ZOOMLION
中联重科

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 2016

FINANCIAL HIGHLIGHTS

- As at 30 June 2016, total assets of the Group amounted to RMB93,597 million, representing a decrease of RMB86 million or 0.09% over that of 31 December 2015.
- For the six months ended 30 June 2016, revenue of the Group amounted to RMB9,004 million, representing a decrease of RMB1,567 million or 14.82% over the same period of 2015.
- For the six months ended 30 June 2016, loss attributable to equity shareholders of the Company amounted to RMB829 million, representing an increase of RMB530 million over the same period of 2015.
- For the six months ended 30 June 2016, losses per share amounted to RMB0.11, representing an increase of RMB0.07 over the same period of 2015.

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 2016 prepared in accordance with IAS34.

Consolidated statement of comprehensive income

		For the six-month period ended 30 June	
	Note	**2016** ***RMB millions***	2015 *RMB millions*
Revenue	2	**9,004**	10,571
Cost of sales and services		**(6,780)**	(8,042)
Gross profit		**2,224**	2,529
Other income		**32**	72
Sales and marketing expenses		**(1,050)**	(1,145)
General and administrative expenses		**(1,388)**	(1,217)
Research and development expenses		**(135)**	(216)
(Loss)/profit from operations		**(317)**	23
Net finance costs		**(654)**	(360)
Gain on disposal of associates		**—**	30
Share of profits less losses of associates		**2**	3
Loss before taxation	3	**(969)**	(304)
Income tax	4	**144**	(20)
Loss for the period		**(825)**	(324)
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		**(163)**	(18)
Change in fair value of available-for-sale financial assets		**(1)**	3
Total other comprehensive income for the period		**(164)**	(15)
Total comprehensive income for the period		**(989)**	(339)

		For the six-month period ended 30 June	
		2016	2015
	Note	***RMB millions***	*RMB millions*
Loss attributable to:			
Equity shareholders of the Company		**(829)**	(299)
Non-controlling interests		**4**	(25)
Loss for the period		**(825)**	(324)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(993)**	(314)
Non-controlling interests		**4**	(25)
Total comprehensive income for the period		**(989)**	(339)
Basic and diluted losses per share (RMB)	6	**(0.11)**	(0.04)

Consolidated statement of financial position

	Note	**As at 30 June 2016** *RMB millions*	As at 31 December 2015 *RMB millions*
Non-current assets			
Property, plant and equipment		**8,502**	8,520
Lease prepayments		**2,407**	2,375
Intangible assets		**2,637**	2,358
Goodwill		**2,079**	1,993
Interests in associates		**260**	208
Other financial assets		**214**	181
Trade and other receivables	7	**2,726**	3,504
Receivables under finance lease	8	**1,984**	2,484
Pledged bank deposits		**118**	189
Other non-current assets		**95**	—
Deferred tax assets		**1,128**	855
Total non-current assets		**22,150**	22,667
Current assets			
Inventories		**14,250**	14,083
Other current assets		**478**	449
Trade and other receivables	7	**32,323**	30,493
Receivables under finance lease	8	**13,349**	12,644
Pledged bank deposits		**2,092**	1,860
Cash and cash equivalents		**8,955**	11,487
Total current assets		**71,447**	71,016
Total assets		**93,597**	93,683
Current liabilities			
Loans and borrowings		**15,442**	13,273
Trade and other payables	9	**18,984**	16,813
Income tax payable		**69**	87
Total current liabilities		**34,495**	30,173
Net current assets		**36,952**	40,843
Total assets less current liabilities		**59,102**	63,510

	Note	As at 30 June 2016 *RMB millions*	As at 31 December 2015 *RMB millions*
Non-current liabilities			
Loans and borrowings		**19,308**	21,881
Other non-current liabilities		**634**	621
Payable for acquisition of non-controlling interests		**332**	—
Deferred tax liabilities		**530**	439
Total non-current liabilities		**20,804**	22,941
NET ASSETS		**38,298**	40,569
CAPITAL AND RESERVES			
Share capital		**7,664**	7,664
Reserves		**29,650**	32,232
Total equity attributable to equity shareholders of the Company		**37,314**	39,896
Non-controlling interests		**984**	673
TOTAL EQUITY		**38,298**	40,569

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 a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IAS 1, Presentation of financial statements: Disclosure initiative
- Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation

The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group's interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements.

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 2016 is set out below.

	For the six-month period ended 30 June	
	2016	2015
	RMB millions	*RMB millions*
Reportable segment revenue:		
Construction machinery		
— Concrete machinery	**2,113**	2,836
— Crane machinery	**1,586**	2,585
— Others	**1,054**	1,163
Environmental industry	**1,904**	1,765
Agricultural machinery	**2,138**	1,914
Financial services	**209**	308
Total	**9,004**	10,571
Reportable segment profit:		
Construction machinery		
— Concrete machinery	**469**	521
— Crane machinery	**489**	738
— Others	**178**	205
Environmental industry	**561**	516
Agricultural machinery	**318**	241
Financial services	**209**	308
Total	**2,224**	2,529

Reconciliation of segment profit

	For the six-month period ended 30 June	
	2016	2015
	RMB millions	*RMB millions*
Total segment profit	**2,224**	2,529
Other income	**32**	72
Sales and marketing expenses	**(1,050)**	(1,145)
General and administrative expenses	**(1,388)**	(1,217)
Research and development expenses	**(135)**	(216)
Net finance costs	**(654)**	(360)
Gain on disposal of associates	**—**	30
Share of profits less losses of associates	**2**	3
Loss before taxation	**(969)**	(304)

3 Loss before taxation

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

	For the six-month period ended 30 June	
	2016	2015
	RMB millions	*RMB millions*
Cost of inventories sold	**6,738**	8,042
Depreciation of property, plant and equipment	**362**	293
Amortisation of lease prepayments	**27**	24
Amortisation of intangible assets	**89**	82
Loss/(gain) on disposal of property, plant and equipment, intangible assets and lease prepayments	**1**	(15)
Operating lease charges	**80**	84
Product warranty costs	**24**	55
Impairment losses		
— trade receivables	**353**	390
— receivables under finance lease	**55**	39
— inventories	**52**	35

4 Income tax

Taxation charged/(credited) to profit or loss:

	For the six-month period ended 30 June	
	2016	2015
	RMB millions	*RMB millions*
Current tax — PRC income tax	**85**	79
Current tax — Income tax in other tax jurisdictions	**—**	4
Deferred taxation	**(229)**	(63)
	(144)	20

The PRC statutory income tax rate is 25% (2015: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2015: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2016, the Group did not derive any income chargeable to Hong Kong Profits Tax on the basis that all the income was offshore sourced, all the expenses incurred by the subsidiaries in Hong Kong have been disallowed.

The Company's overseas subsidiaries are subject to income tax at rates from 19.0% to 31.4% (2015: 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. 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 2016, a final cash dividend of RMB0.15 per share based on 7,664 million ordinary shares in issue totalling RMB1,150 million in respect of the year ended 31 December 2015 was declared.

6 Basic and diluted losses per share

The calculation of basic losses per share for the six-month period ended 30 June 2016 is based on the loss attributable to equity shareholders of the Company of RMB829 million (six-month period ended 30 June 2015: RMB299 million), and the number of ordinary shares in issue of 7,664 million during the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: 7,706 million shares).

There were no dilutive potential ordinary shares in issue as at 30 June 2016 (30 June 2015: Nil).

7 Trade and other receivables

	As at 30 June 2016 *RMB millions*	As at 31 December 2015 *RMB millions*
Trade receivables	**32,982**	31,801
Less: allowance for doubtful debts	**(2,667)**	(2,316)
	30,315	29,485
Less: trade receivables due after one year	**(2,726)**	(3,504)
	27,589	25,981
Bills receivable	**1,802**	1,186
	29,391	27,167
Amounts due from related parties	**326**	386
Prepayments for purchase of raw materials	**210**	172
Prepaid expenses	**402**	357
VAT recoverable	**757**	945
Deposits	**249**	332
Others	**988**	1,134
	32,323	30,493

During the six-month period ended 30 June 2016, trade receivables of RMB1,021 million (six-month period ended 30 June 2015: Nil) were factored to certain bank without recourse, and were therefore derecognised. Under the non-recourse factoring agreements, the Group has agreed to repurchase equipment at fair value from the bank to which the Group previously factored its receivables, upon repossession of the equipment under the relevant equipment sales contracts by such bank. During the six-month period ended 30 June 2016, the Group have not made any repurchase of assets from the bank under such commitment (six-month period ended 30 June 2015: Nil).

As at the end of the Reporting Period, ageing analysis based on the invoice date of trade receivables, net of allowance for doubtful debts is as follows:

	As at 30 June 2016 *RMB millions*	As at 31 December 2015 *RMB millions*
Within 1 month	**3,614**	3,080
Over 1 month but less than 3 months	**2,012**	3,080
Over 3 months but less than 1 year	**9,333**	10,250
Over 1 year but less than 2 years	**9,023**	9,826
Over 2 years but less than 3 years	**5,252**	2,622
Over 3 years but less than 5 years	**1,081**	627
	30,315	29,485

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2015: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 20% to 30% (2015: 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 (2015: 6 to 42 months), customers are normally required to make an upfront payment ranging from 15% to 30% (2015: 15% to 30%) of the product price.

During the six-month period ended 30 June 2016, the Group recognised RMB353 million impairment losses on its trade receivables. This related to those receivables which are aged 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 2016 ***RMB millions***	As at 31 December 2015 *RMB millions*
Gross investment	**16,371**	16,146
Unearned finance income	**(338)**	(373)
	16,033	15,773
Less: allowance for doubtful debts	**(700)**	(645)
	15,333	15,128
Less: receivables under finance lease due after one year	**(1,984)**	(2,484)
Receivables under finance lease due within one year	**13,349**	12,644

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 (2015: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 25% of the product price (2015: 5% to 25%) and pay a security deposit ranging from 1% to 10% of the product price (2015: 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.

The minimum lease payments receivable at the end of the Reporting Period is as follows:

	As at 30 June 2016 *RMB millions*	As at 31 December 2015 *RMB millions*
Present value of the minimum lease payments		
Within 1 year	**13,830**	13,122
Over 1 year but less than 2 years	**1,264**	1,456
Over 2 years but less than 3 years	**548**	668
Over 3 years	**391**	527
	16,033	15,773
Unearned finance income		
Within 1 year	**286**	306
Over 1 year but less than 2 years	**31**	39
Over 2 years but less than 3 years	**14**	16
Over 3 years	**7**	12
	338	373
Gross investment		
Within 1 year	**14,116**	13,428
Over 1 year but less than 2 years	**1,295**	1,495
Over 2 years but less than 3 years	**562**	684
Over 3 years	**398**	539
	16,371	16,146

Overdue analysis of receivables under finance lease at the end of Reporting Period is as follows:

	As at 30 June 2016 *RMB millions*	As at 31 December 2015 *RMB millions*
Not yet due	**7,061**	8,260
Within 1 year past due	**4,530**	4,031
Over 1 year but less than 2 years past due	**2,761**	2,224
Over 2 years past due	**1,681**	1,258
Total past due	**8,972**	7,513
	16,033	15,773
Less: allowance for doubtful debts	**(700)**	(645)
	15,333	15,128

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 2016 *RMB millions*	As at 31 December 2015 *RMB millions*
Trade creditors	**7,152**	6,378
Bills payable	**5,851**	5,674
Trade creditors and bills payable (Note)	**13,003**	12,052
Amounts due to related parties	**14**	15
Amounts due to non-controlling shareholders of certain subsidiaries	**468**	477
Receipts in advance	**864**	838
Payable for acquisition of property, plant and equipment	**422**	608
Accrued staff costs	**152**	293
Product warranty provision	**54**	74
VAT payable	**145**	146
Sundry taxes payable	**97**	126
Security deposits	**532**	525
Interest payable	**473**	236
Dividend payable	**1,150**	8
Cash collected on behalf of banks	**43**	—
Other accrued expenses and payables	**1,567**	1,415
	18,984	16,813

Note:

Ageing analysis of trade creditors and bills payable as at the end of the Reporting Period is as follows:

	As at 30 June 2016 *RMB millions*	As at 31 December 2015 *RMB millions*
Due within 1 month or on demand	**5,413**	5,076
Due after 1 month but within 3 months	**3,168**	2,910
Due after 3 months but within 6 months	**3,762**	3,473
Due after 6 months but within 12 months	**660**	593
	13,003	12,052

BUSINESS REVIEW AND OUTLOOK

I. Overview

In the first half of 2016, with the State's further effort in vigorously promoting structural reform on the supply side, the drop in the construction machinery industry has narrowed. The industry is, however, still in the stage of deleveraging, inventory reduction and reduction of industrial capacity. The progress of marketization of environmental industry has accelerated and the scale of the industry is increasing continuously. The agricultural machinery industry is undergoing product upgrading and structural adjustment.

During the Reporting Period, the Company recorded an operating revenue of approximately RMB9.004 billion and a net loss attributable to shareholders of the parent company of approximately RMB0.829 billion which is mainly due to the effects of the decrease in revenue of the construction machinery industry, staff severance payment and fluctuation in exchange rate. Nevertheless, the two segments of agricultural machinery and environmental industry have recorded year on year growth in operating revenue and significant growth in the operating cash flow. During the Reporting Period, the Company maintained its leading position in terms of market shares in concrete machinery and crane machinery. The Company captured the largest market share in street sweeping truck, garbage compression vehicle in China and the largest market share in dryer. The Company also maintained the second-largest market share of wheat harvester.

II. Operational Review of the Reporting Period

1. The strategic layout of the four segments is completed to enhance concerted effort

(1) Construction machinery sector has been proactively adapting to the New Normal by streamlining the corporate structure and laying off redundant staff, while focusing on the promotion of industrial upgrades, sales and marketing reforms, so as to establish the the new innovative model driven by regional markets. The Company gradually launched "Product 4.0" series and promoted product upgrading to further comprehensively enhance the product quality.

(2) Environmental industrial sector: The Company has completed the acquisition of Italy's Ladurner Group and has maintained its position as the industry leader in sanitation equipment and has preliminarily transformed itself from a sanitation equipment provider to an integrated solutions provider and investment operator of the environmental industry, achieving substantial progress in the areas of providing comprehensive environment improvement management, kitchen waste treatment, sewage treatment and construction waste treatment.

(3) Agricultural machinery sector: The Company focused on reforming and enhancing the four major areas of "Resources allocation, business model, operation management and product development", promoted breakthrough in middle to high end product upgrading, and achieved growth amid adversities.

(4) Financial service sector: By establishing a unified platform for financial services, the Company strengthened the synergy of industry fund, finance company, finance leasing and commercial factoring businesses and speeded up the preparation for insurance business, in order to comprehensively support the expansion of the operation of the Company's businesses. The Company's integration of production and financing is in steady progress.

2. Embracing the 4.0 Industry and achieving outstanding results in technology innovation

We spared no effort to promote the development of the "Product 4.0" and to promote product family optimization, design modularization and intelligentization study to achieve the best performance in the aspects of "technology, quality, cost and service", and dozens of the "Product 4.0" models were released in the first half of the year and will be launched to the market successively.

The Company ranked the 8th among the "domestic enterprises for the number of invention patents obtained in 2015" published by the State Intellectual Property Office of the PRC, and is the only top ten enterprise from the construction machinery field.

The formulation (amendment) of five national standards of the concrete and crane machinery industry, which was led by the Company, have obtained the approval for release; and two National Science and Technology Support Programs under the "the 12th Five Year Plan", and one 863 project undertaken by the Company were successfully checked and accepted in the first half of the year; in addition, the Company was granted the First Prize of Science and Technology Innovation Award by the China Fire Protection Association for its 60m Aerial Fire Fighting Vehicle project.

3. Comprehensively promoting the standard of management with our intensive efforts

(1) Reformed the comprehensive budget management model by adopting an integrated management method of monthly budget and revenue assessment in order to achieve a dynamic balance between operating income and expenses.

(2) Strengthened cash flow control mechanism in order to further develop the classification of clients and the grading of assets, formulate differentiated credit policy and debt recovery strategy, improve the quality of new contracts, minimize the risk of backlog, and accelerate capital return; and the net operating cash flow of the Company has experienced a year on year increase of approximately RMB4.0 billion through centralization of management and planning arrangement, and optimization of payment rules.

(3) Continued promotion of cost reduction and efficiency enhancement by increasing the proportion of self-manufactured components for better utilization of production capacity, enhancement of supply chain management, and integration of technological renovation and optimization in order to lower the production cost effectively.

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 2016, 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 2016. 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 2016.

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 2016.

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 2016 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 2016 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, 30 August 2016

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, Ms. Liu Guiliang and Mr. Yang Changbo.

* *For identification purpose only*