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 2017

FINANCIAL HIGHLIGHTS

- As at 30 June 2017, total assets of the Group amounted to RMB90,725 million, representing an increase of RMB1,624 million or 1.82% over that of 31 December 2016
- For the six months ended 30 June 2017, revenue from continuing operations[a] of the Group amounted to RMB10,125 million, representing an increase of RMB3,025 million or 42.61% over the same period of 2016
- For the six months ended 30 June 2017, profit from discontinued operation[a] amounted to RMB9,546 million, including a gain on disposal of RMB10,738 million
- For the six months ended 30 June 2017, profit attributable to equity shareholders of the Company amounted to RMB1,141 million, representing an increase of RMB1,970 million over the same period of 2016
- For the six months ended 30 June 2017, earnings per share amounted to RMB0.15, representing an increase of RMB0.26 over the same period of 2016

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 2017 (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**").

[a] See note 2

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 2017 prepared in accordance with International Accounting Standard 34.

Consolidated statement of comprehensive income

		For the six-month period ended 30 June	
		2017	2016
	Note	***RMB millions***	*RMB millions*
			(restated)
Continuing operations:			
Revenue	3	**10,125**	7,100
Cost of sales and services		**(8,298)**	(5,437)
Gross profit		**1,827**	1,663
Other income		**26**	29
Sales and marketing expenses		**(1,099)**	(814)
General and administrative expenses		**(9,546)**	(1,331)
Research and development expenses		**(185)**	(117)
Loss from operations		**(8,977)**	(570)
Net finance costs		**(905)**	(656)
Share of profits less losses of associates		**—**	2
Loss before taxation	4	**(9,882)**	(1,224)
Income tax	5	**1,420**	181
Loss from continuing operations		**(8,462)**	(1,043)
Discontinued operation:			
Profit from discontinued operation	2	**9,546**	218
Profit/(loss) for the period		**1,084**	(825)

		For the six-month period ended 30 June	
		2017	2016
	Note	***RMB millions***	*RMB millions* (restated)
Profit/(loss) attributable to:			
Equity shareholders of the Company			
— continuing operations		**(8,413)**	(1,048)
— discontinued operation		**9,554**	219
		1,141	(829)
Non-controlling interests			
— continuing operations		**(49)**	5
— discontinued operation		**(8)**	(1)
		(57)	4
Profit/(loss) for the period		**1,084**	(825)
Basic and diluted earnings/(losses) per share (RMB)	7		
— continuing operations		**(1.10)**	(0.14)
— discontinued operation		**1.25**	0.03
		0.15	(0.11)

	Note	For the six-month period ended 30 June **2017** *RMB millions*	2016 *RMB millions* (restated)
Profit/(loss) for the period		**1,084**	(825)
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		**258**	(163)
Change in fair value of available-for-sale financial assets		**4**	(1)
Total other comprehensive income for the period		**262**	(164)
Total comprehensive income for the period		**1,346**	(989)
Total comprehensive income attributable to:			
Equity shareholders of the Company			
— continuing operations		**(8,187)**	(1,213)
— discontinued operation		**9,575**	220
		1,388	(993)
Non-controlling interests			
— continuing operations		**(49)**	4
— discontinued operation		**7**	—
		(42)	4
Total comprehensive income for the period		**1,346**	(989)

Consolidated statement of financial position

	Note	As at 30 June 2017 *RMB millions*	As at 31 December 2016 *RMB millions*
Non-current assets			
Property, plant and equipment		**6,655**	8,069
Lease prepayments		**1,938**	2,201
Intangible assets		**2,256**	2,682
Goodwill		**2,085**	2,076
Interests in associates	2	**3,022**	604
Available-for-sale financial assets		**1,546**	1,407
Trade and other receivables	8	**3,736**	3,032
Receivables under finance lease	9	**1,846**	1,895
Pledged bank deposits		**55**	72
Other non-current assets		**1**	64
Deferred tax assets		**2,270**	1,137
Total non-current assets		**25,410**	23,239
Current assets			
Inventories		**9,617**	12,770
Trade and other receivables	8	**26,132**	32,074
Consideration receivable		**5,800**	—
Receivables under finance lease	9	**11,342**	12,212
Pledged bank deposits		**1,108**	1,547
Other current assets		**713**	684
Cash and cash equivalents		**10,603**	6,575
Total current assets		**65,315**	65,862
Total assets		**90,725**	89,101
Current liabilities			
Loans and borrowings		**6,699**	9,712
Trade and other payables	10	**20,065**	17,089
Income tax payable		**1,195**	75
Total current liabilities		**27,959**	26,876
Net current assets		**37,356**	38,986
Total assets less current liabilities		**62,766**	62,225

	Note	As at 30 June 2017 RMB millions	As at 31 December 2016 RMB millions
Non-current liabilities			
Loans and borrowings		**23,951**	23,085
Payable for acquisition of non-controlling interests		**—**	265
Other non-current liabilities		**540**	583
Deferred tax liabilities		**476**	537
Total non-current liabilities		**24,967**	24,470
NET ASSETS		**37,799**	37,755
CAPITAL AND RESERVES			
Share capital		**7,664**	7,664
Reserves		**29,451**	29,109
Total equity attributable to equity shareholders of the Company		**37,115**	36,773
Non-controlling interests		**684**	982
TOTAL EQUITY		**37,799**	37,755

Notes

1 Basis of preparation

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

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial 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. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report.

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

2 Discontinued operation

In 2017, the Company spun-off and transferred its environmental sanitation machinery business, related assets, including certain land use rights, and liabilities into its wholly-owned subsidiary, Changsha Zoomlion Environmental Industry Co., Ltd. (referred to as "ZEI"). After the transfer, all business of environmental industry of the Group was undertaken by ZEI and its subsidiaries, which are mainly engaged in research and development of environmental sanitation machines and equipment; research, development, production and sales of solid waste treatment equipment and equipment for preventing and controlling water pollution and provision of the related technical services; production and sales of equipment and parts for maintaining highways, bridges, tunnels and parks; as well as systematic solutions and technologies for urban waste collection and disposal, rural waste collection and disposal, recycling of household waste and recycling of food waste.

On 21 May 2017, the Company entered into the Equity Transfer Agreement with Infore Investments Holding Group Co.,Ltd. (referred to as "Infore Holding", which subsequently transfer all of its rights and obligations under the Equity Transfer Agreement to Ningbo Infore Asset Management Co., Ltd., a wholly-owned subsidiary of Infore Holding), Guangzhou Yuemintou Yinglian Investment Partnership (Limited Partnership), Hony (Shenzhen) Investment Centre (Limited Partnership) and Shanghai Lulian Junhe Industrial Equity Merger and Acquisition and Investment Fund Partnership to sell 80% of its interests in ZEI at a total consideration of RMB11,600 million in cash, among which RMB5,800 million has been received on 28 June 2017, and the remaining has been received by 30 August 2017. Infore Holding became the controlling shareholder of ZEI upon the completion of this transaction on 30 June 2017, and Zoomlion retained significant influence over ZEI. The Company remeasured the remaining 20% interests in ZEI to its fair value, amounting to RMB2,465 million, at the completion date. A gain of RMB10,738 million has been recognised in profit and loss in this period, representing the sum of the fair value of the retained 20% interest in ZEI and the cash consideration less the carrying cost of ZEI.

In accordance with the shareholders' agreement in relation to the above transaction, if ZEI fails to obtain the qualification of manufacturing environmental sanitation vehicles by 30 June 2018, the Purchasers may require, by written notice at any time thereafter, the Group to repurchase all the registered capital of an the corresponding equity interest in ZEI held by the Purchasers or any part thereof. The repurchase price is equal to the valuation of ZEI under the disposal, plus the amounts of payment representing a rate of return (compound interest) of 10% per annum.

The environmental industry was not previously classified as held-for-sale or a discontinued operation. The comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

(a) Results of discontinued operation

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	*RMB millions*
Revenue	**2,665**	1,904
Cost of sales and services	**(2,001)**	(1,343)
Other income	**2**	3
Sales and marketing expenses	**(272)**	(236)
General and administrative expenses	**(99)**	(57)
Research and development expenses	**(29)**	(18)
Net finance costs	**(19)**	2
Share of profits less losses of associates	**(20)**	—
Result from operating activities	**227**	255
Income tax	**(36)**	(37)
Result from operating activities, net of tax	**191**	218
Gain on sale of discontinued operation	**10,738**	—
Income tax on gain on sale of discontinued operation	**(1,383)**	—
Profit from discontinued operation for the period	**9,546**	218

(b) Cash flows (used in)/generated from discontinued operation

	For the six-month period ended 30 June	
	2017	**2016**
	RMB millions	*RMB millions*
Net cash used in operating activities	**(294)**	(125)
Net cash generated from investing activities	**356**	166
Net cash (used in)/generated from financing activities	**(156)**	456
Net cash flow for the period	**(94)**	497

(c) **Effect of disposal on the financial position of the Group**

	At 30 June 2017
	RMB millions
Property, plant and equipment	**770**
Intangible assets	**620**
Lease prepayments	**251**
Goodwill	**46**
Interest in associates	**42**
Other investments	**21**
Deferred tax assets	**49**
Inventories	**1,162**
Other current assets	**123**
Trade and other receivables	**5,457**
Cash and cash equivalents	**1,172**
Pledged bank deposits	**236**
Trade and other payables	**(5,506)**
Loans and borrowings	**(705)**
Other current liabilities	**(32)**
Payable for acquisition of non-controlling interests	**(294)**
Deferred tax liabilities	**(87)**
Net assets and liabilities	**3,325**
Consideration received	**5,800**
Net cash and cash equivalents disposed of	**(113)**
Net cash inflows	**5,687**

3 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 2017 is set out below.

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	*RMB millions* (restated)
Reportable segment revenue:		
Continuing operations:		
Construction machinery		
— Concrete machinery	**3,626**	2,113
— Crane machinery	**3,114**	1,586
— Others	**1,695**	1,054
Agricultural machinery	**1,558**	2,138
Financial services	**132**	209
Discontinued operation:		
Environmental industry	**2,665**	1,904
	12,790	9,004

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	*RMB millions* (restated)
Reportable segment profit:		
Continuing operations:		
Construction machinery		
— Concrete machinery	**605**	469
— Crane machinery	**566**	489
— Others	**302**	178
Agricultural machinery	**222**	318
Financial services	**132**	209
Discontinued operation:		
Environmental industry	**664**	561
	2,491	2,224

Reconciliation of segment loss:

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	*RMB millions*
		(restated)
Total reportable segment profit	**2,491**	2,224
Elimination of discontinued operation	**(664)**	(561)
Gross profit from continuing operations	**1,827**	1,663
Other income	**26**	29
Sales and marketing expenses	**(1,099)**	(814)
General and administrative expenses	**(9,546)**	(1,331)
Research and development expenses	**(185)**	(117)
Net finance costs	**(905)**	(656)
Share of profits less losses of associates	**—**	2
Loss before taxation from continuing operations	**(9,882)**	(1,224)

4 Profit/(loss) before taxation

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

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	*RMB millions*
		(restated)
Continuing operations:		
Cost of inventories sold	**8,298**	5,437
Depreciation of property, plant and equipment	**353**	347
Amortisation of lease prepayments	**32**	27
Amortisation of intangible assets	**91**	83
Loss on disposal of property, plant and equipment, intangible assets and lease prepayments	**3**	1
Operating lease charges	**87**	74
Product warranty costs	**59**	20
Impairment losses		
— trade receivables	**5,865**	355
— receivables under finance lease	**865**	129
— inventories	**1,772**	52
— property, plant and equipment	**145**	—
Discontinued operation:		
Cost of inventories sold	**1,803**	1,269
Depreciation of property, plant and equipment	**27**	15
Amortisation of intangible assets	**17**	6
Operating lease charges	**6**	6
Product warranty costs	**2**	4
Impairment losses/(reverse)		
— trade receivables	**10**	(2)

5 Income tax

(a) Continuing operations

Taxation (credited)/charged to profit or loss:

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	*RMB millions* (restated)
Current tax — PRC income tax	**12**	48
Current tax — Income tax in other tax jurisdictions	**1**	—
Deferred taxation	**(1,433)**	(229)
Tax expenses on continuing operations	**(1,420)**	(181)

(b) Discontinued operation

Taxation (credited)/charged to profit or loss:

	For the six-month period ended 30 June	
	2017	2016
	RMB millions	*RMB millions* (restated)
Current tax — PRC income tax	**1,164**	37
Deferred taxation	**255**	—
Tax expenses on continuing operations	**1,419**	37

The PRC statutory income tax rate is 25% (2016: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2016: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2017, 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% (2016: 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 2015 and accordingly are subject to income tax at 15% for the years from 2015 to 2017. 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.

The 15% preferential tax rate applicable to high-technology enterprises is subject to renewal approval jointly by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations. The Company and the subsidiaries have begun the renewal approval process. It is probable that they are qualified as high-technology enterprises. Management therefore believes 15% represents the best estimate of the annual tax rate of these entities for the year ending 31 December 2018.

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

6 Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 27 June 2017, a final cash dividend of RMB0.15 per share based on 7,625 million ordinary shares in issue totalling RMB1,144 million in respect of the year ended 31 December 2016 was declared, which will be paid before 31 December 2017.

7 Basic and diluted earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company of RMB1,141 million (loss attributable to equity shareholders of the Company for six-month period ended 30 June 2016: RMB829 million), and the weighted-average number of ordinary shares in issue of 7,659 million during the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: 7,664 million shares).

There were no dilutive potential ordinary shares in issue as at 30 June 2017 (30 June 2016: Nil).

8 Trade and other receivables

	As at 30 June 2017	As at 31 December 2016
	RMB millions	*RMB millions*
Trade receivables	**31,347**	32,687
Less: allowance for doubtful debts	**(8,656)**	(2,853)
	22,691	29,834
Less: trade receivables due after one year	**(3,736)**	(3,032)
	18,955	26,802
Bills receivable	**1,371**	2,197
	20,326	28,999
Amounts due from related parties	**3,280**	312
Prepayments for purchase of raw materials	**265**	205
Prepaid expenses	**324**	408
VAT recoverable	**899**	849
Deposits	**224**	264
Others	**814**	1,037
	26,132	32,074

During the six-month period ended 30 June 2017, none of trade receivables (six-month period ended 30 June 2016: RMB1,021 million) 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 2017, the Group have not made any repurchase of assets from the bank under such commitment (six-month period ended 30 June 2016: 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 2017 *RMB millions*	As at 31 December 2016 *RMB millions*
Within 1 month	**3,139**	2,911
Over 1 month but less than 3 months	**1,972**	2,837
Over 3 months but less than 1 year	**5,522**	7,772
Over 1 year but less than 2 years	**6,915**	8,909
Over 2 years but less than 3 years	**4,933**	5,610
Over 3 years but less than 5 years	**210**	1,795
	22,691	29,834

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2016: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 20% to 40% (2016: 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 (2016: 6 to 42 months), customers are normally required to make an upfront payment ranging from 15% to 40% (2016: 15% to 30%) of the product price.

During the six-month period ended 30 June 2017, the Group recognised RMB5,875 million and RMB865 million impairment losses for trade receivables and receivables under financial lease respectively, which mainly related to the long-aged trade receivables due from certain customers that have been impaired in previous years. Due to the complexity of the financial status of these customers, it is not practicable to make a reasonably reliable direct estimate of the present value of future cash flow expected from these receivables. As a practical expedient, the carrying amount of these impaired receivables were determined based on the quoted price to dispose of these receivables in a bulk sale.

9 Receivables under finance lease

	As at 30 June 2017 *RMB millions*	As at 31 December 2016 *RMB millions*
Gross investment	**15,177**	15,220
Unearned finance income	**(361)**	(348)
	14,816	14,872
Less: allowance for doubtful debts	**(1,628)**	(765)
	13,188	14,107
Less: receivables under finance lease due after one year	**(1,846)**	(1,895)
Receivables under finance lease due within one year	**11,342**	12,212

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 (2016: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 25% of the product price (2016: 5% to 25%) and pay a security deposit ranging from 1% to 10% of the product price (2016: 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 2017 *RMB millions*	As at 31 December 2016 *RMB millions*
Present value of the minimum lease payments		
Within 1 year	**12,687**	12,711
Over 1 year but less than 2 years	**1,009**	1,054
Over 2 years but less than 3 years	**656**	628
Over 3 years	**464**	479
	14,816	14,872
Unearned finance income		
Within 1 year	**301**	283
Over 1 year but less than 2 years	**35**	37
Over 2 years but less than 3 years	**17**	18
Over 3 years	**8**	10
	361	348
Gross investment		
Within 1 year	**12,988**	12,994
Over 1 year but less than 2 years	**1,044**	1,091
Over 2 years but less than 3 years	**673**	646
Over 3 years	**472**	489
	15,177	15,220

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

	As at 30 June 2017 *RMB millions*	As at 31 December 2016 *RMB millions*
Not yet due	**6,982**	7,414
Within 1 year past due	**3,952**	3,988
Over 1 year but less than 2 years past due	**2,426**	2,335
Over 2 years past due	**1,456**	1,135
Total past due	**7,834**	7,458
	14,816	14,872
Less: allowance for doubtful debts	**(1,628)**	(765)
	13,188	14,107

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.

10 Trade and other payables

	As at 30 June 2017 *RMB millions*	As at 31 December 2016 *RMB millions*
Trade creditors	**6,056**	6,579
Bills payable	**6,667**	5,601
Trade creditors and bills payable (Note)	**12,723**	12,180
Amounts due to related parties	**1,080**	49
Amounts due to non-controlling shareholders of certain subsidiaries	**468**	468
Receipts in advance	**1,117**	847
Payable for acquisition of property, plant and equipment	**371**	436
Accrued staff costs	**268**	328
Product warranty provision	**76**	72
VAT payable	**93**	211
Sundry taxes payable	**118**	114
Security deposits	**492**	568
Interest payable	**377**	187
Dividend payable	**1,144**	—
Other accrued expenses and payables	**1,738**	1,629
	20,065	17,089

Note:

Ageing analysis of trade creditors and bills payable as at the end of the reporting period is as follows:

	As at 30 June 2017 *RMB millions*	As at 31 December 2016 *RMB millions*
Due within 1 month or on demand	**5,438**	5,154
Due after 1 month but within 3 months	**2,972**	2,923
Due after 3 months but within 6 months	**3,659**	3,485
Due after 6 months but within 12 months	**654**	618
	12,723	12,180

BUSINESS REVIEW

On 21 May 2017, the Company, Guangzhou Yuemintou Yinglian Investment Partnership (Limited Partnership), Hony (Shenzhen) Investment Centre (Limited Partnership), Infore Investments Holding Group Co., Ltd. and Shanghai Lulian Junhe Industrial Equity Merger and Acquisition and Investment Fund Partnership (the "**Purchasers**") entered into an equity transfer agreement, pursuant to which, the Group has conditionally agreed to sell, and the Purchasers have conditionally agreed to purchase, in aggregate 80% of the equity interest in Changsha Zoomlion Environmental Industry Co., Ltd. ("**ZEI**") for a cash consideration of RMB11,600,000,000, subject to the terms and conditions of the equity transfer agreement (the "**Disposal**"). Up till 30 August 2017, the Group has received from the Purchasers the full payments for the Disposal under the equity transfer agreement. A gain of RMB10,738 million has been recognised in profit and loss in this period, representing the sum of the fair value of the retained 20% interest in ZEI and the cash consideration less carrying cost of ZEI. Please refer to the announcements issued by the Company dated 21 May 2017, 31 May 2017 and 30 August 2017 and the circular issued by the Company dated 12 June 2017 and the Notes to the Unaudited Interim Financial Information attached hereto for further details. After the Disposal, the Group's current business mainly covers the research, development, manufacturing and sale of construction machinery and agricultural machinery ("**continued operations**").

During the first half of 2017, with the improving of the overall trend of global economic situation, the State has made solid progress with the implementation of the "Three Cuts, One Reduction and One Improvement" policy. The overall economy kept stable with a slight increase. The construction machinery market witnessed significant signs of recovery and experienced a strong growth, and the environmental industry remained steady and keeping development. On the other hand, the market demand for agricultural machinery plummeted which further exerted the downward pressure on the industry.

The Group recorded a revenue from continuing operations of RMB10.12 billion and net profit attributable to the equity shareholder of RMB1.141 billion during the Reporting Period. Due to constant increase of the operating rate of domestic infrastructure projects and the utilization rate of key products of the Group in the first half of 2017, the Group achieved a significant growth in revenue as compared to the corresponding period of last year, among which, the construction machinery sector made a steady and rapid recovery. While the revenue generated from agricultural machinery dropped due to the influence of the general industrial environment. As the whole construction machinery industry grew again, and the Company sold its environmental business, the Group had a better chance to deal with the risks of pre-existing assets such as receivables and second-hand equipment. During the Reporting Period, the Group maintained its dominant position in the industry by capitalizing on its key products such as concrete machinery and hoisting machinery, and maintained its top position in the market share of drying machines. In terms of discontinued operation, the environmental sector maintained a steady growth with ranked first in terms of the market share of road washers, road sweepers, high pressure washing vehicles and anti-dust cars.

1. Focusing on specific sector and creating a new scenario in strategic development

In the first half of year, the Group disposed 80% of the equity interest in its environmental industry business, allowing the Group to focus more on the development of three major sectors, namely, construction machinery, agricultural machinery and financial services sectors.

(1) Focusing on the construction machinery sector. The Company built up its edges in construction machinery by strengthening platforms such as marketing, manufacturing and managing the collection of trade receivables, processing precise management through integration of the Big Data platform, striving to promote intelligent manufacturing and projects for products 4.0, enhancing product quality and service standards, further consolidating the competitive edges of our existing products and promoting the development of the product mix such as machine-made sand equipment and dry-mixed mortar equipment in the construction machinery sector.

(2) Expanding the agricultural machinery sector by putting forward strategically for the development of mid- and high-end agricultural machinery. The Group dedicated itself to the adjustments of products structures and technologies upgrade according to its strategic requirements of "full mechanization of grain production and agricultural production" and development of new business models while promoting innovations for market services, and striving to transform itself into a provider of "equipment + services".

(3) Developing the financial services sector. Zoomlion Finance Company has obtained the approval for entering into the interbank leading market and completed direct e-registration in the People's Bank of China. Our professional edges in the financial market is gradually demonstrated through provision of service for the Group, value creation and business cooperation. Zoomlion Capital has established the industry merger and acquisition fund in order to lead groups, professional institutions and management teams in the industry to allow participation of the Group in financial investments and operations, invest in each sub-sector through out the industry chains and generate revenue from venture capital.

2. Making new progress in development of products 4.0 through continuous innovation

The Group focused on promoting the "project for products 4.0" by fostering the integration of integrated sensing, interconnection and other technologies, and created major intelligent components, on the core basis of "module platforms and intelligent products", allowing our products to "perceive and think" with the functions of "self-diagnosis, self-adjustment and self-adaption". The products were upgraded to a new level in terms of performance, reliability, intelligence and environmental protection.

In the first half of 2017, the Group has developed 41 products under "products 4.0", of which 14 of them have completed and put into productions. The Group has acquired patents for 114 of its products, which made it ranked among the top three of the industry. A batch of major components and technologies such as major intelligent hydraulic components, driving assistance, new materials and advanced composite welding technology has been introduced and commenced adaption.

3. **Strengthening management and significantly enhancing operational quality**

    (1) Embracing innovative concepts. The Group adhered to the four virtues as "attentiveness, astuteness, precision and efficiency", and nurtured craftsman talents, while making the culture of "seeking for perfection" to become the DNA of Zoomlion, fostering the strength of the enterprise and assisting the transformation and development of the enterprise.

    (2) Achieving market innovation. The Group comprehensively upgraded brand services, and implemented a brand new customer relationship management strategy through the "customer alliance scheme".

    (3) Encouraging innovation. The Group focused on promoting the working-hour reform of technical workers, continuously deepened the remuneration system reform of research and development personnel, and constantly stimulated the vitality of employees, in order to promote the enhancement of corporate efficiency and effectiveness.

4. **Increasing investment and creating a new layout for overseas development**

    Focusing on the "One Belt, One Road" national strategy, the Group has established industrial parks or production bases in key countries located along the "One Belt, One Road" such as Belarus, Kazakhstan, India, Pakistan, Indonesia and Thailand, systematically promoting the construction of global spare parts system and channel system, and gradually forming the overseas development layout of "two vertical and two horizontal trunks".

    The Group's establishment of the China-Belarus Industrial Park was steadily making progress the inspection and acceptance of the first batch of standardized tower crane parts have been also completed after successful completion of production of truck cranes and the environmental and sanitation machinery. The Group focused in the development of the China-Pakistan Economic Corridor, Southeast Asian market and Middle East. The Group has implemented light assembly projects in Indonesia and Thailand, participated in the World Expo in Kazakhstan and the project for provision of highway construction assistance in Pakistan, and assisted the construction of Temburong Bridge in Brunei, etc.

OTHER MATTERS

During the six months ended 30 June 2017, the Group recognised RMB6,740 million impairment losses for trade receivables and receivables under finance lease for the long-aged impaired receivables determined based on the quoted price to dispose of these receivables in a bulk sale. The Group also made RMB1,772 million provision on second-hand machinery taking into consideration of their expected selling price.

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 2017, 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 Group 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 2017. The Company has not identified any non-compliance with the Model Code by any of its directors or supervisors.

DIVIDEND

The Group is not going to declare the interim dividend for the first half of 2017.

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

During the six months ended 30 June 2017, the Company repurchased its own ordinary shares traded on the Shenzhen Stock Exchange as follows:

Date/month/year	**Number of share repurchased**	**Highest price paid per share** RMB	**Lowest price paid per share** RMB	**Aggregate price paid** RMB
24/05/2017	12,334,800 A Shares	4.32	4.21	53,286,400
25/05/2017	3,850,000 A Shares	4.40	4.35	16,909,500
26/05/2017	12,298,800 A Shares	4.45	4.38	54,258,905
31/05/2017	3,277,000 A Shares	4.41	4.39	14,422,240
01/06/2017	2,300,000 A Shares	4.39	4.37	10,072,101
02/06/2017	3,214,470 A Shares	4.40	4.36	14,063,248
05/06/2017	1,570,000 A Shares	4.41	4.40	6,911,187
	38,845,086 A Shares			169,923,581

The repurchase was approved by the shareholders at the Annual General Meeting held on 29 June 2016, whereupon a resolution on the "General Mandate to Repurchase Part of the A Shares of the Company". The total amount paid on the repurchased shares of approximately RMB170 million was paid wholly out of cash. These repurchased shares had all been cancelled as of 7 July 2017.

Save as disclosed above, 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 2017.

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 2017 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 2017 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 2017

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*