ZOOMLION
中联重科

Zoomlion Heavy Industry Science and Technology Co., Ltd.*
中聯重科股份有限公司
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 1157)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- As at 30 June 2018, total assets of the Group amounted to RMB87,281 million, representing an increase of RMB4,169 million or 5.02% over that of 31 December 2017
- For the six months ended 30 June 2018, revenue from continuing operations of the Group amounted to RMB14,706 million, representing an increase of RMB4,581 million or 45.24% over the same period of 2017
- For the six months ended 30 June 2018, profit attributable to equity shareholders of the Company amounted to RMB874 million, representing a decrease of RMB267 million over the same period of 2017
- For the six months ended 30 June 2018, earnings per share amounted to RMB0.11, representing a decrease of RMB0.04 over the same period of 2017

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 2018 (the "**Reporting Period**"). The Group's interim financial report was prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" issued by the International Accounting Standards Board and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

FINANCIAL RESULTS

The financial information set out below in this announcement represents an extract from the unaudited interim financial report for the six months ended 30 June 2018 prepared in accordance with IAS34.

Consolidated statement of comprehensive income

	Note	For the six-month period ended 30 June 2018 *RMB millions*	2017 *RMB millions (i)*
Continuing operations:			
Revenue	2	**14,706**	10,125
Cost of sales and services		**(10,953)**	(8,298)
Gross profit		**3,753**	1,827
Other income		**397**	26
Sales and marketing expenses		**(1,213)**	(1,099)
General and administrative expenses		**(1,139)**	(9,546)
Research and development expenses		**(197)**	(185)
Profit/(loss) from operations		**1,601**	(8,977)
Net finance costs		**(607)**	(905)
Share of profits less losses of associates		**86**	—
Profit/(loss) before taxation	3	**1,080**	(9,882)
Income tax	4	**(217)**	1,420
Profit/(loss) from continuing operations		**863**	(8,462)
Discontinued operation:			
Profit from discontinued operation		**—**	9,546
Profit for the period		**863**	1,084
Profit attributable to:			
Equity shareholders of the Company			
— continuing operations		**874**	(8,413)
— discontinued operation		**—**	9,554
		874	1,141
Non-controlling interests			
— continuing operations		**(11)**	(49)
— discontinued operation		**—**	(8)
		(11)	(57)
Profit for the period		**863**	1,084

	Note	For the six-month period ended 30 June 2018 RMB millions	2017 RMB millions (i)
Basic and diluted earnings/(losses) per share (RMB)	5		
— continuing operations		**0.11**	(1.10)
— discontinued operation		**—**	1.25
		0.11	0.15
Profit for the period		**863**	1,084
Other comprehensive income for the period (after tax):			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**42**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		**(43)**	258
Available-for-sale securities: net movement in fair value reserve (recycling) (ii)		**—**	4
Total other comprehensive income for the period		**(1)**	262
Total comprehensive income for the period		**862**	1,346
Total comprehensive income attributable to:			
Equity shareholders of the Company			
— continuing operations		**873**	(8,187)
— discontinued operation		**—**	9,575
		873	1,388
Non-controlling interests			
— continuing operations		**(11)**	(49)
— discontinued operation		**—**	7
		(11)	(42)
Total comprehensive income for the period		**862**	1,346

Notes:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018 the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods.

Consolidated statement of financial position

	Note	**As at 30 June 2018** ***RMB millions***	As at 31 December 2017 *RMB millions* *(Note)*
Non-current assets			
Property, plant and equipment		**6,132**	6,274
Lease prepayments		**1,909**	1,935
Intangible assets		**2,167**	2,250
Goodwill		**2,062**	2,088
Interests in associates	6	**3,213**	3,123
Other financial assets	7	**2,440**	2,154
Trade and other receivables	8	**5,036**	4,106
Receivables under finance lease	9	**2,938**	1,870
Pledged bank deposits		**81**	60
Deferred tax assets		**1,365**	1,358
Total non-current assets		**27,343**	25,218
Current assets			
Inventories		**7,688**	8,886
Other current assets		**959**	897
Financial assets at FVPL	10	**8,751**	6,323
Trade and other receivables	8	**24,173**	22,661
Receivables under finance lease	9	**10,264**	10,931
Pledged bank deposits		**877**	1,048
Cash and cash equivalents		**7,226**	7,148
Total current assets		**59,938**	57,894
Total assets		**87,281**	83,112
Current liabilities			
Loans and borrowings		**11,404**	9,348
Trade and other payables	11	**17,065**	14,992
Financial liabilities at FVPL		**20**	—
Contract liability	11	**1,421**	—
Income tax payable		**156**	148
Total current liabilities		**30,066**	24,488
Net current assets		**29,872**	33,406
Total assets less current liabilities		**57,215**	58,624

	Note	As at 30 June 2018 RMB millions	As at 31 December 2017 RMB millions (Note)
Non-current liabilities			
Loans and borrowings		**18,470**	19,296
Deferred tax liabilities		**476**	485
Other non-current liabilities		**708**	653
Total non-current liabilities		**19,654**	20,434
NET ASSETS		**37,561**	38,190
CAPITAL AND RESERVES			
Share capital		**7,794**	7,794
Reserves		**29,149**	29,746
Total equity attributable to equity shareholders of the Company		**36,943**	37,540
Non-controlling interests		**618**	650
TOTAL EQUITY		**37,561**	38,190

Note:

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

Notes

1 Basis of preparation

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

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

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

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to presentation of contract liabilities.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

(c) **IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation***

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories for all financial liabilities remain the same.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 1(c)(ii)) on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables);

– lease receivables; and

– financial guarantee contracts issued (see note 1(c)(i)).

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), wealth management products and derivative financial instruments, are not subject to the ECL assessment.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB94 million, which decreased retained earnings by RMB66 million and non- controlling interests by RMB13 million and increased gross deferred tax assets by RMB15 million at 1 January 2018.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  • the determination of the business model within which a financial asset is held; and

  • the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(d) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The adoption of the IFRS 15 did not have a material impact on retained earnings and the related tax.

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented.

For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to contract liability were presented in the statement of financial position under or "trade and other payables" until the products were delivered to the customer and the revenue was recognised for the reasons explained in paragraph (i) above.

(e) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or contract liability of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

2 Revenue and segment reporting

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2018	2017
	RMB millions	*RMB millions (note (i))*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
Continuing operations:		
Construction machinery		
— Concrete machinery	**5,711**	3,626
— Crane machinery	**5,651**	3,114
— Others	**2,216**	1,695
Agricultural machinery	**935**	1,558
Financial services	**15**	—
Discontinued operation:		
Environmental industry	**—**	2,665
	14,528	12,658
Revenue from other sources		
Continuing operations:		
Financial services	**178**	132
	14,706	12,790

Disaggregation of revenue from contracts with customers by timing of revenue recognition 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 2018 is set out below:

	Six months ended 30 June 2018			Six months ended 30 June 2017
	Point in time	**Over time**	**Total**	
	RMB millions	***RMB millions (note (ii))***	***RMB millions***	*RMB millions (note (i))*
Reportable segment revenue:				
Continuing operations:				
Construction machinery				
— Concrete machinery	**5,703**	**8**	**5,711**	3,626
— Crane machinery	**5,639**	**12**	**5,651**	3,114
— Others	**2,216**	**—**	**2,216**	1,695
Agricultural machinery	**935**	**—**	**935**	1,558
Financial services	**—**	**193**	**193**	132
	14,493	**213**	**14,706**	10,125
Discontinued operation:				
Environmental industry	**—**	**—**	**—**	2,665
	14,493	**213**	**14,706**	12,790

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18.

(ii) Revenue recognised over time include rental income and service income.

(b) Information about profit or loss

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	*RMB millions*
Reportable segment profit:		
Continuing operations:		
Construction machinery		
— Concrete machinery	**1,265**	605
— Crane machinery	**1,602**	566
— Others	**598**	302
Agricultural machinery	**95**	222
Financial services	**193**	132
Discontinued operation:		
Environmental industry	**—**	664
	3,753	2,491

(c) Reconciliations of segment profit/(loss)

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	*RMB millions*
Total reportable segment profit	**3,753**	2,491
Elimination of discontinued operation	**—**	(664)
Gross profit from continuing operations	**3,753**	1,827
Other income	**397**	26
Sales and marketing expenses	**(1,213)**	(1,099)
General and administrative expenses	**(1,139)**	(9,546)
Research and development expenses	**(197)**	(185)
Net finance costs	**(607)**	(905)
Share of profits less losses of associates	**86**	—
Profit/(loss) before taxation from continuing operations	**1,080**	(9,882)

3 Profit before taxation

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

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	*RMB millions (Note)*
Continuing operations:		
Cost of inventories sold	**10,953**	8,298
Depreciation of property, plant and equipment	**285**	353
Amortisation of lease prepayments	**26**	32
Amortisation of intangible assets	**101**	91
(Gain)/loss on disposal of property, plant and equipment, intangible assets and lease prepayments	**(4)**	3
Operating lease charges	**68**	87
Product warranty costs	**76**	59
Impairment losses		
— trade receivables	**112**	5,865
— receivables under finance lease	**32**	865
— inventories	**5**	1,772
— property, plant and equipment	**—**	145
Discontinued operation:		
Cost of inventories sold	**—**	1,803
Depreciation of property, plant and equipment	**—**	27
Amortisation of intangible assets	**—**	17
Operating lease charges	**—**	6
Product warranty costs	**—**	2
Impairment losses		
— trade receivables	**—**	10

Note:

The group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

4 Income tax

(a) Continuing operations

Taxation charged/(credited) to profit or loss:

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	*RMB millions*
Current tax – PRC income tax	**229**	12
Current tax – Income tax in other tax jurisdictions	**2**	1
Deferred taxation	**(14)**	(1,433)
Tax expenses/(credit) on continuing operations	**217**	(1,420)

(b) Discontinued operation

Taxation charged to profit or loss:

	For the six-month period ended 30 June	
	2018	2017
	RMB millions	*RMB millions*
Current tax – PRC income tax	**—**	1,164
Deferred taxation	**—**	255
Tax expenses on continuing operations	**—**	1,419

The PRC statutory income tax rate is 25% (2017: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2017: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2018, 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% (2017: 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 2017 and accordingly are subject to income tax at 15% for the years from 2017 to 2019.

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 2019.

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

5 Basic and diluted earnings/(losses) per share

The calculation of basic earnings per share for the six-month period ended 30 June 2018 is based on the profit attributable to equity shareholders of the Company of RMB874 million (profit attributable to equity shareholders of the Company for six-month period ended 30 June 2017: RMB1,141 million), and the weighted-average number of ordinary shares in issue of 7,625 million during the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: 7,659 million shares).

The calculation of diluted earnings per share amount for the period ended 30 June 2018 has not included the potential effect of deemed issuance of shares and unlocking of restricted shares, as the share option has an anti-dilutive effect on the basic earnings per share amount for the period, and the restricted shares are subject to the unlocking conditions including certain performance conditions.

6 Interests in associates

The following list contains only the particulars of a material associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid up capital (millions)**	**Proportion of ownership interest: Group's effective interest**	**Proportion of ownership interest: Held by the Company**	**Principal activities**
Changsha Zoomlion Environmental Industry Co., Ltd.	Incorporated	China	RMB2,352	20%	20%	Environmental construction and project operation

The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	30 June 2018 ***RMB millions***	31 December 2017 *RMB millions*
Gross amounts of the associate		
Current assets	**9,662**	8,726
Non-current assets	**1,990**	1,874
Current liabilities	**(6,655)**	(5,947)
Non-current liabilities	**(581)**	(623)
Total equity attributable to equity shareholders of ZEI	**(4,194)**	(3,788)
Non-controlling interests	**(222)**	(242)

	Six months from 1 January 2018 to 30 June 2018 RMB millions	Six months from 1 July 2017 to 31 December 2017 RMB millions
Revenue	**3,619**	4,261
Profit attributable to equity shareholders	**406**	534
Other comprehensive income	**—**	—
Total comprehensive income	**406**	534
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**4,194**	3,788
Group's effective interest	**20%**	20%
Group's share of net assets of the associate	**839**	758
Goodwill	**1,814**	1,814
Carrying amount in the consolidated financial statements	**2,653**	2,572

Aggregate information of associates that are not individually material:

	30 June 2018 ***RMB millions***	30 June 2017 *RMB millions*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**560**	551

	Six months from 1 January 2018 to 30 June 2018 RMB millions	Six months from 1 July 2017 to 31 December 2017 RMB millions
Aggregate amounts of the Group's share of those associates'		
Profit from operations	**5**	—
Other comprehensive income	**—**	—
Total comprehensive income	**5**	—

7 Other financial assets

	30 June 2018 ***RMB millions***	**1 January 2018 RMB** ***millions***	31 December 2017 *RMB millions*
Financial assets measured at FVOCI			
Equity securities	**2,427**	**2,140**	—
Financial assets carried at FVPL			
Listed equity securities	**13**	**14**	—
Available-for-sale equity securities			
Equity securities	**—**	**—**	2,154
Total	**2,440**	**2,154**	2,154

Financial assets measured at FVOCI comprises equity funds and other unlisted equity securities. Under IAS 39, these equity securities were classified as available-for-sale financial assets. On 1 January 2018, the Group designated these equity securities at FVOCI (non-recycling), as they are held for strategic purposes.

8 Trade and other receivables

	As at 30 June 2018 *RMB millions*	**As at 1 January 2018** **RMB** *millions*	As at 31 December 2017 *RMB millions*
Trade receivables	**28,891**	**26,917**	26,917
Less: allowance for doubtful debts	**(6,041)**	**(5,993)**	(5,937)
	22,850	**20,924**	20,980
Less: trade receivables due after one year	**(5,036)**	**(4,096)**	(4,106)
	17,814	**16,828**	16,874
Bills receivable	**2,817**	**2,237**	2,237
	20,631	**19,065**	19,111
Amounts due from related parties	**801**	**1,175**	1,175
Prepayments for purchase of raw materials	**271**	**210**	210
Prepaid expenses	**503**	**465**	465
VAT recoverable	**925**	**885**	885
Deposits	**128**	**141**	141
Others	**914**	**674**	674
	24,173	**22,615**	22,661

Note:

Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables.

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 2018 *RMB millions*	As at 31 December 2017 *RMB millions*
Within 1 month	**3,568**	3,089
Over 1 month but less than 3 months	**2,925**	2,555
Over 3 months but less than 1 year	**6,529**	5,961
Over 1 year but less than 2 years	**4,738**	4,810
Over 2 years but less than 3 years	**3,958**	3,775
Over 3 years but less than 5 years	**1,132**	790
	22,850	20,980

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2017: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 35% to 45% (2017: 30% to 40%) of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2017: 6 to 42 months), customers are normally required to make an upfront payment ranging from 25% to 45% (2017: 20% to 40%) of the product price.

9 Receivables under finance lease

	As at 30 June 2018 ***RMB millions***	**As at 1 January 2018** ***RMB millions***	As at 31 December 2017 *RMB millions*
Gross investment	**15,292**	**14,715**	14,715
Unearned finance income	**(460)**	**(354)**	(354)
	14,832	**14,361**	14,361
Less: allowance for doubtful debts	**(1,630)**	**(1,598)**	(1,560)
	13,202	**12,763**	12,801
Less: receivables under finance lease due after one year	**(2,938)**	**(1,862)**	(1,870)
Receivables under finance lease due within one year	**10,264**	**10,901**	10,931

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 (2017: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 30% of the product price (2017: 5% to 30%) and pay a security deposit ranging from 1% to 10% of the product price (2017: 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.

Note:

Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on receivables under finance lease.

The minimum lease payments receivable at the end of the reporting period is as follows:

	As at 30 June 2018 ***RMB millions***	As at 31 December 2017 *RMB millions*
Present value of the minimum lease payments		
Within 1 year	**11,685**	12,283
Over 1 year but less than 2 years	**1,578**	1,008
Over 2 years but less than 3 years	**1,055**	649
Over 3 years	**514**	421
	14,832	14,361
Unearned finance income		
Within 1 year	**346**	286
Over 1 year but less than 2 years	**67**	40
Over 2 years but less than 3 years	**33**	19
Over 3 years	**14**	9
	460	354
Gross investment		
Within 1 year	**12,031**	12,569
Over 1 year but less than 2 years	**1,645**	1,048
Over 2 years but less than 3 years	**1,088**	668
Over 3 years	**528**	430
	15,292	14,715

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

	As at 30 June 2018 *RMB millions*	As at 31 December 2017 *RMB millions*
Not yet due	**7,789**	7,466
Within 1 year past due	**2,548**	2,879
Over 1 year but less than 2 years past due	**1,530**	1,702
Over 2 years past due	**2,965**	2,314
Total past due	**7,043**	6,895
	14,832	14,361
Less: allowance for doubtful debts	**(1,630)**	(1,560)
	13,202	12,801

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 Financial assets at fair value through profit or loss

	As at 30 June 2018 *RMB millions*	As at 31 December 2017 *RMB millions*
Financial assets carried at fair value through profit or loss:		
— Wealth management products (Note)	**2,611**	6,319
— Structured deposits	**6,140**	—
— Derivative financial instruments	**—**	4
	8,751	6,323

Note:

The Group invested its spare cash in wealth management products offered by banks and other 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 payables

	As at 30 June 2018 *RMB millions*	**As at 1 January 2018 *RMB millions***	As at 31 December 2017 *RMB millions*
Trade creditors	**6,667**	**5,700**	5,700
Bills payable	**4,011**	**3,394**	3,394
Trade creditors and bills payable (note (ii))	**10,678**	**9,094**	9,094
Amounts due to related parties	**43**	**50**	50
Amounts due to non-controlling shareholders of certain subsidiaries	**468**	**468**	468
Contract liability (note (i))	**—**	**—**	1,330
Payable for acquisition of property, plant and equipment	**301**	**249**	249
Accrued staff costs	**447**	**488**	488
Product warranty provision	**79**	**75**	75
VAT payable	**543**	**261**	261
Sundry taxes payable	**123**	**171**	171
Security deposits	**560**	**504**	504
Interest payable	**388**	**141**	141
Financial guarantees issued	**36**	**35**	35
Other accrued expenses and payables	**1,487**	**1,740**	1,740
Dividends payable	**1,559**	**—**	—
Locked restricted share	**353**	**386**	386
	17,065	**13,662**	14,992

Note:

(i) As a result of the adoption of IFRS 15, gross amount due to customers for advances received is included in contract liability.

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

	As at 30 June 2018 *RMB millions*	As at 31 December 2017 *RMB millions*
Due within 1 month or on demand	**4,378**	4,254
Due after 1 month but within 3 months	**3,100**	2,103
Due after 3 months but within 6 months	**2,465**	2,542
Due after 6 months but within 12 months	**735**	195
	10,678	9,094

12 Capital, reserves and dividends

(a) Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2018, a final cash dividend of RMB0.20 per share based on 7,794 million ordinary shares in issue, including 169 million restricted shares, totalling RMB1,554 million in respect of the year ended 31 December 2017 was declared, which will be paid before 31 December 2018. The recalled restricted shares will not be entitled to the declared dividends.

(b) Reserves

(i) Fair value reserve (recycling)

Prior to 1 January 2018, the fair value reserve (recycling) included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with IAS 39. The amount relating to the equity fund and unlisted equity securities has been reclassified to fair value reserve (non-recycling) upon the initial adoption of IFRS 9 at 1 January 2018.

(ii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprise the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period.

(c) Share incentive scheme

Pursuant to Share Incentive Scheme approved by the Board of Directors in 2017, 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. 168,760,911 share options and 168,760,911 restricted shares were granted to eligible employees in 2017.

During the six months ended 30 June 2018, no share options and restricted shares were exercised or granted (six months ended 31 December 2017: nil).

There were 168,760,911 share options and 168,760,911 restricted shares outstanding at 30 June 2018.

During the six months ended 30 June 2018, share incentive scheme expenses of RMB121 million were recognised in the consolidated statement of comprehensive income.

BUSINESS REVIEW

In the first half of 2018, global trade frictions intensified and economic growth slowed down, while Chinese economy maintained a stable and favorable general development trend. Driven by multiple factors such as the growth of infrastructure investment, promotion of environmental protection, upgrade of equipment and replacement of labors, the construction machinery industry continued to grow strongly, with the growth rate of concrete machinery and crane machinery products surpassing that of earth working machinery. As affected by the decline in crop prices and decrease in purchase subsidy, there was escalated downward pressure on the agricultural machinery industry market.

In the first half of 2018, the Company continued to focus on its main business and endeavored to become stronger and better. Benefiting from the increase in market share of the Company's leading products, the continuous expansion of proportion of high gross profit margin products, the further improvement of contract quality and the gradual mitigation of inventory risks, the Company's profitability improved significantly with a more robust market leading position, realizing high-quality development.

During the Reporting Period, the Group achieved operating income from continuing operations of RMB14,706 million, representing a year-on-year increase of 45.24%; net profit attributable to the parent company of RMB874 million, representing a year-on-year decrease of 23.40%; and operating cash flow of RMB1,405 million, representing a year-on-year increase of 165.60%.

The major work carried out by the Group during the Reporting Period was as follows:

1. Emerging effect from strategic focus

The Group focused on its main business of equipment manufacturing, optimized resource allocation, strengthened construction machinery, enhanced agricultural machinery and speeded up the development of its financial business, realizing the quality upgrade of the Group's development.

(1) Strengthened construction machinery

During the Reporting Period, sales revenue of the Group's construction machinery products amounted to RMB13,578 million, representing a year-on-year increase of 60.97%.

The domestic market shares of crane machinery and concrete machinery products continued to maintain their leading positions, with an increase of 2 to 3 percentage points as compared to that of 2017, and the prices of our leading products surged by 1% to 5%. Among which, construction and crane machinery and long-arm pump trucks continued to maintain the highest market share in the industry. With the comprehensive advancement in research and development of a full range of work-at-height products, the first batch of such products was launched into the market in May. The research, development and trial production of the new generation "intelligent and efficient" excavators have been speeding up.

(2) Enhanced agricultural machinery

The Group explicitly formulated the strategy for the development of mid-to-high-end agricultural machinery, accelerated the development of agricultural machinery and speeded up product structure adjustment and technological upgrade.

The market edges of the Group's agricultural machinery remained solid. The sales volume of drying machinery ranked first in the domestic market; the domestic market share of wheat harvester machinery ranked second in the industry; and the domestic market share of rice harvester machinery ranked top three in the industry.

The Company signed a strategic cooperation agreement with Landing.AI, an artificial intelligence company, to focus on the application of artificial intelligence technology in agricultural machinery. Through this, the Company entered into the field of artificial intelligence technology at a high starting point, becoming the first AI agricultural equipment manufacturer in China.

(3) Speeded up the development of financial business

The Company continued to escalate its expansion in the financial sector, made contribution to establish financing guarantee companies and established the Zoomlion Industrial Fund in cooperation with leading fund management teams in China, in order to further enhance the financial services capabilities of Zoomlion Capital, improve the industrial chain layout corresponding to the industrial sector and promote industrial transformation and upgrade.

2. Intelligent manufacturing driving transformation and upgrade, speeding up digital transformation

With intelligent products 4.0 as the carrier, the Company connected equipment, enterprises and customers through the Internet of Things, big data and mobile Internet and integrating technologies such as sensing and interconnection, innovatively driving the Company to gradually transform from an "equipment manufacturer" to a "manufacturing and service-oriented enterprise".

(1) Continuously promoted the optimization and launching of intelligent products 4.0

In the first half of 2018, the Group developed 9 models of intelligent construction machinery products 4.0. The ZTC251 and ZTC800 intelligent truck cranes are equipped with big data and single-machine intelligent technology, through which remote fault diagnosis and equipment management can be integrated into mobile APP to achieve construction safety, accuracy and efficiency, and the functions have been well received by customers.

(2) Built an industrial Internet technology platform

The Company established an industrial Internet company to drive the Company to transform from an "equipment manufacturer" to a "manufacturing and service-oriented enterprise".

3. Leading the market by technological innovation, with outstanding results in research and development innovation

The Group achieved new breakthroughs in the area of international standards, with our momentum in independent innovation continuously enhancing and our intelligent and green manufacturing leading the development of the industry.

(1) Led the transformation of Chinese advanced technology into international standards

The Company is the first domestic construction machinery enterprise to lead the formulation of international standards. In February 2018, ISO 12480-1 "Cranes – Safe use – Part 1: General", an international standard which was revised under the lead of the Company, was successfully approved. The Company has cumulatively undertaken the revision of three international standards.

(2) Achieved fruitful results in independent innovation

Four of our products won the 2018 TOP50 Chinese Construction Machinery Products (2018中國工程機械年度產品TOP50) award. Our T7020 flat-arm tower crane, ZCC8800W crawler crane, RMAS3000 manufactured sand + dry mortar integrated production line and ZRS322E single-drum hydraulic double-drive road roller are new generation of products leading the development of the industry.

We successfully developed a new model of the largest probability screen for manufactured sand in China, which can significantly reduce energy consumption of products and reduce the power of vibrating electric machine by 27%. Our BWM-3 energy-saving construction elevator was awarded the first prize of the China Construction Science and Technology Award (華夏建設科學技術獎一等獎).

We developed the first unmanned grain harvester in China. Our agricultural machinery products have preliminarily realized functions such as automatic driving, automatic harvesting and intelligent drying, and a database is established, laying a foundation for artificial intelligence technology applications.

Our intelligent and green manufacturing led the development of the industry. The demonstration project of the integrated platform for green design and manufacturing of tower cranes was approved by the Ministry of Industry and Information Technology as a 2018 National Green Manufacturing System Integration Project (2018年度國家綠色製造系統集成項目).

4. Promoting management reform in-depth, significantly improving operational quality

The Group continuously strengthened market reform, business management and control, service upgrade and risk control, achieving an overall improvement in operational quality.

(1) Fully promoted the new business model of customer alliance

With "win-win development" as the philosophy, the Group fully promoted the in-depth development of our customer alliance. We propelled the cooperation between customers within the alliance as well as between alliance customers and other construction units such as central enterprises, in order to enhance the Company's operational capabilities, maintain a healthy and sustainable order in the industry and market and establish a highly efficient and sustainable industrial chain ecosystem.

(2) Established a new service management system based on customer satisfaction

We established a star rating system for after-sales service personnel, in order to enhance the quality of our accessories and after-sales services and improve customer satisfaction.

(3) Intensified the application of general business management platform

We fully implemented the order production model, achieving precise and efficient management and control in our new machinery business process.

(4) Strictly controlled new business risks and properly mitigated inventory risks

The Group continuously tightened our credit policy, verified the quality of new machinery sales contracts on individual basis and resolutely avoided low-quality orders, firmly grasping the key points of risk control, and the operational quality of our new business improved significantly. We advanced the "one case, one strategy" management of high-risk customers and speeded up the turnover of secondhand equipment, gradually achieving results in inventory risks mitigation.

(5) Strictly assessed employees and provided full incentives

We strictly implemented the mechanism of "profit-centered assessment based on internal transfer pricing" to stimulate the vitality of all employees.

5. **Internationalization reaching a new level**

The Group intensified its efforts in the overseas market and speeded up the planning of production bases layout in accordance with the principle of "leading, intensifying and penetrating", realizing the transfer of production capacity with edges, consolidating our leading position in the industry and forming a local manufacturing cluster around the "One Belt, One Road".

We quickly implemented our cooperation with MAZ Company from Belarus, successfully launching products such as truck cranes and tower cranes, smoothly commencing the joint development of agricultural machinery, and realizing sound market development covering the entire Russian and Eastern European regions. We speeded up the upgrade of CIFA from Italy from a regional company specializing in concrete equipment to a comprehensive company covering concrete, engineering and construction products. The QAY200 all-terrain crane was launched in Africa for the first time; the D1500-63 tower crane was used in the construction of national key projects in Argentina; and the new 4.0 truck crane was exported overseas for the first time. Our construction crane machinery products had a leading position in India, Indonesia, Algeria, East Africa, West Africa, Pakistan and Brazil.

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 2018, the Company has complied with all the applicable code provisions set out in the Code, save and except the only deviation from code provision A.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Dr. Zhan Chunxin is currently the chairman of the Board and chief executive officer of the Company. The Board is of the view that vesting of these two roles in Dr. Zhan Chunxin can facilitate efficient planning and implementation of business strategies of the Company, and that through the supervision of the Board and its independent non-executive directors as well as the internal effective check-and-balance system, the balance of power and authority between the Board and management of the Company will not be affected. The Board believes that this arrangement is in the interests of the Company and its business.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the rules governing the securities transactions by directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all its directors and supervisors, and all of its directors and supervisors have confirmed that they have fully complied with the Model Code throughout the six months ended 30 June 2018. The Company has not identified any non-compliance with the Model Code by any of its directors or supervisors.

DIVIDEND

The Company has not declared any interim dividend for the first half of 2018.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Group have occurred after the end of the Reporting Period.

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 2018 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 2018 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 2018

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

* *For identification purpose only*