192**	**—**	**405**
Inventories	**43**	**(11)**	**—**	**32**
Accrued expenses	**54**	**10**	**—**	**64**
Tax losses	**74**	**34**	**1**	**109**
Others	**72**	**(39)**	**1**	**34**
Total	**456**	**186**	**2**	**644**
Deferred tax liabilities arising from:				
Property, plant and equipment	**(8)**	**3**	**—**	**(5)**
Intangible assets	**(338)**	**15**	**(4)**	**(327)**
Lease prepayments	**(33)**	**—**	**—**	**(33)**
Others	**(61)**	**(41)**	**(1)**	**(103)**
Total	**(440)**	**(23)**	**(5)**	**(468)**

Year ended 31 December 2012

	Balance at 1 January 2012	Credited/ (charged) to profit or loss	Effect of exchange rate	Balance at 31 December 2012
	RMB millions	*RMB millions*	*RMB millions*	*RMB millions*
Deferred tax assets arising from:				
Receivables	109	103	1	213
Inventories	35	8	—	43
Accrued expenses	58	(5)	1	54
Tax losses	73	1	—	74
Others	42	29	1	72
Total	317	136	3	456
Deferred tax liabilities arising from:				
Property, plant and equipment	(9)	1	—	(8)
Intangible assets	(349)	16	(5)	(338)
Lease prepayments	(46)	15	(2)	(33)
Others	(14)	(46)	(1)	(61)
Total	(418)	(14)	(8)	(440)

As at 31 December 2013, RMB124 million (31 December 2012: RMB102 million) of deferred tax assets in respect of asset impairment losses and tax losses were not recognised by certain subsidiaries of the Company, as it is not probable that sufficient future taxable profits will be available to utilise such tax benefits.

12 RECONCILIATION OF FINANCIAL INFORMATION PREPARED UNDER PREC GAAP TO IFRSS

Effects of major differences between the total equity and total comprehensive income under PRC GAAP and the total equity and total comprehensive income under IFRSs are analysed as follows:

(a) Reconciliation of total equity of the Group

	2013	2012
	RMB millions	*RMB millions*
Total equity reported under PRC GAAP	**42,052**	41,189
— Acquisition-related costs incurred on prior year business combination	**(40)**	(40)
Total equity reported under IFRSs	**42,012**	41,149

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

	2013	2012
	RMB millions	*RMB millions*
Total comprehensive income for the year reported under PRC GAAP	**3,900**	7,550
Safety production fund *(Note)*	**5**	—
Total comprehensive income for the year reported under IFRSs	**3,905**	7,550

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 purchase 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis was prepared based on our financial information prepared in accordance with the International Financial Reporting Standards.

Results of Operations

Turnover

Our turnover decreased by 19.82% from RMB48,071 million for the year ended 31 December 2012 to RMB38,542 million for the year ended 31 December 2013. In 2013, China's macro-economy saw a sluggish recovery while economic growth remained lackluster. Due to weak market demand, increasing overproduction and intensifying competition, the Chinese construction machinery industry fell into stagnation. The Company has timely adjusted its overall operating strategy and development approach by simulating joint-stock system reform, maintaining stringent control on operational risks, implementing effective cost reduction and efficiency enhancement, thereby strengthened its operation. In particular, our turnover from sales of concrete machinery decreased by 27.14% from RMB23,596 million for 2012 to RMB17,191 million for 2013, primarily due to shrinking market demand and rising competition. Our turnover from sales of crane machinery fell by 11.7% from RMB14,132 million for 2012 to RMB12,479 million for 2013 primarily due to an overall decrease in market demand for cranes. Turnover from sales of earth working machinery dropped by 65.98% from RMB2,269 million for 2012 to RMB772 million for 2013 primarily due to several large orders recorded in 2012 and a weak market in 2013.

Cost of Sales and Services

Due to the decrease in the volume of the Company's sales, our cost of sales and services reduced by 16.12% from RMB32,546 million for the year ended 31 December 2012 to RMB27,300 million for the year ended 31 December 2013, which was in line with the decrease in our sales and production volume.

Gross profit

As a result of the foregoing, our gross profit decreased by 27.59% from RMB15,525 million for the year ended 31 December 2012 to RMB11,242 million for the year ended 31 December 2013. Our gross profit margin decreased from 32.30% for the year ended 31 December 2012 to 29.17% for the year ended 31 December 2013.

Other revenues and net gain

Our other revenues and net gain decreased from the net loss of RMB101 million for the year ended 31 December 2012 to a net loss of RMB49 million for the year ended 31 December 2013 primarily attributable to a drop in the discount of the non-recourse factoring of our trade receivables caused by a decrease in factoring amount and the decrease in government's subsidies.

Sales and marketing expenses

Our sales and marketing expenses increased by 7.55% from RMB3,376 million for the year ended 31 December 2012 to RMB3,631 million for the year ended 31 December 2013. Sales and marketing expenses as a percentage of our consolidated turnover increased from 7.02% for the year ended 31 December 2012 to 9.42% for the year ended 31 December 2013 primarily due to the fact that the Company was unable to achieve its sales target set at the beginning of the year and hence the sales resources were not commensurate with the expected target.

General and administrative expenses

Our general and administrative expenses rose by 14.06% from RMB2,368 million for the year ended 31 December 2012 to RMB2,701 million for the year ended 31 December 2013. General and administrative expenses as a percentage of our consolidated turnover increased from 4.93% for the year ended 31 December 2012 to 7.01% for the year ended 31 December 2013 primarily due to an increase in receivables provisions during the period.

Research and development expenses

Our research and development expenses decreased by 2.40% from RMB584 million for the year ended 31 December 2012 to RMB570 million for the year ended 31 December 2013.

Profit from operations

As a result of the foregoing, our profit from operations dropped by 52.83% from RMB9,096 million for the year ended 31 December 2012 to RMB4,291 million for the year ended 31 December 2013. Our operating margin fell from 18.92% for the year ended 31 December 2012 to 11.13% for the year ended 31 December 2013.

Net finance costs

Due to the increase of exchange gains in 2013, we had net financial gains of RMB195 million for the year ended 31 December 2013.

Income tax expenses

Our income tax expenses dropped by 57.11% from RMB1,329 million for the year ended 31 December 2012 to RMB570 million for the year ended 31 December 2013 primarily due to a drop in sales and thus taxable income was decreased. Our effective income tax rate decreased from 15.00% for the year ended 31 December 2012 to 12.59% for the year ended 31 December 2013, which was mainly attributable to the fact that more favourable tax preferences were provided by the government.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 47.44% from RMB7,529 million for the year ended 31 December 2012 to RMB3,957 million for the year ended 31 December 2013. Our net profit margin dropped from 15.66% for the year ended 31 December 2012 to 10.27% for the year ended 31 December 2013.

Profit attributable to shareholders of the Company

As a result of the foregoing, our profit attributable to shareholders of the Company decreased by 47.56% from RMB7,330 million for 2012 to RMB3,844 million for 2013.

Cash Flow

Operating activities

In 2013, net cash generated from operating activities was RMB43 million derived primarily from the profit before taxation of RMB4,527 million, adjusted to reflect the interest expenses of RMB970 million and depreciation and amortization of RMB562 million, and deducting the following items: (i) the increase in trade and other receivables of RMB8,086 million; (ii) the decrease in trade and other payables of RMB720 million; and (iii) the income tax payment of RMB1,379 million, and then adding back the decrease in receivables under finance lease of RMB2,543 million and the decrease in inventories of RMB3,041 million.

Investing activities

In 2013, net cash used in investing activities was RMB692 million, consisting primarily of: (i) payments for the purchases of property, plant and equipment of RMB853 million; and (ii) an increase in pledged bank deposits of RMB292 million. The property, plant and equipment are purchased for the construction of our industrial parks, manufacturing facility upgrades and renovation projects in 2013. The balance of pledged bank deposits increased due to an increase in various deposits of the Company.

Financing activities

In 2013, net cash used in financing activities was RMB2,754 million, consisting primarily of the proceeds from loans and borrowings of RMB12,175 million, offset by repayments of loans and borrowings of RMB10,924 million, dividends paid to equity shareholders of RMB1,540 million and interest payments of RMB956 million, and payment on the acquisition of minority interest of RMB1,469 million.

Capital Expenditures

For the year ended 31 December 2013, our capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB1,587 million.

Commitments and Contingent Liabilities

As at 31 December 2013, our commitment consisted of capital commitments that have been authorized and contracted for in the amount of RMB711 million, capital commitments that have been authorized but not contracted for in the amount of RMB94 million and operating lease commitments of RMB400 million, of which RMB133 million was payable within one year.

As at 31 December 2013, we had contingent liabilities of RMB15,044 million in connection to financial guarantees provided for certain bank loans obtained by our customers to finance their purchases of our products. Under the guarantee contracts, if the customers defaulted, we are entitled to repossess the product which had been purchased and pledged by the customers. For the year ended 31 December 2013, due to our customers' default, we paid RMB447 million, respectively, to the banks under our guarantees.

Certain of finance lease contracts between us and our end-user customers are jointly arranged by our leasing subsidiaries and a third-party leasing company. Under the joint leasing arrangements, we provide guarantees to third-party leasing company so that if the customers defaulted, we may be called upon to repay the leasing company for its share of the outstanding lease due from the respective customers. On the other hand, we will be entitled to repossess and resell the machinery subject to the lease and retain any excess of the sale proceeds over the guaranteed amount that we paid the leasing company. As at 31 December 2013, our maximum exposure to such guarantees was RMB142 million. The term of the guarantees are generally in line with the term of the leasing contracts, ranging from two to five years. For the year ended 31 December 2013, due to our customers' default, we paid RMB64 million to the third-party leasing company to repurchase the machinery under the guarantee arrangements.

Starting from 1 January 2013, 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 31 December 2013, the Group's maximum exposure to such guarantees was RMB2,526 million. The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 5 years. For the year ended 31 December 2013, there was no payment made for repossession of machinery incurred under the guarantee arrangement as a result of customer default.

Working Capital and Indebtedness

Our net current asset increased from RMB29,134 million as at 31 December 2012 to RMB32,223 million as at 31 December 2013 primarily attributable to the increase of trade and other receivables.

Our outstanding short-term loans and other borrowings, including long-term bank and other borrowings due within one year, reduced by 12.89% from RMB9,639 million as at 31 December 2012 to RMB8,397 million as at 31 December 2013 primarily attributable to the decrease in long-term borrowings due within one year.

As at 31 December 2013, our US dollar unsecured short-term and long-term loans with the aggregate outstanding principal amounts of RMB2,134 million and RMB3,097 million, respectively, thus subject to certain restrictive financial covenants. As of 31 December 2013, we have not violated any of these restrictive financial covenants. If we were unable to comply with such restrictive financial covenants and were not exempted by the lending banks, we might be ordered to repay the bank loans immediately, and our liquidity will be adversely affected.

As at 31 December 2013, our facilities from 35 domestic and overseas financial institutions amounted to approximately RMB78,100 million have not been utilized. In addition, 8 domestic financial institutions has granted facilities in an aggregate amount of RMB26,000 million to us under non-recourse factoring arrangements.

BUSINESS REVIEW AND PROSPECT

Review of 2013

1. *Operating results gradually stabilized and market share remained stable*

   During the reporting period, our turnover was approximately RMB38,542 million and net profit attributable to equity shareholders of the parent company amounted to approximately RMB3,844 million. Net cash flow generated from operating activities was approximately RMB43 million. Although turnover and net profit generated from our primary businesses decreased during the reporting period, the narrowing decline is an indication of our operation recovery.

   In 2013, market share of the major products of the Company remained stable. As for the concrete machinery, domestic market share of its truck-mounted pumps, mixing trucks, truck-mounted line pumps and mixing plants were ranked top in the industry. As for the crane machinery, domestic market share of its tower cranes continued to rank top among all industrial players and that of truck cranes remained stable. As for the environmental and sanitation machinery, domestic market shares of road washers and road sweepers were ranked top in the industry.

2. *Strict control over operation risk and continuous improvement in the quality of operation*

   (1) Strengthen risk control over our sales business. The Company reviewed the sales business process for improvement, standardized management and enhanced its ability in preventing risks, and also adopted its multi-dimensional risk control, including tightening of credit policy, much stringent assessment on customers' assets and imposing staff responsibility for collection of overdue payment. Simultaneously, the Company actively developed its re-manufacturing and re-sale business of second hand equipment for the realization of closed-loop operation in our sales business.

(2) Strengthened inventory management and process control. The Company strengthened the linkage between production and sales, and improved its planning management. In addition, with an optimization of inventory control mode, a stringent control over its monthly material procurement and acceleration of inventory stock turnover, the Company recorded a significant year-on-year drop in inventory by the end of the reporting period.

(3) Strengthened budgetary control. The Company took full advantage of as well as practiced strict economy on all sectors, including product design, supply chain, manufacturing and operation management. It monitored closely all expenses by establishment of a long term effective control mechanism, which may achieve cost reduction and efficiency enhancement, and also track and supervise the effectiveness of cost control according to its monthly budget.

3. *Strengthened innovation efforts and leading industry to technological innovation*

In 2013, the goal of our R&D was the building up of competitiveness with emphasis on technology. With this goal in mind, our R&D strength has been enhanced through technological innovation and technology management. During the reporting period, the Company, after completion of 144 major research projects and 1,699 patent applications, has further consolidated its leading position in technology among industrial players. Our project in relation to key technology and application of super tower crane has been awarded the National Science and Technology Advancement Second Prize. Simultaneously, the Company, after the establishment of the National Key Laboratory on Key Technologies for Construction Machinery, the National Engineering Technology Research and Development Center for Concrete Machinery, State-Certified Enterprise Technology Center, research institute for municipal public facilities and National Post-Doctoral Research Workshop, has also completed the approved construction of a local united research center for mobile crane technology and hence forming a new and leading technology platform featuring an unique "six-in-one" function. With this, technology reform and advancement in the industry were further sustained.

- As for the concrete machinery, the Company's 101-meter arms truck-mounted pumps with carbon fiber concrete placing boom, which entered into the Guinness World Records as the longest truck-mounted pumps, was first used in the construction of Wuhan Center, the PRC's third tallest building. In addition, the Company has successfully developed JS8000, the world's largest hydraulic concrete machinery, and its pioneer movable, extended and vibration reduction booms. Besides, a production line for flexible welding of pump trucks representing the world's highest standard has commenced production in our Changsha Lugu Industrial Park;

- As for the crane machinery, QAY2000, the world class wheeled crane with the highest lifting power, broke the world record with its successful lifting of 6,000 tons for 1 m distance in a trial test. In addition, the Company has developed the first international and super crane boom technology. The Company has become the first enterprise granted license for manufacturing of crawler cranes of more than 3,000 tons;

- As for other aspects, ZLJ5169ZYSDE4, the nation's first no leak compression-type garbage truck with the greatest tonnage independently developed by the Company, has been successfully released. In addition, the Company introduced its 113-meter firefighting platform, the one reaching the highest level in the world.

4. *Active integration of national resources and continual expansion of overseas business*

With its advanced technological cooperation with JOST, the Company successfully transformed some of its tower cranes models. The transformed models satisfied the testing and certification conducted by TUV of Germany and have been awarded a CE certificate and authenticated by MOM, Singapore. These are critically important to market development of such products in Singapore and Germany. In addition, the Company explored business opportunities in financial sectors of Germany, Brazil, Thailand and the United Arab Emirates, and commenced its overseas operation in Brazil and India. With the completion of transfer of equity interest in Hong Kong CIFA Company between the Company and other shareholders of Hong Kong CIFA Company, Compagnia Italiana Forme Acciaio S.p.A., CIFA, Italy, has become the Company's wholly owned subsidiary. Moreover, the Company has executed an agreement in relation to its intention to acquire m-tec, a well-known brand of dry-mixed mortar equipment in the world, to become a global leader in this sector, subject to closing of transaction.

During the reporting period, our overseas sales was approximately 2,787 million. The increase generated from concrete machinery and crane machinery greatly surpassed the growth rate in the industry. It became the highlight of our overseas business in 2013.

- As for concrete machinery, our concrete pumps were sold to Japan market for participating in the reconstruction of Fukushima and over 100 concrete mixing trucks have been exported to Russia, successfully completed an order amounted to over ten millions of US dollars. In addition, with the sales of our mixing trucks to Malaysia, the United Arab Emirates and some other regions, we made a significant breakthrough in the Pan-Pacific region and the Middle East. The Company also successfully secured its largest order for placing booms, respectively, from markets in Australia and India;

- As for crane machinery, there was a significant year-on-year increase in our overseas sales of tower cranes. Through our technology cooperation with JOST, our newly designed and developed tower cranes launched its sales in various countries and regions, including Germany, Singapore and Hong Kong, and recognized progressively by high-end market customers. Meanwhile, our year-on-year increase in overseas sales of wheeled cranes exceeded 480%, according to data provided by customs.

5. *Comprehensive implementation of management reform and enhancement in corporate transformation*

Following the change in macro-economic development, construction machinery has returned to normal operation gradually and most industrial players recorded a stable growth in the year. The Company actively addressed to external environmental changes and proactively conduct reforms with a view to improve operation through progressive transformation.

(1) Strategic transformation. For the purpose of exploring opportunities for future development, the Company planned ahead and launched strategic planning in its five main sectors: construction machinery, environmental industry, agricultural machinery, trucks and financial services. During the reporting period, the environmental sector has completed its site reallocation and the problem of capacity constraints is expected to be mitigated accordingly. In respect of agricultural sector, Bishan County of Chongqing has been selected for business park construction project and the progress therein is substantive. Our project for trucks has made steady progress as planned.

(2) Management transformation. During the reporting period, the Company strived to implement the "simulating joint-stock system" and decentralized the autonomy of management to each business section through reform on management models on the basis of existing business operation models. This facilitated and accelerated our adaptation to market demand and enhanced our vitality. Under the Company's guidance, the goal of each business sector has been changed from optimization of capacity to improvement in quality and effectiveness. We strived to leverage on all employees' commitments by offering incentive bonus.

6. *Innovative media marketing and effective image enhancement*

(1) Resources integration and image enhancement. With an effective integration for taking advantage on global resources, our brands extended its market coverage internationally. The Company actively and strategically cooperated with media to develop more marketing channels for our brands. Under the combined effect of our marketing campaigns and critical event reporting, our interactive and comprehensive marketing strategy has commenced.

(2) Addressing crisis and reputation maintenance. In 2013, the Company's reputation has been tremendously damaged by the attack of media. To restore the truth, protect the legal rights of our shareholders and our reputation, the Company initiated legal actions for upholding our rights. The outcome was satisfactory and our defense was justified.

(3) During the reporting period, the major achievements of the Company were as follows:

- The Company ranked 779th on the Forbes Global 800 list, which was the sixth among global players and the first among local players in the industry of construction machinery;

- The Company, was ranked 210 among "Asia's 500 Most Influential Brands" at the 8th World Brand Laboratory Award and we are the only Chinese construction machinery enterprise receiving this honor, ;

- The Company was ranked 50th among Hong Kong listed companies in the"Top 100 Hong Kong Stocks 2013";

- The Company was presented with the nomination award in the Chinese government's first presentation of award to enterprises with outstanding quality;

- In an 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";

- Our project in relation to key technology and application of super tower crane has been awarded the National Science and Technology Advancement Second Prize.

Outlook for 2014

(I) Industry development trend and market outlook

1. International market

   The International Monetary Fund predicts the global economic growth rate in 2014 will be 3.7%, representing an increase of 0.7 percentage point as compared with 2013. It is expected that there will be limited growth potential as Europe and America will experience slow economic recovery and construction machinery market will reach its saturation point. Investment growth in infrastructure construction in emerging economies and African markets, such as Russia, Brazil, India, Vietnam and Thailand, will push the demand in the global construction machinery market. Enterprises with overseas bases and perfect network coverage, strong technological innovations and strongly influential brands will excel in the face of keen competition.

2. Domestic market

   In view of demand for high quality products under transformation of the macro-economy, accelerated downward movement in fixed asset investment and an over-supply in construction machinery market, it is expected that the construction machinery industry will still undergo periods of adjustment with dim prospect in 2014. However, potential opportunities exist in certain sub-divided segments. Under the backdrop of land reform and new urbanization, it is likely that, following municipal and economically planned construction at increasing speed, investment in the construction of social security housing, railways, transportation in cities and towns, airports and key water conservancy projects will be accelerated; hence increasing demand for construction machinery products. For construction of "beautiful China", the nation has exerted greater effort in environmental administration. Market demand for LNG mixing trucks, environmental mixing plants, machineries for road washing and sweeping and waste transfer equipment will increase rapidly as the general public in cities and towns has raised their requirement on environmental health condition. Enterprises with renowned brand image, reliable product quality, excellent after-sale service and consolidated strength will secure development opportunities among market competitors.

(II) Major business objectives and action initiatives in 2014

In 2014, the work focus of the Company is to adjust and optimize the management and control mode, organizational structure and operational process of the Company through thorough promotion of the simulating joint-stock system reform, establish an operational system with equal rights and responsibilities, follow the trend of the market closely to better respond to the changes and finally achieve the sustainable development of the Company.

1. To actively transform the development

   (1) Thoroughly promoting simulating joint-stock system reform: to initiate the reform of the functional departments, adjust the organizational structure, to fully devolute the power without losing control, and to focus the functions of the headquarters on the overall strategic planning and risk control; to deepen the reform of business departments and grant more self-operation rights and distribution rights to the business departments in order to enhance the ability of the business departments to adapt to and rapidly respond to the changes of the market and to establish a mechanism of "scaling down the headquarters and strengthening the business departments".

   (2) Fully accomplishing the strategic layout of five sectors: to achieve high quality and stable growth in construction machinery; leverage on its advantage to accelerate the development of the environmental industry, agricultural machinery, trucks and financial services.

2. To continuously promote internationalization

   To optimize the layout of overseas platform, intensify the sharing of information and the integration of resources and accelerate the construction of manufacturing base in Russia; to establish the system of overseas trade platform, supply system of spare parts and logistics system gradually, accelerate the establishment of service network and setting up of construction service teams and enhance the capacity and efficiency of overseas service points; to accelerate the integration of resources to produce synergy effects as soon as possible after the completion of the m-tec transaction.

3. To continually maintain healthy development

   The Company will uphold the principle of taking quality and performance as priority and inputing resources into development of products with high efficiency, and maintaining low risk and low energy consumption; commence the enhancement work related to the reliability of products, promote the modularization and universalization design of products and accelerate the layout of energy conservation, environmental protection and intelligent technology; continue to strengthen the control of risks and costs, put more efforts in calling in loans, speed up the turnover of inventories and boost the remanufacturing and reselling of used equipment; improve the operating performance of the Company and achieve sustainable and healthy development.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

Pursuant to a resolution passed at the directors' meeting on 28 March 2014, a final dividend for the year ended 31 December 2013 of RMB0.15 per share was proposed, totaling RMB1,156 million. Such proposal is subject to shareholders' approval at the forthcoming annual general meeting of the Company. Information regarding the record date and book close date for the entitlement to the final dividend and attendance of the annual general meeting will be announced in due course.

COMPLIANCE WITH THE CODE PROVISIONS IN THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE CORPORATE GOVERNANCE CODE AS SET OUT IN APPENDIX 14 OF THE LISTING RULES

The Board has adopted all code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of the Company. During the year ended 31 December 2013, 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 year ended 31 December 2013. 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

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee of the Company is primarily responsible for making recommendation to the Board on the appointment and removal of the external auditors and their remuneration and terms of engagement; monitoring internal control system of the Company and its implementation; reviewing financial information of the Company and its disclosure, including monitoring the integrity and accuracy of financial statements, annual report and accounts, half-year report and quarterly reports, and review significant financial reporting judgments contained therein; reviewing the financial controls, internal control and risk management systems of the Company; and reviewing material connected transactions of the Company.

The Audit Committee comprises three members, including two independent non-executive directors and one non-executive director. It is currently chaired by Dr. Qian Shizheng with Mr. Liu Changkun and Mr. Qiu Zhongwei as members. The Audit Committee satisfies the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee held four meetings during the year considering the annual results of the Company for the year 2012 and its interim results for the year 2013. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2013 and the accounting principles and practices adopted by the Company and discussed matters relating to internal control and financial reporting.

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

Changsha, the PRC, 28 March 2014

As at the date of this announcement, the executive directors of the Company are Dr. Zhan Chunxin and Mr. Liu Quan; the non-executive 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*