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

中聯重科股份有限公司

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

(Stock Code: 1157)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations of the Group for the year ended 31 December 2017 amounted to RMB20,608 million, representing an increase of RMB6,192 million or 42.95% from 2016.
- Profit from discontinued operation for the year ended 31 December 2017 amounted to RMB9,546 million, including a gain on disposal of discontinued operation of RMB9,355 million (after-tax).
- Profit attributable to equity shareholders of the Company for the year ended 31 December 2017 amounted to RMB1,342 million, representing an increase of RMB2,271 million from 2016.
- Earnings per share for the year ended 31 December 2017 amounted to RMB0.18, representing an increase of RMB0.30 compared with a loss of RMB0.12 in 2016.
- The Board proposed a final dividend of RMB0.2 per share for the year ended 31 December 2017.

The board of directors (the “Board”) of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (the “Company”) hereby announces the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017 together with the comparative figures for 2016:

FINANCIAL RESULTS

Financial information extracted from the audited financial statements for 2017 prepared in accordance with International Financial Reporting Standards (“IFRSs”):

Consolidated statement of comprehensive income
For the year ended 31 December 2017
(Expressed in RMB)

	Note	**2017** *RMB millions*	2016 *RMB millions (restated)*
Continuing operations:			
Revenue	*4*	**20,608**	14,416
Cost of sales and services		**(16,303)**	(11,157)
Gross profit		**4,305**	3,259
Other income		**259**	761
Sales and marketing expenses		**(2,180)**	(2,030)
General and administrative expenses		**(10,487)**	(2,777)
Research and development expenses		**(277)**	(269)
Loss from operations		**(8,380)**	(1,056)
Net finance costs	*5(a)*	**(1,443)**	(854)
Share of profits less losses of associates		**110**	11
Loss before taxation	*5*	**(9,713)**	(1,899)
Income tax	*6*	**1,425**	244
Loss from continuing operations		**(8,288)**	(1,655)
Discontinued operation:			
Profit from discontinued operation	*3*	**9,546**	755
Profit/(loss) for the year		**1,258**	(900)

	Note	2017 *RMB millions*	2016 *RMB millions (restated)*
Profit/(loss) attributable to:			
Equity shareholders of the Company			
— continuing operations		**(8,212)**	(1,683)
— discontinued operation		**9,554**	754
		1,342	(929)
Non-controlling interests			
— continuing operations		**(76)**	28
— discontinued operation		**(8)**	1
		(84)	29
Profit/(loss) for the year		**1,258**	(900)
Basic and diluted earnings/(losses) per share (RMB)	*8*		
— continuing operations		**(1.07)**	(0.22)
— discontinued operation		**1.25**	0.10
		0.18	(0.12)

	Note	2017 RMB millions	2016 RMB millions (restated)
Profit/(loss) for the year		**1,258**	(900)
Other comprehensive income for the year (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		**408**	(672)
Change in fair value of available-for-sale financial assets		**45**	(1)
Total other comprehensive income for the year		**453**	(673)
Total comprehensive income for the year		**1,711**	(1,573)
Total comprehensive income attributable to:			
Equity shareholders of the Company			
— continuing operations		**(7,810)**	(2,356)
— discontinued operation		**9,575**	754
		1,765	(1,602)
Non-controlling interests			
— continuing operations		**(61)**	28
— discontinued operation		**7**	1
		(54)	29
Total comprehensive income for the year		**1,711**	(1,573)

Consolidated statement of financial position
At 31 December 2017
(Expressed in RMB)

	Note	**2017 *RMB millions***	2016 *RMB millions*
Non-current assets			
Property, plant and equipment		**6,274**	8,069
Lease prepayments		**1,935**	2,201
Intangible assets		**2,250**	2,682
Goodwill		**2,088**	2,076
Interests in associates		**3,123**	604
Available-for-sale financial assets		**2,154**	1,407
Trade and other receivables	*11*	**4,106**	3,032
Receivables under finance lease	*12*	**1,870**	1,895
Pledged bank deposits		**60**	72
Other non-current assets		**—**	64
Deferred tax assets	*14(b)*	**1,358**	1,137
Total non-current assets		**25,218**	23,239
Current assets			
Inventories		**8,886**	12,770
Other current assets		**897**	684
Financial assets at FVTPL	*10*	**6,323**	132
Trade and other receivables	*11*	**22,661**	31,942
Receivables under finance lease	*12*	**10,931**	12,212
Pledged bank deposits		**1,048**	1,547
Cash and cash equivalents		**7,148**	6,575
Total current assets		**57,894**	65,862
Total assets		**83,112**	89,101
Current liabilities			
Loans and borrowings		**9,348**	9,712
Trade and other payables	*13*	**14,992**	17,089
Income tax payable	*14(a)*	**148**	75
Total current liabilities		**24,488**	26,876
Net current assets		**33,406**	38,986
Total assets less current liabilities		**58,624**	62,225

	Note	**2017**	2016
		RMB millions	*RMB millions*
Non-current liabilities			
Loans and borrowings		**19,296**	23,085
Payable for acquisition of non-controlling interests		**—**	265
Deferred tax liabilities	*14(b)*	**485**	537
Other non-current liabilities		**653**	583
Total non-current liabilities		**20,434**	24,470
NET ASSETS		**38,190**	37,755
CAPITAL AND RESERVES			
Share capital		**7,794**	7,664
Reserves		**29,746**	29,109
Total equity attributable to equity shareholders of the Company		**37,540**	36,773
Non-controlling interests		**650**	982
TOTAL EQUITY		**38,190**	37,755

Consolidated statement of changes in equity
For the year ended 31 December 2017
(Expressed in RMB)

		Attributable to equity shareholders of the Company								
	Note	Share capital *RMB millions*	Capital reserve *RMB millions*	Statutory surplus reserve *RMB millions*	Exchange reserve *RMB millions*	Other reserves *RMB millions*	Retained earnings *RMB millions*	Total *RMB millions*	Non-controlling interests *RMB millions*	Total equity *RMB millions*
Balance at 1 January 2017		7,664	12,695	2,938	(1,462)	14	14,924	36,773	982	37,755
Changes in equity for 2017										
Profit for the year		—	—	—	—	—	1,342	1,342	(84)	1,258
Other comprehensive income		—	—	—	378	45	—	423	30	453
Total comprehensive income		—	—	—	378	45	1,342	1,765	(54)	1,711
Appropriation for surplus reserve		—	—	26	—	—	(26)	—	—	—
Cash dividends		—	—	—	—	—	(1,141)	(1,141)	—	(1,141)
Repurchase of own shares		(39)	(131)	—	—	—	—	(170)	—	(170)
Dividends declared by subsidiaries to non-controlling interests		—	—	—	—	—	—	—	(11)	(11)
Share incentive scheme	15									
— Share option scheme		—	9	—	—	—	—	9	—	9
— Restricted share scheme		169	(133)	—	—	—	—	36	—	36
Acquisition of non-controlling interests in a subsidiary		—	(7)	—	—	—	—	(7)	5	(2)
Contribution from non-controlling shareholders in a subsidiary		—	—	—	—	—	—	—	1	1
Disposal of interests in subsidiaries		—	265	—	—	—	—	265	(273)	(8)
Dilution of interest in an associate		—	10	—	—	—	—	10	—	10
Safety production fund		—	—	—	—	6	(6)	—	—	—
Balance at 31 December 2017		7,794	12,708	2,964	(1,084)	65	15,093	37,540	650	38,190

	Attributable to equity shareholders of the Company								
	Share capital *RMB millions*	**Capital reserve** *RMB millions*	**Statutory surplus reserve** *RMB millions*	**Exchange reserve** *RMB millions*	**Other reserves** *RMB millions*	**Retained earnings** *RMB millions*	**Total** *RMB millions*	**Non-controlling interests** *RMB millions*	**Total equity** *RMB millions*
Balance at 1 January 2016	7,664	13,066	2,917	(790)	11	17,028	39,896	673	40,569
Changes in equity for 2016									
Loss for the year	—	—	—	—	—	(929)	(929)	29	(900)
Other comprehensive income	—	—	—	(672)	(1)	—	(673)	—	(673)
Total comprehensive income	—	—	—	(672)	(1)	(929)	(1,602)	29	(1,573)
Appropriation for surplus reserve	—	—	21	—	—	(21)	—	—	—
Cash dividends	—	—	—	—	—	(1,150)	(1,150)	—	(1,150)
Safety production fund	—	—	—	—	4	(4)	—	—	—
Business combination	—	(265)	—	—	—	—	(265)	248	(17)
Decrease in non-controlling interests on disposal of a subsidiary	—	—	—	—	—	—	—	(21)	(21)
Acquisition of non-controlling interests	—	(106)	—	—	—	—	(106)	63	(43)
Dividends declared by a subsidiary to non-controlling interests	—	—	—	—	—	—	—	(10)	(10)
Balance at 31 December 2016	7,664	12,695	2,938	(1,462)	14	14,924	36,773	982	37,755

Notes to the financial information

1 STATEMENT OF COMPLIANCE

The financial information contained in this preliminary announcement of annual results was extracted from the Group's consolidated financial statements. Consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). IFRSs include all individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 CHANGES IN ACCOUNTING POLICIES

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:

- Amendments to IAS 7, Statement of cash flows: Disclosure Initiative
- Amendments to IAS 12, Income taxes: Recognition of deferred tax assets for unrealised losses
- Annual Improvements to IFRSs 2014–2016 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. However, additional disclosure has been included in applicable accounting policies to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 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 an 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, which has been received during the year. 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 during the year, representing the sum of the fair value of the retained 20% interest in ZEI and the cash consideration less the then 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 and 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. By the end of 2017, ZEI has obtained the qualification of manufacturing environmental sanitation vehicles.

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

	Six months from 1 January 2017 to 30 June 2017 ***RMB millions***	2016 *RMB millions*
Revenue	**2,665**	5,607
Cost of sales and services	**(2,001)**	(4,088)
Other income	**2**	3
Sales and marketing expenses	**(272)**	(416)
General and administrative expenses	**(99)**	(172)
Research and development expenses	**(29)**	(28)
Net finance costs	**(19)**	(17)
Share of profits less losses of associates	**(20)**	—
Result from operating activities	**227**	889
Income tax	**(36)**	(134)
Result from operating activities, net of tax	**191**	755
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 year	**9,546**	755

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

	Six months from 1 January 2017 to 30 June 2017 ***RMB millions***	2016 *RMB millions*
Net cash (used in)/generated from operating activities	**(294)**	637
Net cash generated from/(used in) investing activities	**356**	(838)
Net cash (used in)/generated from financing activities	**(156)**	376
Net cash flow for the year	**(94)**	175

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

	At 30 June 2017 *RMB millions*
Property, plant and equipment	**705**
Intangible assets	**432**
Lease prepayments	**439**
Goodwill	**46**
Interest in associates	**42**
Available-for-sale financial assets	**21**
Other non-current assets	**65**
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	**(689)**
Other current liabilities	**(48)**
Payable for acquisition of non-controlling interests	**(294)**
Deferred tax liabilities	**(87)**
Net assets and liabilities	**3,325**
Consideration received	**11,600**
Net cash and cash equivalents disposed of	**(1,172)**
Net cash inflows	**10,428**

4 REVENUE

The Group is principally engaged in three main operating segments from continuing operation, including (i) research, development, manufacturing and sale of construction machinery; (ii) research, development, manufacturing and sale of agricultural machinery; (iii) finance lease services; and one operating segment from discontinued operation — research, development, manufacturing and sale of environmental sanitation equipment and the provision of environmental solutions.

Revenue from sales and lease of the Group's machinery products is net of value added tax and after deduction of any trade discounts.

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

	2017	2016
	RMB millions	*RMB millions (restated)*
Continuing operations:		
Construction machinery		
— Concrete machinery	**7,335**	4,813
— Crane machinery	**6,805**	3,540
— Others	**3,781**	2,202
Agricultural machinery	**2,295**	3,452
Financial services	**392**	409
	20,608	14,416
Discontinued operation:		
Environmental industry	**2,665**	5,607
	23,273	20,023

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	2017	2016
	RMB millions	*RMB millions (restated)*
Continuing operations:		
Interest income	**(392)**	(414)
Loss/(gain) on re-measurement of derivative financial instruments at fair value	**26**	(124)
Interest on loans and borrowings	**1,479**	1,596
Net exchange loss/(gain)	**330**	(204)
	1,443	854
Discontinued operation:		
Interest income	**(6)**	(5)
(Gain)/loss on re-measurement of derivative financial instruments at fair value	**(3)**	3
Interest on loans and borrowings	**9**	23
Net exchange loss/(gain)	**19**	(4)
	19	17
	1,462	871

(b) Staff costs:

	2017 *RMB* *millions*	2016 *RMB* *millions* *(restated)*
Continuing operations:		
Salaries, wages and other benefits	**1,744**	1,601
Share incentive scheme expenses	**45**	—
Contributions to retirement schemes	**284**	271
	2,073	1,872
Discontinued operation:		
Salaries, wages and other benefits	**159**	306
Contributions to retirement schemes	**16**	19
	175	325
	2,248	2,197

(c) Other items:

	2017 *RMB* *millions*	2016 *RMB* *millions* *(restated)*
Continuing operations:		
Cost of inventories sold	**16,303**	11,157
Depreciation of property, plant and equipment	**664**	701
Amortisation of lease prepayments	**54**	53
Amortisation of intangible assets	**206**	169
Gain on disposal of property, plant and equipment, intangible assets and lease prepayments	**25**	612
Operating lease charges	**143**	151
Auditors' remuneration:		
— audit services	**9**	10
— non-audit services	**—**	6
Product warranty costs	**128**	102
Impairment losses:		
— property, plant and equipment	**149**	—
— trade receivables	**5,927**	749
— receivables under finance lease	**797**	129
— inventories	**1,823**	380
— goodwill	**24**	—
Discontinued operation:		
Cost of inventories sold	**1,803**	3,764
Depreciation of property, plant and equipment	**27**	45
Amortisation of lease prepayments	**2**	—
Amortisation of intangible assets	**15**	17
Operating lease charges	**6**	26
Auditors' remuneration:		
— audit services	**1**	3
Product warranty costs	**2**	3
Impairment losses		
— trade receivables	**10**	15

6 INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

(a) Continuing operations

(i) Taxation credited to profit or loss:

	2017	2016
	RMB millions	*RMB millions (restated)*
Current tax — PRC income tax	**(1,130)**	24
Current tax — Income tax in other tax jurisdictions	**10**	4
Deferred taxation	**(305)**	(272)
Tax expenses on continuing operations	**(1,425)**	(244)

(ii) Reconciliation between tax credit and accounting loss at applicable tax rates:

	2017	2016
	RMB millions	*RMB millions (restated)*
Loss before taxation	**(9,713)**	(1,899)
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned *(note (a))*	**(2,428)**	(475)
Tax effect of non-deductible expenses	**153**	197
Current year loss for which no deferred tax assets was recognised	**81**	30
Tax effect of non-taxable income *(note (a))*	**(116)**	(137)
Tax effect of tax concessions *(note (b))*	**920**	172
Additional deduction for qualified research and development expenses *(note (c))*	**(35)**	(31)
Actual income tax credit	**(1,425)**	(244)

(b) Discontinued operation

(i) Taxation charged to profit or loss:

	2017	2016
	RMB millions	*RMB millions (restated)*
Current tax — PRC income tax	**1,396**	145
Deferred taxation	**23**	(11)
Tax expenses on continuing operations	**1,419**	134

(ii) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2017	2016
	RMB	*RMB*
	millions	*millions*
		(restated)
Profit before taxation	**10,965**	889
Notional tax on profit before taxation, calculated at the statutory income tax rate applicable to the jurisdictions concerned *(note (a))*	**2,741**	222
Tax effect of non-deductible expenses	**—**	6
Tax effect of non-taxable income *(note (a))*	**(347)**	(1)
Tax effect of tax concessions *(note (b))*	**(975)**	(91)
Additional deduction for qualified research and development expenses *(note (c))*	**—**	(2)
Actual income tax expenses	**1,419**	134

Notes:

(a) 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. In 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 ranging from 19.0% to 31.4% (2016: 19.0% to 31.4%).

(b) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The Company and certain of its subsidiaries obtained or renewed its status as high-technology enterprises in 2017 and accordingly are subject to income tax at 15% for the years from 2017 to 2019. 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 certain of its 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.

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

7 DIVIDENDS

(i) Dividends paid during year

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 totalling RMB1,141 million in respect of the year ended 31 December 2016 was declared, and was fully paid by the end of 2017.

(ii) Dividends proposed after the balance sheet date

Pursuant to a resolutions passed at the directors' meeting on 29 March 2018, a final dividend in respect of the year ended 31 December 2017 of RMB0.2 (2016: RMB0.15) per share totalling RMB1,559 million (2016: RMB1,150 million) was proposed for shareholders' approval at the Annual General Meeting. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

8 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB 13.42 million (2016: loss attributable to equity shareholders of the Company of RMB 929 million), and the weighted average number of shares of 7,642 million in issue during the year (2016: 7,664 million shares).

The calculation of diluted earnings per share amount for the year ended 31 December 2017 has not included the potential effect of deemed issuance of shares and unlocking of restricted shares under the Company's share options and restricted shares during the year, as the share option has an anti-dilutive effect on the basic earnings per share amount for the year and the restricted shares are subject to the unlocking conditions including certain performance conditions.

9 SEGMENT REPORTING

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

Continuing reportable segment:

(i) Construction machinery segment consists of the following sub-segments:

Concrete machinery sub-segment primarily researches, develops, manufactures and sells various concrete machineries, including truck-mounted concrete pumps, trailer-mounted concrete pumps, dry mortar products, concrete placing booms, concrete mixing plants, truck-mounted concrete mixers, truck-mounted line concrete pumps and self-propelled boom concrete pumps.

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

Others primarily research, develop, manufacture and sell of other machinery products, including road construction and pile foundation machinery, earth working machinery, material handling machinery and systems, specialised vehicles and vehicle axles. None of these segments met any of the quantitative thresholds for determining reportable segments for the years ended 31 December 2017 and 2016.

(ii) Agricultural machinery segment primarily researches, develops, manufactures and sells a wide range of agricultural machineries, including tractors, grain harvesters and drying machines.

(iii) Financial services segment primarily provides finance lease services to customers for purchasing machinery products of the Group and from other vendors.

Discontinued reportable segment:

(i) a wide range of environmental and sanitation machineries, including road sweepers, washing vehicles and waste treatment equipment, as well as provides environmental solutions.

(a) Segment results, assets and liabilities

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2017 is set out below:

	2017 ***RMB millions***	2016 *RMB millions (restated)*
Reportable segment revenue:		
Continuing operations:		
Construction machinery		
— Concrete machinery	**7,335**	4,813
— Crane machinery	**6,805**	3,540
— Others	**3,781**	2,202
Agricultural machinery	**2,295**	3,452
Financial services	**392**	409
	20,608	14,416
Discontinued operation:		
Environmental industry	**2,665**	5,607
	23,273	20,023
Reportable segment profit:		
Continuing operations:		
Construction machinery		
— Concrete machinery	**1,344**	912
— Crane machinery	**1,492**	957
— Others	**757**	374
Agricultural machinery	**320**	607
Financial services	**392**	409
	4,305	3,259
Discontinued operation:		
Environmental industry	**664**	1,519
	4,969	4,778

Reconciliation of segment loss:

	2017	2016
	RMB	*RMB*
	millions	*millions*
		(restated)
Total reportable segment profit	**4,969**	4,778
Elimination of discontinued operation	**(664)**	(1,519)
Gross profit from continuing operations	**4,305**	3,259
Other income	**259**	761
Sales and marketing expenses	**(2,180)**	(2,030)
General and administrative expenses	**(10,487)**	(2,777)
Research and development expenses	**(277)**	(269)
Net finance costs	**(1,443)**	(854)
Share of profits less losses of associates	**110**	11
Loss before taxation from continuing operations	**(9,713)**	(1,899)

(b) Geographic information

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

	2017	2016
	RMB	*RMB*
	millions	*millions*
Revenue from external customers		
— Mainland PRC (of which RMB2,447 million (2016: RMB5,316 million) relates to discontinued operation)	**20,908**	17,858
— Outside PRC (of which RMB218 million (2016: RMB291 million) relates to discontinued operation)	**2,365**	2,165
Total	**23,273**	20,023

	2017	2016
	RMB	*RMB*
	millions	*millions*
Specified non-current assets		
— Mainland PRC	**7,981**	9,891
— Outside PRC	**228**	379
Total	**8,209**	10,270

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RMB millions	*RMB millions*
Financial assets designated at fair value through profit or loss:		
— Wealth management products (Note)	**6,319**	—
Derivative financial instruments	**4**	132
	6,323	132

Note: During the year, the Group invested its spare cash in wealth management products offered by banks and the financial institutions. These wealth management products generally have a pre-set maturity and expected return, with its underlying assets being a wide range of government and corporate bonds, central bank bills, money market funds as well as other listed and unlisted equity securities in the PRC. The Group evaluates these wealth management products on a fair value basis in accordance with accounting policy.

11 TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB millions	*RMB millions*
Trade receivables	**26,917**	32,687
Less: allowance for doubtful debts	**(5,937)**	(2,853)
	20,980	29,834
Less: trade receivables due after one year	**(4,106)**	(3,032)
	16,874	26,802
Bills receivable	**2,237**	2,197
	19,111	28,999
Amounts due from related parties	**1,175**	312
Prepayments for purchase of raw materials	**210**	205
Prepaid expenses	**465**	408
VAT recoverable	**885**	849
Deposits	**141**	264
Others	**674**	905
	22,661	31,942

All of the trade and other receivables, except those described below, are expected to be recovered or recognised as expense within one year.

The Group generally allows certain customers with appropriate credit standing to make payments in instalments over a maximum period of 42 months ("instalment payment method"). Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2017, the weighted average discount rate was approximately 4.75% (2016: 4.75%) per annum. As at 31 December 2017, trade receivables due after one year of RMB4,106 million (31 December 2016: RMB3,032 million) were presented net of unearned interest of RMB419 million (31 December 2016: RMB239 million).

In 2017, the Group sold impaired trade receivables with a gross face value of RMB 4,142 million to a third-party financial institution at a total consideration of RMB 1,654 million, where substantially all the risks and rewards of ownership had been transferred. Since the Group does not have continuing involvement in the transferred assets, those trade receivables were therefore derecognised.

As at the end of the reporting period, ageing analysis based on the invoice date of trade receivables (which are included in trade and other receivables), net of allowance for doubtful debts is as follows:

	2017	2016
	RMB	*RMB*
	millions	*millions*
Within 1 month	**3,089**	2,911
Over 1 month but less than 3 months	**2,555**	2,837
Over 3 months but less than 1 year	**5,961**	7,772
Over 1 year but less than 2 years	**4,810**	8,909
Over 2 years but less than 3 years	**3,775**	5,610
Over 3 years but less than 5 years	**790**	1,795
	20,980	29,834

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 30% to 40% of the product price (2016: 20% to 30%). 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 20% to 40% of the product price (2016: 15% to 30%).

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

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2017	2016
	RMB	*RMB*
	millions	*millions*
Balance at 1 January	**2,853**	2,316
Impairment losses recognised	**5,937**	764
Reclassification from impairment of receivables under finance lease	**2**	9
Written off upon disposal of discontinued operation	**(63)**	—
Written off upon sale of trade receivables	**(2,488)**	—
Uncollectible amounts written off	**(304)**	(236)
Balance at 31 December	**5,937**	2,853

During the year ended 31 December 2017, the Group recognised RMB5,937 million and RMB797 million impairment losses for trade receivables and receivables under financial lease respectively, which mainly related to the long-aged trade receivables that have been impaired in previous years. Due to the complexity and deterioration 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.

Bills receivable represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 6 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorse bills receivable to suppliers in order to settle trade payables.

As at 31 December 2017, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2017, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB1,031 million (31 December 2016: RMB332 million).

During the year ended 31 December 2017, bills receivable of RMB148 million (31 December 2016: RMB1,159 million) were discounted to banks or other financial institutions, where substantially all the risks and rewards of ownership had been transferred. Since the Group does not have continuing involvement in the transferred assets, these discounted bills receivable were therefore derecognised.

12 RECEIVABLES UNDER FINANCE LEASE

	2017	2016
	RMB millions	*RMB millions*
Gross investment	**14,715**	15,220
Unearned finance income	**(354)**	(348)
	14,361	14,872
Less: allowance for doubtful debts	**(1,560)**	(765)
	12,801	14,107
Less: receivables under finance lease due after one year	**(1,870)**	(1,895)
Receivables under finance lease due within one year	**10,931**	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 30% 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 as at the end of the reporting period are as follows:

	2017	2016
	RMB millions	*RMB millions*
Present value of the minimum lease payments		
Within 1 year	**12,283**	12,711
Over 1 year but less than 2 years	**1,008**	1,054
Over 2 years but less than 3 years	**649**	628
Over 3 years	**421**	479
	14,361	14,872
Unearned finance income		
Within 1 year	**286**	283
Over 1 year but less than 2 years	**40**	37
Over 2 years but less than 3 years	**19**	18
Over 3 years	**9**	10
	354	348
Gross investment		
Within 1 year	**12,569**	12,994
Over 1 year but less than 2 years	**1,048**	1,091
Over 2 years but less than 3 years	**668**	646
Over 3 years	**430**	489
	14,715	15,220

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

	2017	2016
	RMB millions	*RMB millions*
Not yet due	**7,466**	7,414
Within 1 year past due	**2,879**	3,988
Over 1 year but less than 2 years past due	**1,702**	2,335
Over 2 years past due	**2,314**	1,135
Total past due	**6,895**	7,458
	14,361	14,872
Less: allowance for doubtful debts	**(1,560)**	(765)
	12,801	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.

The movement in the allowance for doubtful debts during the year, is as follows:

	2017	2016
	RMB millions	***RMB millions***
Balance at 1 January	**765**	645
Impairment losses recognised	**797**	129
Reclassification to impairment of trade receivables	**(2)**	(9)
Balance at 31 December	**1,560**	765

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

13 TRADE AND OTHER PAYABLES

	2017	2016
	RMB millions	*RMB millions*
Trade creditors	**5,700**	6,579
Bills payable	**3,394**	5,601
Trade creditors and bills payable	**9,094**	12,180
Amounts due to related parties	**50**	49
Amounts due to non-controlling shareholders of certain subsidiaries	**468**	468
Receipts in advance	**1,330**	847
Payable for acquisition of property, plant and equipment	**249**	436
Accrued staff costs	**488**	328
Product warranty provision	**75**	72
VAT payable	**261**	406
Sundry taxes payable	**171**	114
Security deposits	**504**	568
Interest payable	**141**	187
Locked restricted share	**386**	—
Other accrued expenses and payables	**1,775**	1,434
	14,992	17,089

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

	2017	2016
	RMB millions	*RMB millions*
Due within 1 month or on demand	**4,254**	5,154
Due after 1 month but within 3 months	**2,103**	2,923
Due after 3 months but within 6 months	**2,542**	3,485
Due after 6 months but less than 12 months	**195**	618
	9,094	12,180

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable in the consolidated statement of financial position represents:

	2017	2016
	RMB millions	*RMB millions*
Provision for PRC income tax	**140**	66
Provision for income tax in other tax jurisdictions	**8**	9
	148	75

(b) Deferred tax assets and liabilities recognised:

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

Year ended 31 December 2017

	Balance at 1 January 2017	**Transfer out upon sale of discontinued operation**	**Credited/ (charged) to profit or loss**	**(Credited)/ charged to reserves**	**Balance at 31 December 2017**
	RMB millions	***RMB millions***	***RMB millions***	***RMB millions***	***RMB millions***
Deferred tax assets arising from:					
Receivables	**614**	**(10)**	**297**	**1**	**902**
Inventories	**88**	**—**	**26**	**—**	**114**
Accrued expenses	**42**	**(5)**	**15**	**1**	**53**
Tax losses	**311**	**(15)**	**(90)**	**4**	**210**
Others	**82**	**(19)**	**39**	**(23)**	**79**
Total	**1,137**	**(49)**	**287**	**(17)**	**1,358**
Deferred tax liabilities arising from:					
Property, plant and equipment	**(24)**	**9**	**—**	**—**	**(15)**
Intangible assets	**(425)**	**48**	**23**	**(15)**	**(369)**
Lease prepayments	**(46)**	**—**	**3**	**—**	**(43)**
Others	**(42)**	**30**	**(31)**	**(15)**	**(58)**
Total	**(537)**	**87**	**(5)**	**(30)**	**(485)**

Year ended 31 December 2016

	Balance at 1 January 2016	Acquisition from business combination	Credited/ (charged) to profit or loss	(Credited)/ charged to reserves	Balance at 31 December 2016
	RMB millions	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*
Deferred tax assets arising from:					
Receivables	516	—	97	1	614
Inventories	71	5	12	—	88
Accrued expenses	37	2	3	—	42
Tax losses	212	2	116	(19)	311
Others	19	18	45	—	82
Total	855	27	273	(18)	1,137
Deferred tax liabilities arising from:					
Property, plant and equipment	(17)	(10)	3	—	(24)
Intangible assets	(385)	(59)	27	(8)	(425)
Lease prepayments	(35)	—	(11)	—	(46)
Others	(2)	(31)	(9)	—	(42)
Total	(439)	(100)	10	(8)	(537)

As at 31 December 2017, deferred tax assets in respect of asset impairment losses and tax losses totalling RMB 362 million (31 December 2016: RMB347 million) were not recognised by certain subsidiaries of the Company, as it is not probable that sufficient future taxable profits will be available to utilise such tax benefits.

15 SHARE INCENTIVE SCHEME

On 1 November 2017, the Share Incentive Scheme was considered and approved at the first Extraordinary General meeting of 2017, the A shareholders' Class Meeting of 2017 and H shareholders' Class Meeting of 2017. On 7 November 2017, the Company adopted the Share Incentive Scheme and the related resolution were considered and passed at the seventh Extraordinary Meeting of the fifth Session of the Board of Directors, pursuant to which the date of grant for the Share Incentive Scheme of the Company has been set for 7 November 2017, and 171,568,961 share options and 171,568,961 restricted shares were planned to be granted to 1,231 selected current employees of the Group (the "Participants"). Each share option shall entitle its eligible holder to purchase one Zoomlion ordinary A share at an exercise price of RMB4.57, and the Participants were entitled to purchase Zoomlion restricted A shares at RMB2.29 each. The Participants of the Share Incentive Scheme included directors, senior executives and core technical employees. As a result, 168,760,911 share options and 168,760,911 restricted shares were granted to eligible employees on 7 November 2017.

(a) The terms and conditions of the share option are as follows:

	Number of instruments	Vesting conditions	Contractual life of option
Options granted to directors: — on 1 November 2017	2,288,520	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 3 exercise periods, whose percentages of options exercisable are 40%, 30% and 30% respectively, subject to the Company's performance as the conditions of exercise.	2.73 years
Options granted to employees: — on 1 November 2017	166,472,391	The first exercise period shall commence from trading day after expiry of the 12-month period from the date of grant. The share options shall be exercisable separately in the subsequent 3 exercise periods, whose percentages of options exercisable are 40%, 30% and 30% respectively, subject to the Company's performance as the conditions of exercise.	2.73 years
	168,760,911		

There were 168,760,911 shares outstanding at 31 December 2017 with an exercise price of RMB 4.57 per share.

The fair value of the equity-settled share options granted on the date of grant is estimated using Black-Scholes model and conditions for the share options taken into account. The input variables under the applied model are as follow:

	First	Second	Third
Fair value at measurement date	0.45	0.58	0.65
Share price	4.55	4.55	4.55
Exercise price	4.57	4.57	4.57
Volatility	19.0443%	19.0443%	19.0443%
Risk-free interest rate	2.10%	2.75%	2.75%
Demission rate	3.02%	3.02%	3.02%

The expected volatility is based on the historic volatility based on the publicly available information.

(b) Restricted share

The total proceeds received for the issuance of restricted shares were RMB386 million. The unlocking period terms and conditions of restricted shares are the same as share option. There were 168,760,911 restricted shares outstanding at 31 December 2017.

The fair value of restricted share is RMB 2.26 per share, which is the difference between the market price of the ordinary share at the grant date and the proceeds received from the employees.

(c) Expected demission rate of the Participants and share incentive scheme expense

Management estimates the expected yearly percentage of the Participants that will leave with the Group at the end of the vesting period /locking period in order to determine the amount of share incentive scheme expenses to be recognised in the consolidated income statement. As at 31 December 2017, the expected demission rate of the Participants was assessed to be 3.02%. In 2017, share incentive scheme expenses of RMB 45 million were recognised in the consolidated statement of comprehensive income.

16 RECONCILIATION OF FINANCIAL INFORMATION PREPARED UNDER PRC GAAP TO IFRSs

(a) Reconciliation of total equity of the Group

	2017	2016
	RMB millions	*RMB millions*
Total equity reported under PRC GAAP	**38,227**	37,795
— Acquisition-related costs incurred on prior year business combination	**(37)**	(40)
Total equity reported under IFRSs	**38,190**	37,755

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

	2017	2016
	RMB millions	*RMB millions*
Total comprehensive income for the year reported under PRC GAAP	**1,702**	(1,569)
— Safety production fund (Note 1)	**6**	(4)
— Impairment of goodwill (Note 2)	**3**	—
Total comprehensive income for the year reported under IFRSs	**1,711**	(1,573)

Note 1: Under PRC GAAP, safety production fund should be accrued and recognised in profit or loss with a corresponding credit in reserve according to relevant PRC regulations. Such reserve is reduced for expenses incurred for safety production purposes or, when safety production related equipment are purchased, is reduced by the purchase cost with a corresponding increase in the accumulated depreciation. Such fixed assets are not depreciated thereafter. Under IFRSs, expense is recognised in profit or loss when incurred, and fixed assets are capitalised and depreciated in accordance with applicable accounting policies.

Note 2: The Group has elected to early adopt IFRS 3 (revised) retrospectively to all business combinations that occurred on or after 1 January 2007. IFRS 3 (revised) requires acquisition-related costs to be expensed in profit and loss. As a result, acquisition-related costs of RMB40 million (the related tax impact is nil as the acquisition-related costs were not tax deductible) incurred in business combinations occurred during the year ended 31 December 2008 were expensed in profit or loss under IFRSs, which resulted in a lower goodwill balance than that under PRC GAAP.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The following analysis was prepared based on the continuing operations of the Group

Revenue

Our revenue from continuing operations increased by 42.95% from RMB14,416 million for the year ended 31 December 2016 to RMB20,608 million for the year ended 31 December 2017. The increase of revenue was mainly due to the booming of domestic market and increasing demand for the machinery products. The revenue from concrete machinery and crane machinery increased by RMB2,522 million and RMB3,265 million respectively, representing an increase of 52.40%and 92.23% for the year ended 31 December 2017. On the other hand, as affected by the decline in the price of crops and the decrease in purchase subsidy, the revenue from agricultural machinery decreased by RMB1,157 million or 32.52% for the year ended 31 December 2017.

Cost of Sales and Services

Due to the increase in sales of the Group and the increase of price of the raw materials, our cost of sales and services increased by 46.12% from RMB11,157 million for the year ended 31 December 2016 to RMB16,303 million for the year ended 31 December 2017.

Gross profit

As a result of the foregoing, our gross profit increased by 32.10% from RMB3,259 million for the year ended 31 December 2016 to RMB4,305 million for the year ended 31 December 2017. Our gross profit margin decreased from 22.61% for the year ended 31 December 2016 to 20.89% for the year ended 31 December 2017, which is mainly due to the increase of the purchase cost of the raw materials and low gross profit margin in selling second-hand machineries.

Other income

Our other income decreased from the net gain of RMB761 million for the year ended 31 December 2016 to a net gain of RMB259 million for the year ended 31 December 2017, which is mainly due to an one-off gain on investment in an associate with land use rights amounting to RMB330 million.

Sales and marketing expenses

Our sales and marketing expenses increased by 7.39% from RMB2,030 million for the year ended 31 December 2016 to RMB2,180 million for the year ended 31 December 2017. Sales and marketing expenses as a percentage of our consolidated revenue decreased from 14.08% for the year ended 31 December 2016 to 10.58% for the year ended 31 December 2017 primarily due to the relatively higher growth in revenue of the Company. The increase of the sales and marketing fee is due to the increase of warranty fee which is in line with the increase of revenue and the increase of expenditures in relation to speeding up the collection of receivables and operation of second-hand equipment.

General and administrative expenses

Our general and administrative expenses increased from RMB2,777 million for the year ended 31 December 2016 to RMB10,407 million for the year ended 31 December 2017 primarily due to the followings: 1) Impairment losses of RMB5,927 million and RMB797 million were provided for trade receivables and receivables under financial lease respectively based on the quoted price in the market. The provision for trade receivables are mainly related to the long-aged trade receivables that have been impaired in previous years; 2) An impairment loss of RMB1,582 million was provided for the related second-hand machineries for the year ended 31 December 2017 million taking into consideration of expected decrease in net realisable value of the second-hand machineries as a result of changes in sale strategy of second-hand machineries.

Net finance costs

Our net finance costs for the year ended 31 December 2016 was RMB854 million and our net finance costs for the year ended 31 December 2017 was RMB1,443 million. The fluctuation was due to the effect of increase in net exchange loss.

Profit from discontinued operation

The Group sold 80% of its interests in ZEI on 30 June 2017 and the environmental industry was presented as discontinued operation. The profit from discontinued operation for the year ended 31 December 2017 amounted to RMB9,546 million, including a gain on disposal of the discontinued operation of RMB9,355 million (after-tax).

Profit/Loss for the year

As a result of the foregoing, our profit for the year changed from a loss RMB900 million for the year ended 31 December 2016 to a profit RMB1,258 million for the year ended 31 December 2017.

Operating activities

In 2017, net cash generated from operating activities was RMB2,453 million derived primarily from the loss before taxation from continuing and discontinued operations of RMB1,252 million in total, adjusted to reflect interest expenses of RMB1,488 million and depreciation and amortisation of RMB968 million, minus gain on sale of 80% equity interest in environmental industry of RMB10,738 million and added back the effect of (i) decrease in inventories of RMB3,560 million; (ii) the decrease of receivables under finance lease of RMB1,236 million; (iii) the increase in trade and other payables of RMB3,602 million; (iv) the increase in trade and other receivables of RMB1,639 million; and net of the following item: the income tax payment of RMB227 million.

Investing activities

In 2017, net cash generated from investing activities was RMB4,036 million, consisting primarily of: (i) proceeds from disposal of property, plant and equipment, intangible assets and lease prepayment of RMB248 million; (ii) proceeds from sales of 80% interests in Changsha Zoomlion Environmental Industry Co., Ltd. of RMB10,428 million; (iii) a decrease in pledged bank deposits of RMB275 million; (iv) interest income of RMB398 million and (v) the proceeds from settlement of foreign currency derivative financial instruments of RMB0.23 million and offset by (i) payments for the purchases of property, plant and equipment, intangible assets and lease prepayment of RMB764 million; (ii) payment for acquisition of available-for-sale financial assets of RMB350 million; (iii) payment for acquisition of other financial assets measured at fair value through Profit or Loss of RMB6,260 million.

Financing activities

In 2017, net cash used in financing activities was RMB5,906 million, consisting primarily of: (i) repayments of loans and borrowings of RMB17,257 million; (ii) cash dividends paid to equity shareholders of RMB1,141 million; (iii) interest payments of RMB1,527 million; (iv) dividends paid by subsidiaries to non-controlling interests of RMB11 million; and (v) repayments of guaranteed USD senior notes of RMB2,703 million and added (i) the proceeds from loans and borrowings of RMB16,518 million and (ii) the proceeds from issuance of restricted shares of RMB386 million.

BUSINESS REVIEW AND PROSPECT

I. Operation Review of 2017

In 2017, the global economy continued to sustain the momentum of recovery. The growth of China's economy was better than expected, shifted from high-speed growth to high-quality growth. As benefited by the increase in infrastructure investment, environmental protection upgrades and replacement of equipment etc., the sales of all products of the construction machinery industry grew strongly. As affected by the decline in the price of crops and the decrease in purchase subsidy, the growth of the agricultural machinery industry slowed down.

2017 was a turning point for Zoomlion. Through strategic focus, management changes, innovative technologies and products as well as strict control of business risks, the Group intensified business transformation. After five years of adjustment and recovery, the Group's operational quality soared and shifted back to its development direction of pursuing continuous growth and quality. With the overall profitability improved and the operational quality significantly enhanced, our market leading position became more solid.

During the reporting period, the Group achieved operating income of RMB23,273 million, representing a year-on-year increase of 16.23%; net profit attributable to the parent company of RMB1,342 million, representing a year-on-year increase of 244.46%; operating cash flow of RMB2,453 million, representing a year-on-year increase of 40.17%.

The main tasks carried out by the Group during the reporting period were as follows:

(I) Focusing strategically, creating a new layout of industrial development

The Group carried out strategic adjustments to the industry, actively sold 80% of equity interests in its environmental business, focused on construction machinery and developed agricultural machinery to further intensify the integration of industry and finance.

1. Focusing on construction machinery: With its strong areas becoming more prominent and stable, the construction machinery further manifested its strengths, gradually creating a cluster of sectors of construction machinery with competitive edges. During the reporting period, the Group's revenue on sale of construction machinery amounted to RMB17,921 million, representing a year-on-year increase of 69.79%.

   ① Solid market position of leading products: The domestic market share of lifting machinery and concrete machinery products continued to maintain its leading industry position. Among which, long-arm concrete pump trucks and stationary equipment of construction and crane machinery and concrete machinery continued to maintain the highest position in the industry. The domestic market share of truck cranes maintained the second position in the industry, with its sales growth leading the industry. The domestic market share of pile foundation machinery ranked top three in the industry, with a year-on-year growth of over 200% in sales revenue.

   ② Active layout in potential market: We strengthened the establishment of special sales teams for emerging businesses such as machine-made sand, dry-mixed mortar and spraying robotic arm, continuously implemented comprehensive sales strategies, established benchmark customers in important areas, and significantly enhanced the production rate of key components. We made efforts in areas such as work-at-height platform and earth working machinery, and rapidly advanced the research and development and trial production of the "intelligent and efficient" new generation of excavators and work-at-height machinery products.

2. Developing agricultural machinery: The edges of scale, brand and market position of agricultural machinery was solid. The sales volume of drying machinery ranked first in the domestic market for the fifth consecutive year; the domestic market share of wheat machinery products ranked second in the industry; and the domestic market share of rice machinery ranked top three in the industry. We integrated global research and development resources, and speeded up the advancement of product structure adjustment and technological upgrade, transforming into an "agricultural and equipment industry holding company".

3. Developing financial services: The capability of our financial business was further consolidated. 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, effectively improving liquidity management and capital efficiency. Zoomlion Capital has cooperated with leading industry groups and professional institutions to set up an industry merger and acquisition fund, in order to participate in financial investments and operations, invest in relevant sub-sectors of the industry chain and generate revenue from venture capital. The integration of industry and finance has reached a new level.

(II) *Further advancing intelligent manufacturing, innovating business model through "Internet and Internet of Things"*

Through the integration of mobile Internet, cloud computing, big data, and Internet of Things etc. with construction machinery and agricultural machinery manufacturing industries, we further promoted intelligent manufacturing through three aspects, namely, intelligent products, intelligent services and intelligent factories.

1. Continuously promoting the engineering of products 4.0: With "module platforms + intelligent products" as the core, products 4.0 fostered the integration of technologies such as sensing and interconnection, enabling "self-diagnosis, self-adjustment and self-adaption" and upgrading to a new level in terms of performance, reliability, intelligence and environmental protection. Intelligent products 4.0 that can "perceive and think" were comprehensively introduced to the market, continuously created new market demands, and were highly praised by customers. The price premium of products gradually increased, and the proportion of the Group's products 4.0 accounted for more than 50% of total products.

2. Further promoting the innovation of intelligence services for products: Products 4.0 and a series of customized mobile applications such as Zoomlion e-Manager (中聯e管家) and Intelligent Commercial Concrete (智慧商砼) of the "Internet and Internet of Things" has provided impeccable equipment services, including real-time control, sophisticated operation, precise maintenance and predictive maintenance, for construction machinery customers, expanding our services from equipment management to customer operation management. Through collecting information on crops, agronomic conditions and user habits in different regions, the intelligent agricultural machinery cloud platform has provided customized and differentiated strategies on product debugging, maintenance and driving operation for users. The innovative business model has driven the Group to gradually transform from an "equipment manufacturer" to a "manufacturing and service-oriented enterprise".

3. Speeding up the construction of intelligent factories: Through the parallel operation of industrial robots and data processing, the Group's "domestically first-class and internationally leading" tower crane intelligent factories can automatically match materials and produce 10 different specifications of standardized parts by mixed-model flexible assembly, which will become the new benchmark of intelligent factories of the industry. The Group completed the construction of its second high-end agricultural equipment manufacturing base in Kaifeng, which has been put into operation with advanced production equipment such as fully automated assembly lines, assembly robotic arms and ANDON system, leading the industry in terms of intelligent level.

(III) Establishing new customer relationships, creating a new platform for win-win development

With "win-win development" as the philosophy, we have jointly formed a customer alliance with excellent enterprises in the industry to create a green and win-win industrial ecosystem.

1. Focusing on core customer base to establish a large customer alliance: We have jointly formed a customer alliance with the first group of more than 40 excellent enterprises in the industry with strong operating capability, long cooperation, high mutual trust, good credit and industry influence to re-establish the upstream and downstream business models.

2. Establishing a long-term cooperative and win-win development platform: In addition to enjoying a series of services for machinery and equipment such as basic business services, inventory equipment upgrades and new product trials, members of the customers' alliance could also obtain services for expansion such as financial support, personnel training and business information sharing, which have promoted the commencement of cooperation for alliance members on major construction projects such as major domestic projects and the One Belt, One Road.

(IV) Market-leading technological innovation with significant innovation results on research and development

During the year, the Group obtained 271 domestic patents for inventions and eight foreign patents for inventions, continued to maintain its industry leading position. The revision of international standards led by the Group has entered a new stage, further consolidating our technological leading position and authority in the industry.

1. Stepping up from delivering products and technologies to delivering standards: The Group led the completion of and published ISO 19720-1:2017 *Construction Machinery and Equipment — Concrete and Mortar Preparation Machinery and Equipment — Part 1: Terminology and Commercial specifications* (《建築施工機械與設備 混凝土及灰漿製備機械與設備 第 1 部分：術語和商業規格》), the first international standard of Chinese construction machinery. The Company led the revision of *ISO 10245-3 Cranes — Limiting and Indicating Devices — Part 3: Tower Cranes* (《起重機 限制器和指示器 第 3 部分：塔式起重機》), which has successfully passed CD voting and entered the DIS stage.

2. Fruitful accomplishments on self-innovation:

   ① "Method and system for controlling the bending of high strength steel" (一種控制高強鋼折彎的方法及系統) and "Concrete pump and method for adjusting the driving pressure value of the oscillation actuator in the pump" (混凝土泵及調節該泵中對擺動執行器的驅動壓力值的方法), two patents for inventions, won the excellent award of the 19th China Patent Award. The key technology and application for dry process production of mortar and mechanized construction equipment (砂漿乾法生產及機械化施工設備關鍵技術與應用項目) won the second prize of the China Machinery Industry Science & Technology Award (中國機械工業科學技術獎).

② Our high-precision and high-efficiency 56-meter concrete pump truck won the first Product Innovation Award of Hunan Province. It can increase pump distribution efficiency by 5 to 8 % and reduce energy consumption by 2 to 4%. The active arm vibration reduction technology can reduce arm vibration in all aspects of construction by more than 50% and decrease rate of pump distribution blocking by 65%. Our 3,200-ton crawler crane assisted the successful installation of the dome of No. 5 unit of "Hualong One", the heaviest unit which has to be installed at the highest level at nuclear power constructions in the world.

③ PL2304 tractor and grain dryer won the Gold Product Award and Most Influential Brand Award, respectively, of the 2017 China Agricultural Industry Annual Award (中國農業行業年度大獎). We launched the AS60 crawler sugarcane harvester and broke the monopoly of imported brands. We launched the 3WP-600HA pesticide and fertilizer-spraying products and 100-130 horsepower hydraulically driven crawler tractor products to supplement the shortcoming of full mechanization of paddy fields.

④ Certain results of common technological research projects have been industrialized. Certain results such as multiple bus valves, fiber composite material metal-lined concrete conveying straight pipes, plasma composite welding system and assisted driving system for tractor have been applied.

3. Intelligent manufacturing projects promoting the intelligent transformation of traditional manufacturing industries: The "Pilot Demonstration of Remote Maintenance Service for Construction Machinery" (工程機械遠端運維服務試點示範) was successfully included into the list of 2017 National Intelligent Manufacturing Pilot Demonstration Projects (國家智慧製造試點示範項目名單). The "Project of Application of New Model of Modern Agricultural Machinery Equipment Operation and Maintenance Services" (現代農機裝備遠端運維服務新模式應用項目) of the Group was approved by the Ministry of Industry and Information Technology as a 2017 National Intelligent Manufacturing New Model Project (國家智慧製造新模式項目).

4. Further developing and expanding innovative platform, innovative resources and innovative results: Eight innovative qualification platforms such as national high-tech enterprises and national key laboratories successfully passed the assessment and review. We have preliminarily completed the patent layout with 4.0 engineering as the core. We achieved breakthrough in patent-pledged financing and opened up a new channel for research and development financing.

(V) Speeding up the progress of internationalization, creating a new layout of overseas development

Following the national "One Belt, One Road" initiative, the Group has intensified the expansion of overseas markets with the concept of "leading, intensifying and penetrating" and formed a "two horizontal and two vertical" global development layout. Our overseas core strategies began to demonstrate results.

1. Following the principle of "localization" and further developing overseas markets: Focusing on key countries along the "One Belt, One Road", we gradually promoted the localized operation and management of personnel, finance, sales, services, and component support for overseas subsidiaries, in order to reinforce the operation of subsidiaries and provide better services for the local market. During the reporting period, exports of the Group's business had a year-on-year increase of 30%, maintaining its leading position in the industry. Six 120-ton movable tower cranes T2850-120 were delivered to Kuwait from China, creating a new record for domestic export tower cranes. RGT-270V truck cranes were delivered to South Korea by batch and the first 150-ton truck crane was delivered to Kuwait, breaking the monopoly of European, American and Japanese brands on local large-tonnage cranes.

2. Speeding up international production capacity cooperation and penetrating overseas markets: We expanded the product lines and upgraded the functions of major overseas bases. CIFA of Italy has expanded from a regional company specializing in concrete machinery to a comprehensive global company covering the production and manufacturing of engineering and construction products in the Middle East and North America. The 25-ton truck cranes of ZOOMLION-MAZ joint venture have been mass produced, and the construction of production base in Belarus was steadily promoted, becoming a comprehensive base covering Eastern Europe, Central Asia and Russian-speaking regions. "Light asset" was laid out in the comprehensive production and manufacturing base in South Asia. Our research and development center in North America has become a regional platform integrating research and development, production and sales.

(VI) Intensifying management reform, strictly controlling operational risks

The Group strengthened the construction and management of its business management platform, management and control model, service upgrade and risk control etc. to promote the overall improvement of operational quality.

1. We have built a common business management platform focusing on big data. In accordance with the strategic concept of "end-to-end connection, data decision-making, efficiency improvement and strict control of risk", we systematically reviewed business rules, integrated disaggregated information, and connected the end-to-end integrated platform from research and development and manufacturing to sales services, risk control, and second-hand equipment, achieving precise management and improvement of operational efficiency.

2. We established a market mechanism "based on internal transfer-pricing and focused on profit assessment", made our business shifting back to its development direction of creating values and guided the business unit shifting from acquiring internal resources to acquiring profit from the market.

3. We have enhanced customer experience through service upgrades. Integrating the service standards, service platform and service hotlines for construction machinery products, we have provided standardized and convenient service support to customers throughout the cycle of equipment delivery to retirement. We issued the first electronic invoice in the industry, significantly enhancing customer experience through the "next-day delivered, low cost and reviewable" electronic invoices. Our agricultural machinery products have fulfilled our earnest promise of "direct delivery to fields with services alongside", providing faster, high-quality and efficient personalized services to users.

4. We properly solved inventory risks and strictly controlled new business risks. Firstly, to properly resolve historical problems, the Company advanced the "one case, one strategy" management of high-risk customers and speeded up the operation of second-hand equipment. Secondly, the Group continued to tighten its credit policy, checked the quality of each new machinery sales contracts, and voluntarily reject low-quality orders. We have installed GPS in 100% of the new manufactured equipment, implemented real-time monitoring on new business through the big data platform, and strictly fulfilled collection responsibility. The operational quality of our new business significantly improved.

(VII) Forming a diversified incentive mechanism of "co-creation of values and benefit sharing"

The Group's incentives have been transformed from zero to one and to two dimensions, forming a diversified incentive mechanism of "co-creation of values and benefit sharing".

1. We further improved the reform on incentives for researchers. Our researchers hold "virtual shares" of our products as the sales scale, profitability and quality of products are proportional to their remuneration. With the significant enhancement in market awareness and cost awareness of researchers, the product development efficiency has significantly improved.

2. We fully implemented the reform on time-based remuneration for technicians. The enthusiasm of first-line technicians for learning and promotion has generally risen, which has driven the growth of talents with professional knowledge and work capability, created a favorable system and environment for improving product quality, and significantly enhanced the labor productivity of the Group.

3. We primarily launched the reform of management remuneration. We have established a remuneration system with market competitiveness. Through strict assessment, full incentives and linking performance appraisal to assessment results, we have widen the gap of income to stimulate the vitality of employees and further attract and motivate outstanding employees.

4. We implemented equity incentives for key employees. During the reporting period, the Group granted equity incentive awards to 1,192 senior executives and key technological and management personnel. The shareholders, the Group and incentive targets have mutual interests, which can further promote the development of the Group and improve the long-term incentive mechanism.

II. Business Outlook of the Group

(I) Industry development trend and market outlook

1. Construction machinery market

In 2018, China will continue to implement proactive fiscal policies and sound monetary policies, promote effective investment, solidly advance the regional coordinative development strategy, introduce the development plan of Guangdong, Hong Kong and Macao Bay Area, establish Xiong'an New District with high-standards, orderly promote the transformation of "villages in cities" and old districts, strengthen the construction of new types of urbanization such as drainage pipe networks and underground integrated pipe corridors, and speed up the construction of beautiful Chinese rural areas etc.. With the speed up of promotion of prefabricated building and stricter restrictions on environmental protection policies, the growth momentum of periodical equipment update is still continuing. The construction machinery industry will continue to grow, and leading enterprises with edges in brand, technology, scale and services will gain greater competitive edges.

With the further stabilization of the global economy and further promotion of the national "One Belt, One Road" initiative, the overseas market will achieve greater growth. Benefiting by the improvement of layout of the Group's overseas production bases, localization and component centers in countries along the "One Belt, One Road", the overseas business of the Group will achieve continuous, quality and stable growth.

2. Agricultural machinery market

The 19th National Congress of CPC has proposed to "implement the strategy for rural development". With the further advancement of structural reform on the agricultural supply side and the speed up of rural land transfer, the level of mechanization in the domestic agricultural industry will further increase, which will drive the continuous expansion of scale of the agricultural machinery industry. The future development of the agricultural machinery industry is favorable. Along with the constant adjustment and improvement of agricultural machinery subsidy policies, the agricultural machinery subsidy funds will focus on large-scale agricultural entities such as rural cooperatives and mid-to-high-end, green and intelligent products. Leading companies with edges in brand, technology, scale and services will seize development opportunities.

(II) Main operation direction for 2018

1. Further advancing the engineering of products 4.0: Firstly, we will speed up the application of new technologies of Internet and Internet of Things, significantly improve the level of product intelligence, develop a variety of star products that are connected to the platform of Internet of Things, and continuously enhance the market competitiveness of products. Secondly, we will speed up the integration of global technological resources such as the research and development center in North America and M-TEC of Germany, strengthen the cooperation with external resources, focus on the research and development of common key technologies, key components and systems in relation to intelligent construction, and speed up the achievement of results. Thirdly, we will speed up the realization of 4.0 technology, upgrade the standard of products 4.0, expand the sales coverage of products 4.0, reduce the overall research and development and design costs of the Group, and enhance the profitability of the Group.

2. Building an industrial Internet technological platform to speed up digital transformation: Firstly, through product intelligence, we will intensify the promotion and application of integration of corporate logistics, information flow and capital flow, and establish an end-to-end closed-loop business model based on the Internet of Things and the Internet. Secondly, we will innovate our service system and provide value-added services through the application of Internet of Things and Internet. Through the integration of "Intelligence + Manufacturing + Services", we will empower the equipment management, business operation and business decision-making of downstream customers of the industry, promote the transformation of services of the manufacturing industry, and achieve growth in industrial added value. Thirdly, with customer demand, we will drive the construction of intelligent factories and intelligent supply chain, develop a flexible manufacturing and efficient logistics system, form a win-win intelligent manufacturing cluster with suppliers, and enhance the business efficiency of the Group.

3. Strict control of risk: Firstly, we will further strengthen risk awareness and adhere to the fundamental of "risk being the most important". Secondly, through the CRM system and big data platform, we will collect information on customers and first-line business in real-time, firmly grasp the key of risk control, and conduct real-time monitoring and rectification on key business processes. Thirdly, we will strengthen the assessment on recovery and overdue payment and strictly implement overdue collection responsibility.

4. Ensuring the completion of target responsibility system: We will fully implement the four virtues, comprehensively promote the implementation of "profit-centered assessment based on internal transfer-pricing", strictly assess and provide sufficient incentives under the new system, stimulate the enthusiasm of all employees, completely control business process, precisely connect production and sales, and ensure the accomplishment of strategic goals and enhancement of operational quality of the Group.

5. Strict assessment on all employees: Firstly, we will strengthen ideological and cultural education, strengthen the construction of responsibility system, and ensure the implementation of corporate responsibility culture. Secondly, we will implement strict assessment at all levels of the Group.

6. Identifying new markets, developing new main business and entering into the new economy: Firstly, through the acquisition of high-quality enterprises, we will rectify our weaknesses and improve our strengths on the existing manufacturing business. Secondly, we will invest in new technology and strategic emerging industries to improve asset structure and enhance asset returns.

(III) Risk factors exposed and measures to be taken for the future development

1. Uncertainties on macroeconomic situation and industry growth.

   We will pay close attention to macroeconomic policies and industry trends to formulate corresponding preventive adjustment strategies and measures. We will enhance research and development capability and technological innovation standard to consolidate the competitiveness and market share of intelligent products 4.0. We will restructure business models to enhance the profitability of value-added business and after-market services. We will establish an efficient operation and management mechanism that adapts to market competition.

2. Volatility in prices of commodities such as petroleum and steel, risk of increase in production costs of the Group.

   We will pay attention to the trend of price changes of major raw materials and energy, and conduct analysis, research and judgment to make correct and favorable purchasing decisions. Through the re-integration of supplier resources and centralized procurement of common materials, we will develop large-scale and specialized suppliers to form a long-term supplier strategic alliance and establish a stable, reliable, efficient and low-cost supply chain system. Through technology and innovation of processes, we will develop new materials and new processes with alternative technology to continuously reduce costs.

3. Uncertainties on exchange rate fluctuations, risk of decrease in earnings from overseas investments and sales.

   We will closely monitor relevant exchange rate policies of the global financial market and the country, and conduct analysis, research and judgment to select appropriate exchange rate management tools for the active management of exchange rate risks. We will speed up the localized production of overseas bases along the “One Belt, One Road” to hedge against risk of exchange rate fluctuations.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

Pursuant to a resolution passed at the Board meeting on 29 March 2018, a final dividend for the year ended 31 December 2017 of RMB0.2 per share was proposed, totaling RMB1,559 million. Such proposal is subject to shareholders' approval at the forthcoming annual general meeting of the Company. The proposed final dividend is expected to be paid to the shareholders of the Company on or about 30 August 2018. Information regarding the record date and book close date to determine the entitlement to the final dividend and attendance of the annual general meeting will be announced in due course.

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

The Board has adopted all code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of the Company. During the year ended 31 December 2017, the Company complied with all the applicable code provisions set out in the Code, save and except the only deviation from code provision A.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Dr. Zhan Chunxin is currently the chairman of the Board and chief executive officer of the Company. The Board is of the view that vesting of these two roles in Dr. Zhan Chunxin can facilitate efficient formulation and implementation of business strategies of the Company, and that through the supervision of the Board and the independent non-executive directors as well as the internal check-and-balance system, the balance of power and authority between the Board and management of the Company will not be affected. The Board believes that this arrangement is in the interests of the Company and its business.

COMPLIANCE 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 directors and supervisors, and all its directors and supervisors have confirmed that they complied with the Model Code throughout the year ended 31 December 2017. The Company has not identified any non-compliance with the Model Code by any of its directors or supervisors.

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

During the year ended 31 December 2017, the Company repurchased its own ordinary shares traded on the Shenzhen Stock Exchange of China Limited as follows:

Date/month/year	**Number of share repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
	A Shares	*RMB Yuan*	*RMB Yuan*	*RMB millions*
24 June 2017	12,334,800	4.32	4.21	53
25 June 2017	3,850,000	4.40	4.35	17
26 June 2017	12,298,800	4.45	4.38	54
31 June 2017	3,277,000	4.41	4.39	15
1 June 2017	2,300,000	4.39	4.37	10
2 June 2017	3,214,470	4.40	4.36	14
5 June 2017	1,570,000	4.41	4.40	7
	38,845,086			170

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 a portion of 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 year ended 31 December 2017.

REVIEW BY THE AUDIT COMMITTEE

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

The Audit Committee comprises three members, including two independent non-executive directors and one non-executive director. It is currently chaired by Ms. Liu Guiliang with Mr. Hu Xinbao and Mr. Zhao Songzheng as members. The Audit Committee satisfies the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee held four meetings during the year considering the annual results of the Company for the year ended 31 December 2016 and its interim results for the six months ended 30 June 2017. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2017 and the accounting principles and practices adopted by the Company and discussed matters relating to internal control and financial reporting.

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

Changsha, the PRC, 29 March 2018

As at the date of this announcement, the executive directors 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*