ZOOMLION
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Zoomlion Heavy Industry Science and Technology Co., Ltd.*
中聯重科股份有限公司
(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 2015

FINANCIAL HIGHLIGHTS

- As at 30 June 2015, total assets of the Group amounted to RMB100,748 million, representing an increase of RMB7,030 million or 7.5 % over that of 31 December 2014
- For the six months ended 30 June 2015, revenue of the Group amounted to RMB10,571 million, representing a decrease of RMB3,418 million or 24.43% over the same period of 2014
- For the six months ended 30 June 2015, profit attributable to equity shareholders of the Company amounted to RMB-299 million, representing a decrease of RMB1,203 million over the same period of 2014
- For the six months ended 30 June 2015, earnings per share amounted to RMB-0.04, representing a decrease of RMB0.16 over the same period of 2014

The board of directors (the "**Board**") of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2015 (the "**Reporting Period**"). 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

The financial information set out below in this announcement represents an extract from the unaudited interim financial report for the six months ended
30 June 2015 prepared in accordance with IAS34.

Consolidated statement of comprehensive income

	Note	**For the six-month period ended 30 June** **2015** ***RMB millions***	2014 *RMB millions*
Revenue	2	**10,571**	13,989
Cost of sales and services		**(8,042)**	(9,937)
Gross profit		**2,529**	4,052
Other revenues and net income/(loss)		**72**	(33)
Sales and marketing expenses		**(1,145)**	(1,165)
General and administrative expenses		**(1,217)**	(1,158)
Research and development expenses		**(216)**	(216)
Profit from operations		**23**	1,480
Net finance costs		**(360)**	(372)
Gain on disposal of associates		**30**	7
Share of profits less losses of associates		**3**	7
(Loss)/profit before taxation	3	**(304)**	1,122
Income tax	4	**(20)**	(196)
(Loss)/profit for the period		**(324)**	926
Other comprehensive income for the period (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		**(18)**	25
Change in fair value of available-for-sale financial assets		**3**	1
Total other comprehensive income for the period		**(15)**	26
Total comprehensive income for the period		**(339)**	952

(Loss)/profit attributable to:			
Equity shareholders of the Company		**(299)**	904
Non-controlling interests		**(25)**	22
(Loss)/profit for the period		**(324)**	926
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(314)**	930
Non-controlling interests		**(25)**	22
Total comprehensive income for the period		**(339)**	952
Basic and diluted earnings per share (RMB)	6	**(0.04)**	0.12

Consolidated balance sheet

	Note	**As at 30 June 2015** *RMB millions*	As at 31 December 2014 *RMB millions*
Non-current assets			
Property, plant and equipment		**8,306**	6,781
Lease prepayments		**2,453**	1,960
Intangible assets		**2,148**	1,347
Goodwill		**1,971**	1,661
Interests in associates		**224**	228
Other financial assets		**129**	471
Trade and other receivables	7	**3,053**	3,697
Receivables under finance lease	8	**2,629**	4,476
Pledged bank deposits		**610**	520
Other non-current assets		**—**	2,088
Deferred tax assets		**773**	618
Total non-current assets		**22,296**	23,847
Current assets			
Inventories		**13,405**	10,376
Trade and other receivables	7	**33,637**	30,639
Receivables under finance lease	8	**14,031**	12,202
Other current assets		**1,681**	280
Pledged bank deposits		**1,626**	1,891
Cash and cash equivalents		**14,072**	14,483
Total current assets		**78,452**	69,871
Total assets		**100,748**	93,718
Current liabilities			
Loans and borrowings		**14,692**	5,687
Trade and other payables	9	**21,279**	19,494
Income tax payable		**28**	30
Total current liabilities		**35,999**	25,211
Net current assets		**42,453**	44,660
Total assets less current liabilities		**64,749**	68,507

Non-current liabilities		
Loans and borrowings	**22,469**	25,925
Other non-current liabilities	**757**	899
Deferred tax liabilities	**564**	475
Total non-current liabilities	**23,790**	27,299
NET ASSETS	**40,959**	41,208
CAPITAL AND RESERVES		
Share capital	**7,706**	7,706
Reserves	**32,386**	33,085
Total equity attributable to equity shareholders of the Company	**40,092**	40,791
Non-controlling interests	**867**	417
TOTAL EQUITY	**40,959**	41,208

Notes

1 Basis of preparation

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

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

(b) The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period. Of these, the following developments are relevant to the Group's consolidated financial statements:

- Amendments to IAS 19, Employee benefits "Defined benefit plans: Employee contributions"
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

The adoption of these above new accounting standards does not have any significant impact on the Group's interim financial report.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes mentioned above. The Group has not applied any new standard 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-month period ended 30 June 2015 is set out below.

	For the six-month period ended 30 June	
	2015	2014
	RMB millions	*RMB millions*
Reportable segment revenue:		
Construction machinery		
— Concrete machinery	**2,836**	6,030
— Crane machinery	**2,585**	4,011
— Others (note)	**1,163**	1,641
Environmental industry	**1,765**	1,643
Agricultural machinery	**1,914**	—
Financial services	**308**	664
Total	**10,571**	13,989
Reportable segment profit:		
Construction machinery		
— Concrete machinery	**521**	1,439
— Crane machinery	**738**	1,112
— Others (note)	**205**	350
Environmental industry	**516**	489
Agricultural machinery	**241**	—
Financial services	**308**	662
Total	**2,529**	4,052

Note:

In the first half of 2015, the data of road construction and pile foundation machinery segment and earth working machinery 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.

Reconciliation of segment profit

	For the six-month period ended 30 June	
	2015	2014
	RMB millions	*RMB millions*
Total segment profit	**2,529**	4,052
Other revenues and net income/(loss)	**72**	(33)
Sales and marketing expenses	**(1,145)**	(1,165)
General and administrative expenses	**(1,217)**	(1,158)
Research and development expenses	**(216)**	(216)
Net finance costs	**(360)**	(372)
Gain on disposal of associates	**30**	7
Share of profits less losses of associates	**3**	7
(Loss)/profit before taxation	**(304)**	1,122

3 (Loss)/profit before taxation

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

	For the six-month period ended 30 June	
	2015	2014
	RMB millions	*RMB millions*
Cost of inventories sold	**8,042**	9,935
Interest on loans and borrowings	**851**	578
Staff costs	**1,304**	1,283
Depreciation of property, plant and equipment	**293**	248
Amortisation of lease prepayments	**24**	15
Amortisation of intangible assets	**82**	42
Operating lease charges	**84**	98
Product warranty costs	**55**	97
Impairment losses		
— trade receivables	**390**	184
— receivables under finance lease	**39**	82
— inventories	**35**	97

4 Income tax

Taxation charged/(credited) to profit or loss:

	For the six-month period ended 30 June	
	2015	2014
	RMB millions	*RMB millions*
Current tax — PRC income tax	**79**	175
Current tax — Income tax in other tax jurisdictions	**4**	2
Deferred taxation	**(63)**	19
	20	196

The PRC statutory income tax rate is 25% (2014: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2014: 16.5%).

The Company's overseas subsidiaries are subject to income tax at rates from 19.0% to 31.4% (2014: 19.0% to 31.4%).

According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The Company and certain of its subsidiaries obtained or renewed its status as high-technology enterprises in 2014 and accordingly are subject to income tax at 15% for the years from 2014 to 2016. The newly acquired Zoomlion Heavy Machinery Co., Ltd and certain of its subsidiaries are also qualified as high technology enterprises and are subject to income tax at 15% in 2015. And a subsidiary of the Company was qualified as software developer and is entitled to income tax exemption for the years from 2013 to 2014 and a 12.5% preferential tax rate for the years from 2015 to 2017.

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

5 Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2015, a final cash dividend of RMB0.05 per share based on 7,706 million ordinary shares in issue totalling RMB385 million in respect of the year ended 31 December 2014 was declared.

6 Basic and diluted earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2015 is based on the loss attributable to equity shareholders of the Company of RMB299 million (six-month period ended 30 June 2014: profit attributable to equity shareholders of the Company of RMB904 million), and the number of ordinary shares in issue of 7,706 million during the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: 7,706 million shares).

There were no dilutive potential ordinary shares in issue as at 30 June 2015 (30 June 2014: Nil).

7 Trade and other receivables

	As at 30 June 2015 *RMB millions*	As at 31 December 2014 *RMB millions*
Trade receivables	**33,408**	31,574
Less: provision for impairment	**(2,146)**	(1,780)
	31,262	29,794
Less: trade receivables due after one year	**(3,053)**	(3,697)
	28,209	26,097
Bills receivable	**2,003**	1,816
	30,212	27,913
Amounts due from related parties	**333**	657
Prepayments for purchase of raw materials	**211**	204
Prepaid expenses	**459**	413
VAT recoverable	**1,096**	580
Deposits	**448**	310
Others	**878**	562
	33,637	30,639

During the six-month period ended 30 June 2015, no trade receivables were factored to banks or other financial institutions (six-month period ended 30 June 2014: RMB4,688 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 six-month period ended 30 June 2015, the Group have not made any repurchase of assets from banks and other financial institutions under such commitment (six-month period ended 30 June 2014: Nil).

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

	As at 30 June 2015 *RMB millions*	As at 31 December 2014 *RMB millions*
Within 1 month	**3,709**	4,475
Over 1 month but less than 3 months	**3,435**	5,431
Over 3 months but less than 1 year	**11,659**	11,104
Over 1 year but less than 2 years	**9,657**	6,758
Over 2 years but less than 3 years	**2,320**	1,775
Over 3 years but less than 5 years	**482**	251
	31,262	29,794

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 20% to 30% of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months, customers are normally required to make an upfront payment ranging from 15% to 30% of the product price.

During the six-month period ended 30 June 2015, the Group recognised RMB390 million impairment losses on its trade receivables. This related to those receivables within the ageing more than two years and certain small-sized customers facing financial difficulties as a result of the prolonged economic downturn in the construction sector.

8 Receivables under finance lease

	As at 30 June 2015 ***RMB millions***	As at 31 December 2014 *RMB millions*
Gross investment	**17,709**	17,876
Unearned finance income	**(356)**	(544)
	17,353	17,332
Less: provision for impairment	**(693)**	(654)
	16,660	16,678
Less: receivables under finance lease due after one year	**(2,629)**	(4,476)
Receivables under finance lease due within one year	**14,031**	12,202

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

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

	As at 30 June 2015 *RMB millions*	As at 31 December 2014 *RMB millions*
Present value of the minimum lease payments		
Within 1 year	**14,538**	12,670
Over 1 year but less than 2 years	**1,707**	2,775
Over 2 years but less than 3 years	**691**	1,313
Over 3 years	**417**	574
	17,353	17,332
Unearned finance income		
Within 1 year	**283**	405
Over 1 year but less than 2 years	**44**	84
Over 2 years but less than 3 years	**17**	34
Over 3 years	**12**	21
	356	544
Gross investment		
Within 1 year	**14,821**	13,075
Over 1 year but less than 2 years	**1,751**	2,859
Over 2 years but less than 3 years	**708**	1,347
Over 3 years	**429**	595
	17,709	17,876

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

	As at 30 June 2015 *RMB millions*	As at 31 December 2014 *RMB millions*
Not yet due	**11,523**	12,214
Less than 1 month past due	**427**	415
1 to 3 months past due	**794**	747
3 to 12 months past due	**2,525**	2,443
12 to 24 months past due	**1,649**	1,310
More than 24 months past due	**435**	203
Total past due	**5,830**	5,118
	17,353	17,332
Less: provision for impairment	**(693)**	(654)
	16,660	16,678

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.

9 Trade and other payables

	As at 30 June 2015 ***RMB millions***	As at 31 December 2014 *RMB millions*
Trade creditors	**8,977**	7,319
Bills payable	**5,612**	6,141
Trade creditors and bills payable (note)	**14,589**	13,460
Amounts due to related parties	**26**	32
Receipts in advance	**1,119**	983
Payable for acquisition of property, plant and equipment	**673**	536
Accrued staff costs	**208**	515
VAT payable	**132**	143
Security deposits	**853**	880
Product warranty provision	**87**	93
Sundry taxes payable	**91**	263
Payables for factoring discount	**44**	78
Dividend payable	**385**	—
Cash collected on behalf of banks	**428**	703
Interest payable	**464**	220
Payables to acquire non-controlling interests in certain subsidiaries	**483**	—
Other accrued expenses and payables	**1,697**	1,588
	21,279	19,494

Note:

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

	As at 30 June 2015 ***RMB millions***	As at 31 December 2014 *RMB millions*
Due within 1 month or on demand	**5,106**	5,490
Due after 1 month but within 3 months	**4,880**	3,404
Due after 3 months but within 6 months	**3,311**	3,915
Due after 6 months but within 12 months	**1,292**	651
	14,589	13,460

BUSINESS REVIEW AND OUTLOOK

I. Overview

In the first half of 2015, the growth of the global economy was slower than expected. Economic growth in external demand experienced a severe situation. Under the new normal condition, the domestic economic growth was under huge down shift pressure and adjustment to economic structure was intensified. Downward pressure and challenges hindered the growth of economy. Construction machinery industry is facing the challenges of severe overcapacity, sluggish demand, significant drop in profit and the "deep adjustment". The fundamentals of agricultural machinery industry continued to improve, with the operating income realizing an increase of 7.1% for the first half of 2015 as compared to the same period of last year, according to the data from the Association of Agricultural Machinery Manufacturers. There is a great growth potential in the environmental industry. However, the competition landscape featuring the lack of technical resolutions, domination by small to medium sized enterprises, homogeneous competition, high dispersion of market concentration and increase of new entries still existed in the industry.

During the Reporting Period, the Group's revenue is RMB10.571 billion and the loss attributable to the parent company is approximately RMB299 million. Revenue of the Group in the first half of 2015 recorded a decrease of 24.43% as compared to the same period of last year, which was mainly due to the further shrinkage of market demand for the two major products in the construction machinery sector, namely concrete machinery and crane machinery, and the tightened sales policies maintained by the Group. However, the Group's market share of concrete machinery and crane machinery still ranked among the top in the industry. The Group recorded an increase of revenue in two emerging sectors, namely the agricultural machinery and the environmental industry, as compared to the same period of last year, which accounted for 34.8% of the revenue of the Group and became a new growth point.

Facing the most complicated and worst external environment in history, the Group strictly adderes to the strategy of "Strategic improvement, management reform, product upgrading and business transformation", and continues to pay efforts in improving efficiency, streamlining operation, increasing revenue, reducing costs and enhancing effectiveness, with an aim to explore the operating concepts and methods applicable for the new normal condition of macro economy with new thoughts and initiatives.

A. Review of the Group's business condition

1. *Implementing strategic transformation and realizing parallel development of the four sectors*

   In addition to the continuous efforts in the construction machinery sector, the Group also accelerated the pace of transformation and expanding to the environmental industry, agricultural machinery and financial service sectors, and have successfully transformed to an equipment manufacturer which integrated the four sectors, namely construction machinery, environmental industry, agricultural machinery and financial services.

Firstly, as regard to environmental industry, the Group has completed the transformation from a supplier of providing environmental and sanitation equipment to a comprehensive solution provider and investment operator in the environmental industry.

The Group achieved breakthroughs in the disposal of kitchen waste and construction waste as well as the industrialization of waste classification equipment in the sector of environmental industry. Particularly, the Group would introduce international advanced technology to the environmental industry through the acquisition of Italian company LADURNER. In addition, taking Huaian Chenjie (淮安晨潔) project as a pilot platform, the international advanced technology from LADURNER will be integrated into the operation of the project, which will become a sample project of kitchen waste treatment.

Secondly, as regard to the agricultural machinery sector, it experienced a good momentum of growth. In the first half of 2015, the revenue from agricultural machinery exceeded other industry players. Since the acquisition of Chery Heavy Industry, the agricultural machinery sector of the Group strived to become a domestic leading provider of overall solution for the mechanization of agricultural production, and has established a research center in North America to carry out the research and development of agricultural machinery products with functions of ploughing, seeding, cultivating, harvesting and drying. For research and development, the exemplary project of integration of agricultural machinery and agronomy for ultra high yield hybrid rice had successfully gained a significant position in agricultural machinery market. With the establishment of the Hebei Demonstration Base based on Internet Plus remote intelligent control technology, the agricultural machinery sector was pushed forward towards the direction of "intelligent agriculture and precise agriculture".

Thirdly, the value of "integration of industry and finance" was gradually realized. The finance company was formally established to provide high-quality, comprehensive and personalized financial service for its member companies. The finance company will carry out functions including funds centralized management, funds settlement, financing and financial service, and will develop into the Group's global intensive capital management center, financial integration service center as well as integrated industrial and financial profit center. As a management holding platform of financial services business, the establishment of Zoomlion Capital Management Co., Ltd. will accelerate the integration of industry and finance of the Group, and provide comprehensive financial service and support for the Group, allowing it to develop into a world leading high-end equipment manufacturer.

2. *Accelerating the promotion of global market exploration and realizing new development at a high starting point*

In order to accelerate the promotion of corporate internationalization process of "going global" and "going integration", the Group had established a office focused on "One Belt and One Road" with a view to maintain a close relationship with sizable construction companies that adhered to the "One Belt and One Road" policy. By taking the initiative to build a office at Sino-Belarus Industrial Park, the Company will commence a new starting point on the road of internationalization under the government policy of "One Belt and One Road".

The differentiated marketing strategy of "one policy for one country" and "one policy for one district" in targeted regions like Pan-Pacific, Africa, Central Asia, Middle East and South Asia was comprehensively promoted to meet the specific needs of different markets. During the Reporting Period, under the background of industry decline in exports as a whole, the revenue from the export of the construction crane machinery, road construction and pile foundation machinery increased by 69% and 199% year on year, respectively.

3. *Further strengthening the reform of business model and cultivating new drivers for competitive edge*

The Group continued to explore and reform the traditional business model of equipment manufacturing industry, and had positively implemented and enriched the idea and plan of "Internet Plus".

Firstly, the Group established a specialized organizational body with professional talents, with an aim to create and improve the innovative commercial platform; and secondly, the Company conducted trial operation in various fields. In terms of marketing, "Wechatmall" was officially operated online. Through this platform, the Group could directly interact with customers by mobile internet tools and big data analysis method, which would lay a solid foundation for precise marketing; in terms of smart service, the Group provided its customers with tailor-made smart services through mobile terminal equipment, Wechat and other applications under the support of the cloud platform; in terms of lean production, the Group transformed its production mode from make-to-forecast to mark-to-order, which will build a foundation for strengthening competitive advantages and enhancing operation efficiency.

4. *Consolidating industry leading position by self-initiated innovations*

The Group has been pushing forward its "Blue Number 5" Scheme and speeding up the industrialization of products in the fields of machine-made sand, dry mixed mortar, waste classification and construction waste treatment.

We aimed to facilitate the breakthrough in technologies for critical parts and components under the auspices of fundamental innovation. In addition to the extension of applications of carbon-fiber composite materials, the Group was committed to the research and development of smart sensors and systems so as to enhance the sophistication of smart products. Efforts were also made to improve the overall R&D and manufacturing capabilities of hydraulic cylinders and hydraulic valve.

During the Reporting Period, QAY800V743 all-terrain truck crane developed by the Group received the "Golden Award for Contribution to Application" in the "Top50 Products of the Year for China's Engineering Machinery 2015". The launch of large-power tractors marked the progress of development of agricultural equipment towards high-end products. In the "Top50 Products of the Year for China's Agricultural Machinery 2014", the Gu Wang TB60 combine wheat harvester, Gu Wang DC150 batch-processing circulating grain dryer and Gu Wang PQ45 fully hydraulic crawler rice combine harvester received the "Golden Award for Contribution to Application", "Market Leader Award" and "Technological Innovation Award" respectively.

In the first half of 2015, the Group obtained 548 patents in the PRC, of which 332 were invention patents, representing an increase of 100% as compared with the same period of last year.

The consultation draft of the proposed global standards — the *Safety Standards for the Remote Operation of Lifting Machinery*, a project led by the Company, was completed, which will procure further breakthrough in turning the domestic standards into the global standards.

5. *Adopting various measures to strengthen management and achieving fruitful results from our intensive efforts*

(1) Determined to control operational risks

Firstly, enhancing the risk control of trade receivables. Due to the market changes, we have adopted the diversified market management policies, including recovery measures designed for collecting overdue payments from clients so to reinforce debts collection efforts; the Group strived to strictly control the new risks in terms of multiple aspects, including tightening credit policy, strengthening assessment of credibility of customers, self-initiated elimination of low quality orders and enforcing the accountability for overdue payment collection.

Secondly, strengthening the management of equipment. The Group accelerated the disposal of second-hand equipment by introducing sales measure, such as value conservation leasing, franchise leasing, and after-sale leasing under the foundation of traditional sales methods, and expansion of sales channel for second-hand equipment by using the Group's WeChat, e-commercial channels and other Internet Plus platforms; efforts were also made to minimize the risk of losing track of the equipment by applying the technology of Internet of Things, and carrying out tracing, alerting, examination and testing of the equipment.

(2) Accelerating the upgrading and transformation of the Company's products

In order to sort out and improve the product spectrum, we had fully considered the product serialization, modularization, and cost effectiveness, use of general-purpose components and convenient service and maintenance, with a view to enhance the overall competitive edge of our products by maximizing and improving product performance, quality, costs control and services in an effective way.

(3) Promoting cost reduction and efficiency enhancement in all respects

Firstly, to promote cost reduction in the operation processes including design, procurement, manufacturing, selling, provision of service and function management etc.;

Secondly, to streamline the process and eliminate items with no added value so as to improve work efficiency;

Thirdly, to optimize the organizational structure, reduce management personnel, improve market resilience and decrease hidden management costs.

(4) Strictly Implementing comprehensive budget management

The Group implemented comprehensive information management and control over the budget, in respect of comprehensive control over the production, procurement, capitals and fees etc., and real-time supervision and deployment, so as to carry out the concept of refined operation into practice.

(5) Enhancing team building

The Group organized various activities to increase positive energy and foster craftsmanship spirit among employees, and took various measures to improve quality of the officers and key staff, enhance the accountability structure of the officers and key staff, stabilize the team of the officers and key staff and inspire the vitality and creativity of the employees.

B. Business Outlook for Future Development of the Company

(I) Industry development trend and market outlook

1. Construction machinery market

Due to the sluggish market sentiment on investment of fixed assets and properties, and the high rate of terminal equipment ownership in the PRC, in the second half of 2015, we will continue to face the issue of weak demand in the industry. Rebound and improvement of the industry in the near term will hardly be materialized. In the second half of 2015, as the Chinese government will adhere to the positive fiscal policies and also maintain optimal and stable monetary policies, moderate growth in infrastructure investment will be expected. The Chinese government will also encourage the commencement of the approved infrastructure investment projects, which will drive the demand from end users in some regions.

In terms of overseas market, construction machinery companies will leverage on the implementation of the national "One Belt and One Road" policy to enhance market exploration in Eastern Asia, South East Asia, Central Asia, Africa and South America, where market demands are strong, through strategic investments in foreign countries, supporting foreign projects and setting up localized factories.

2. Environmental industry market

   In the second half of 2015, demand in the environmental and sanitation machinery market will remain stable. However, the environmental industry is having unprecedented growth opportunities, and will maintain the fast growing momentum. With the advancement of the initiatives for environmental protection, businesses involving daily waste classification, disposal of kitchen waste and construction waste, treatment of leachate, sewage and sludge will embrace brighter prospect. The rapid development of provincial and municipal PPP projects is expected to incubate certain medium to large-scale orders. It is expected that companies with higher technology innovation capabilities, better networks, stronger brand influence and sufficient capital will have a competitive edge.

3. Agricultural machinery market

   The penetration of agricultural machinery is expected to continue its growing path against the backdrop of structural shift in rural labour force, agricultural modernization and centralization of production. Following the trend of integration among traditional agricultural machinery and Internet, Internet of Things and the technology of big data, the agricultural machinery will break through the boundary of conventional manufacturing industry, and bring about a new era of integration between agricultural machinery and agronomy, as well as the combination of smart services and manufacturing of equipment. The industrial segment of high-end agricultural machinery featuring all-round operation, large size and smart functions will enter the fast lane of development. Opportunities for capturing larger market share will arise for those industry players with advantages in terms of technology, brand, channel and capital.

(II) Major business objectives in the second half of 2015

In the second half of 2015, the Group intends to focus on the development of the "2+2+4" strategy. By relying on the capabilities in the product and capital markets, the Group will strive to achieve the integration between the manufacturing industry and the Internet, and the integration between industry and finance, with a view to further developing the four segments, namely the construction machinery, environmental industry, agricultural machinery and financial services sectors, and facilitating the transformation of the Group into a world class high-end equipment manufacturer.

CORPORATE GOVERNANCE

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**") set out in Appendix 14 to the Listing Rules as the code of the Company. During the six months ended 30 June 2015, 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 planning 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 effective 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 WITH 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 of its directors and supervisors have confirmed that they have fully complied with the Model Code throughout the six months ended 30 June 2015. The Company has not identified any non-compliance with the Model Code by any of its directors or supervisors.

DIVIDEND

The Company is not going to declare the interim dividend for the first half of 2015.

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 2015.

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 2015 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 2015 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
Zoomlion Heavy Industry Science and Technology Co., Ltd.*
Zhan Chunxin
Chairman

Changsha, the PRC, 31 August 2015

As at the date of this announcement, the executive director of the Company is Dr. Zhan Chunxin; the non-executive directors are Mr. Hu Xinbao and Mr. Zhao John Huan; and the independent non-executive directors are Mr. Zhao Songzheng, Mr. Lai Kin Keung and Ms. Liu Guiliang.

* *For identification purpose only*