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 2019

FINANCIAL HIGHLIGHTS

- As at 30 June 2019, total assets of the Group amounted to RMB101,482 million, representing an increase of RMB8,063 million or 8.63% over that of 31 December 2018
- For the six months ended 30 June 2019, revenue of the Group amounted to RMB22,262 million, representing an increase of RMB7,556 million or 51.38% over the same period of 2018
- For the six months ended 30 June 2019, profit attributable to equity shareholders of the Company amounted to RMB2,585 million, representing an increase of RMB1,711 million or 195.77% over the same period of 2018
- For the six months ended 30 June 2019, earnings per share amounted to RMB33.80 cents, representing an increase of RMB22.34 cents over the same period of 2018

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 2019 (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 2019 prepared in accordance with IAS34.

Consolidated statement of comprehensive income

		For the six-month period ended 30 June	
		2019	2018
	Note	***RMB millions***	*RMB millions (Note)*
Revenue	2	**22,262**	14,706
Cost of sales and services		**(15,584)**	(10,953)
Gross profit		**6,678**	3,753
Other income		**622**	397
Sales and marketing expenses		**(1,881)**	(1,213)
General and administrative expenses		**(1,324)**	(1,139)
Research and development expenses		**(461)**	(197)
Profit from operations		**3,634**	1,601
Net finance costs		**(596)**	(607)
Share of profits less losses of associates		**82**	86
Profit before taxation	3	**3,120**	1,080
Income tax	4	**(540)**	(217)
Profit for the period		**2,580**	863
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)		**(48)**	42
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside PRC		**33**	(43)
Total other comprehensive income for the period		**(15)**	(1)
Total comprehensive income for the period		**2,565**	862

	Note	For the six-month period ended 30 June	
		2019	2018
		RMB millions	*RMB millions (Note)*
Profit attributable to:			
Equity shareholders of the Company		**2,585**	874
Non-controlling interests		**(5)**	(11)
Profit for the period		**2,580**	863
Total comprehensive income attributable to:			
Equity shareholders of the Company		**2,570**	873
Non-controlling interests		**(5)**	(11)
Total comprehensive income for the period		**2,565**	862
Earnings per share (cents)			
Basic	5	**33.80**	11.46
Diluted	5	**33.80**	11.46

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

Consolidated statement of financial position

	Note	**As at 30 June 2019** *RMB millions*	As at 31 December 2018 *RMB millions* *(Note)*
Non-current assets			
Property, plant and equipment		**6,138**	6,077
Right-of-use assets	6	**2,306**	—
Lease prepayments		**—**	1,943
Intangible assets		**2,084**	2,153
Goodwill		**2,040**	2,046
Interests in associates	7	**3,591**	3,500
Other financial assets	8	**2,623**	2,379
Trade and other receivables	9	**6,179**	5,498
Receivables under finance lease	10	**4,631**	3,656
Pledged bank deposits		**36**	129
Deferred tax assets		**1,145**	1,276
Total non-current assets		**30,773**	28,657
Current assets			
Inventories		**10,356**	9,551
Other current assets		**1,211**	1,097
Financial assets at fair value through profit or loss	11	**17,443**	13,787
Trade and other receivables	12	**25,588**	21,554
Receivables under finance lease		**8,543**	8,835
Pledged bank deposits		**1,423**	1,184
Cash and cash equivalents		**6,145**	8,754
Total current assets		**70,709**	64,762
Total assets		**101,482**	93,419

	Note	As at 30 June 2019 RMB millions	As at 31 December 2018 RMB millions (Note)
Current liabilities			
Loans and borrowings		**24,570**	22,044
Trade and other payables		**23,428**	15,786
Financial liabilities at fair value through profit or loss		**—**	40
Contract liabilities		**2,007**	1,602
Lease liabilities		**50**	—
Income tax payable		**288**	151
Total current liabilities		**50,343**	39,623
Net current assets		**20,366**	25,139
Total assets less current liabilities		**51,139**	53,796
Non-current liabilities			
Loans and borrowings		**11,618**	13,645
Lease liabilities		**269**	—
Deferred tax liabilities		**461**	429
Other non-current liabilities		**1,257**	991
Total non-current liabilities		**13,605**	15,065
NET ASSETS		**37,534**	38,731
CAPITAL AND RESERVES			
Share capital		**7,845**	7,809
Reserves		**29,127**	30,355
Total equity attributable to equity shareholders of the Company		**36,972**	38,164
Non-controlling interests		**562**	567
TOTAL EQUITY		**37,534**	38,731

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, 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**"). It has been reviewed by the audit committee of the Company and approved for issue on 30 August 2019.

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 new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, none of the 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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(c) **IFRS 16, *Leases***

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease,* SIC 15, *Operating leases — incentives,* and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17.

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

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out a number of items of machinery as the lessor of operating leases and finance leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

(iv) Critical accounting judgements and estimation

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(v) Transition

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *RMB millions*	Capitalisation of operating lease contracts *RMB millions*	**Carrying amount at 1 January 2019** ***RMB millions***
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets	—	2,277	**2,277**
Lease prepayments	1,943	(1,943)	**—**
Total non-current assets	28,657	334	**28,991**
Lease liabilities (current)	—	50	**50**
Current liabilities	39,623	50	**39,673**
Net current assets	25,139	(50)	**25,089**
Total assets less current liabilities	53,796	284	**54,080**
Lease liabilities (non-current)	—	284	**284**
Total non-current liabilities	15,065	284	**15,349**
Net assets	38,731	—	**38,731**

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	
	2019	2018
	RMB millions	*RMB millions*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
Construction machinery		
— Concrete machinery	**7,481**	5,701
— Crane machinery	**10,992**	5,639
— Others	**2,510**	2,201
Agricultural machinery	**911**	935
	21,894	14,476
Revenue from other sources		
Construction machinery		
— Concrete machinery	**9**	10
— Crane machinery	**13**	12
— Others	**12**	15
Rental income from construction machinery	**34**	37
Financial services	**334**	193
	368	230
	22,262	14,706

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 2019 is set out below:

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Point in time	**Over time**	**Total**	Point in time	Over time	Total
	RMB millions	***RMB millions (Note)***	***RMB millions***	*RMB millions*	*RMB millions (Note)*	*RMB millions*
Reportable segment revenue:						
Construction machinery						
— Concrete machinery	**7,481**	**9**	**7,490**	5,701	10	5,711
— Crane machinery	**10,992**	**13**	**11,005**	5,639	12	5,651
— Others	**2,510**	**12**	**2,522**	2,201	15	2,216
Agricultural machinery	**911**	**—**	**911**	935	—	935
Financial services	**—**	**334**	**334**	—	193	193
	21,894	**368**	**22,262**	14,476	230	14,706

Note:

Revenue recognised over time include rental income and service income.

(b) Information about profit or loss

	For the six-month period ended 30 June	
	2019	2018
	RMB millions	*RMB millions (Note)*
Reportable segment profit:		
Construction machinery		
— Concrete machinery	**2,050**	1,265
— Crane machinery	**3,541**	1,602
— Others	**662**	598
Agricultural machinery	**91**	95
Financial services	**334**	193
	6,678	3,753

(c) Reconciliation of segment profit

	For the six-month period ended 30 June	
	2019	2018
	RMB millions	*RMB millions (Note)*
Total reportable segment profit	**6,678**	3,753
Other income	**622**	397
Sales and marketing expenses	**(1,881)**	(1,213)
General and administrative expenses	**(1,324)**	(1,139)
Research and development expenses	**(461)**	(197)
Net finance costs	**(596)**	(607)
Share of profits less losses of associates	**82**	86
Profit before taxation	**3,120**	1,080

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

3 Profit before taxation

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

	For the six-month period ended 30 June	
	2019	2018
	RMB millions	*RMB millions (Note)*
Cost of inventories sold	**15,584**	10,953
Depreciation charge		
— owned property, plant and equipment	**290**	285
— right-of-use assets, lease prepayments	**25**	—
— right-of-use assets, other than lease prepayments	**22**	—
Amortisation of lease prepayments	**—**	26
Amortisation of intangible assets	**104**	101
Gain on disposal of property, plant and equipment, intangible assets and lease prepayments	**(2)**	(4)
Product warranty costs	**115**	76
Impairment losses		
— trade receivables	**107**	112
— receivables under finance lease	**105**	32
— inventories	**81**	5

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

4 Income tax

Taxation charged/(credited) to profit or loss:

	For the six-month period ended 30 June	
	2019	2018
	RMB millions	*RMB millions*
Current tax – PRC income tax	**372**	229
Current tax – Income tax in other tax jurisdictions	**5**	2
Deferred taxation	**163**	(14)
Tax expenses	**540**	217

The PRC statutory income tax rate is 25% (2018: 25%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2018: 16.5%) in respect of assessable profits arising in or derived from Hong Kong. For the six-month period ended 30 June 2019, 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 28.4% (2018: 19.0% to 28.4%).

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 2018 and accordingly are subject to income tax at 15% for the years from 2018 to 2020.

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 75% additional tax deduction is allowed for qualified research and development expenditure for the year ending 31 December 2019 (2018:75%).

5 Earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2019 is based on the profit attributable to equity shareholders of the Company of RMB2,585 million (six months ended 30 June 2018: RMB874 million), and the weighted-average number of ordinary shares in issue of 7,647 million shares (six-month period ended 30 June 2018: 7,625 million shares).

The calculation of diluted earnings per share for the six-month period ended 30 June 2019 is based on the profit attributable to equity shareholders of the Company of RMB2,585 million (six months ended 30 June 2018: RMB874 million), and the weighted-average number of ordinary shares in issue of 7,647 million shares (six-month period ended 30 June 2018: 7,625 million shares) after adjusting for the exercisable options in 2019.

6 Right-of-use assets

As discussed in Note 1, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17 and lease prepayments.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of buildings, warehouses and land, and therefore recognised additions to right-of-use assets of RMB78 million.

7 Interests in associates

	30 June 2019 ***RMB millions***	31 December 2018 *RMB millions*
Infore Environment	**2,875**	2,795
Aggregate carrying amount of individually material associates in the consolidated financial statements	**2,875**	2,795
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**716**	705
Total	**3,591**	3,500

The above associates are accounted for using the equity method in the consolidated financial statements.

The following list contains only the particulars of a material associate, which is a listed corporate entity whose quoted market price is 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	Held by the Company	Principal activities
Infore Environment Technology Group Co., Ltd ("**Infore Environment**") *(Note)*	Incorporated	China	RMB3,163	12.62%	12.62%	Environmental construction and project operation

Note:

Infore Environment is listed on the main board of Shenzhen Stock Exchange. On 30 June 2019, the quoted market price of Infore Environment was RMB7.3 per share and the fair value of the investment in Infore Environment was RMB2,914 million.

8 Other financial assets

	Note	**30 June 2019** ***RMB millions***	31 December 2018 *RMB millions*
Financial assets at FVOCI			
Equity securities	(i)	**2,482**	2,268
Financial assets at FVPL			
Listed equity securities	(ii)	**141**	111
Total		**2,623**	2,379

(i) The equity securities comprises equity funds and other unlisted equity securities. The aggregate fair value of equity funds and unlisted equity securities was RMB1,421 million and RMB1,061 million at 30 June 2019 (2018: RMB1,364 million and RMB904 million). The Group designated these investments at FVOCI (non-recycling), as these investments are held for strategic purposes. Dividends of RMB76 million were received on investments in equity securities during the period (2018: RMB17 million).

(ii) The listed equity securities represent the Group's investments in shares of listed companies. The aggregate fair value of these investments was RMB141 million, based on their quoted market prices as at 30 June 2019 (2018: RMB111 million).

9 Trade and other receivables

	As at 30 June 2019 *RMB millions*	As at 31 December 2018 *RMB millions*
Trade receivables	**31,892**	28,497
Less: loss allowance for doubtful debts	**(5,084)**	(5,912)
	26,808	22,585
Less: trade receivables due after one year	**(6,179)**	(5,498)
	20,629	17,087
Bills receivable	**1,700**	1,350
	22,329	18,437
Amounts due from related parties	**179**	376
Prepayments for purchase of raw materials	**595**	558
Prepaid expenses	**604**	494
VAT recoverable	**1,001**	970
Deposits	**136**	123
Others	**744**	596
	25,588	21,554

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

	As at 30 June 2019 *RMB millions*	As at 31 December 2018 *RMB millions*
Within 1 year	**15,506**	11,495
Over 1 year but less than 2 years	**4,188**	4,132
Over 2 years but less than 3 years	**2,923**	2,813
Over 3 years but less than 5 years	**3,752**	3,754
Over 5 years	**439**	391
	26,808	22,585

Trade receivables under credit sales arrangement are generally due within 1 to 3 months (2018: 1 to 3 months) from the date of billing, and customers are normally required to make an upfront payment ranging from 40% to 50% (2018: 40% to 50%) of the product price. For sales under instalment payment method that has instalment payment periods generally ranging from 6 to 42 months (2018: 6 to 42 months), customers are normally required to make an upfront payment ranging from 30% to 50% (2018: 30% to 50%) of the product price.

10 Receivables under finance lease

	As at 30 June 2019 *RMB millions*	As at 31 December 2018 *RMB millions*
Gross investment	**15,496**	14,623
Unearned finance income	**(566)**	(465)
	14,930	14,158
Less: loss allowance for doubtful debts	**(1,756)**	(1,667)
	13,174	12,491
Less: receivables under finance lease due after one year	**(4,631)**	(3,656)
Receivables under finance lease due within one year	**8,543**	8,835

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 (2018: 2 to 5 years). Customers are normally required to make an upfront payment ranging from 5% to 40% of the product price (2018: 5% to 40%) and pay a security deposit ranging from 1% to 10% of the product price (2018: 1% to 10%). At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

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

	As at 30 June 2019 *RMB millions*	As at 31 December 2018 *RMB millions*
Present value of the minimum lease payments		
Within 1 year	**10,065**	10,260
Over 1 year but less than 2 years	**2,708**	2,102
Over 2 years but less than 3 years	**1,518**	1,235
Over 3 years	**639**	561
	14,930	14,158
Unearned finance income		
Within 1 year	**379**	320
Over 1 year but less than 2 years	**116**	88
Over 2 years but less than 3 years	**52**	41
Over 3 years	**19**	16
	566	465
Gross investment		
Within 1 year	**10,444**	10,580
Over 1 year but less than 2 years	**2,824**	2,190
Over 2 years but less than 3 years	**1,570**	1,276
Over 3 years	**658**	577
	15,496	14,623

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

	As at 30 June 2019 *RMB millions*	As at 31 December 2018 *RMB millions*
Not yet due	**8,939**	6,663
Within 1 year past due	**2,069**	2,535
Over 1 year but less than 2 years past due	**1,913**	2,588
Over 2 years past due	**2,009**	2,372
Total past due	**5,991**	7,495
	14,930	14,158
Less: loss allowance for doubtful debts	**(1,756)**	(1,667)
	13,174	12,491

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.

11 Financial assets at fair value through profit or loss

	As at 30 June 2019 *RMB millions*	As at 31 December 2018 *RMB millions*
Financial assets carried at fair value through profit or loss:		
— Wealth management products *(Note)*	**11,585**	8,443
— Structured deposits *(Note)*	**5,858**	5,344
	17,443	13,787

Note:

The Group invests its spare cash in wealth management products and structured deposits offered by banks and other financial institutions. These 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.

12 Trade and other payables

	As at 30 June 2019 *RMB millions*	As at 31 December 2018 *RMB millions*
Trade creditors	**8,907**	6,998
Bills payable	**6,472**	3,802
Trade creditors and bills payable	**15,379**	10,800
Amounts due to related parties	**3**	23
Amounts due to non-controlling shareholders of certain subsidiaries	**338**	338
Payable for acquisition of property, plant and equipment	**270**	259
Accrued staff costs	**814**	568
Product warranty provision	**94**	82
VAT payable	**1,000**	601
Sundry taxes payable	**110**	131
Security deposits	**587**	397
Interest payable	**504**	143
Financial guarantees issued	**67**	55
Other accrued expenses and payables	**2,196**	1,895
Dividends payable	**1,863**	251
Locked restricted share	**203**	243
	23,428	15,786

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

	As at 30 June 2019 *RMB millions*	As at 31 December 2018 *RMB millions*
Due within 1 month or on demand	**7,480**	4,638
Due after 1 month but within 3 months	**4,327**	2,791
Due after 3 months but within 6 months	**3,199**	3,223
Due after 6 months but within 12 months	**373**	148
	15,379	10,800

13 Capital, reserves and dividends

(a) Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 21 June 2019, a final cash dividend of RMB0.25 per share based on 7,460 million ordinary shares in issue, totaling RMB1,863 million in respect of the year ended 31 December 2018 was declared, in which RMB27 million was declared to restricted shareholders who are expected to be unlocked and RMB2 million was declared to restricted shareholders who are not expected to be unlocked, and will be paid before 31 December 2019. The forfeited restricted shares will not be entitled to the declared dividends.

Pursuant to the shareholders' approval at the Annual General Meeting held on 29 June 2018, a final cash dividend of RMB0.2 per share based on 7,794 million ordinary shares totalling RMB1,559 million in respect of the year ended 31 December 2017 was declared in which RMB31 million was declared to restricted shareholders who are expected to be unlocked and RMB3 million was declared to restricted shareholders who are not expected to be unlocked, and was fully paid by February 2019.

(b) Purchase of own shares

During the reporting period, the Company repurchased its own shares on The Shenzhen Stock Exchange as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share** *RMB*	**Lowest price paid per share** *RMB*	**Aggregate price paid** *RMB millions*
May to June 2019	**390,449,924**	**6.29**	**5.07**	**2,145**

The total amount paid for the repurchased shares of RMB2,145 million was paid wholly out of capital reserve.

(c) Share incentive scheme

On 1 November 2017, a 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 was 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 (the "**Participants**") of the Group ("the **First Grants**"). 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 are 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 the Participants on 7 November 2017.

On 10 September 2018, the resolution in respect of the grant of additional options and additional restricted shares (the "**Second Grants**") under the Share Incentive Scheme was passed at sixth extraordinary meeting of the fifth session of board of directors, pursuant to which the date of grant for the Share Incentive Scheme of the Company has been set for 10 September 2018 and 19,063,218 share options and 19,063,218 restricted shares were planned to be granted to 405 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 RMB3.96, and the Participants are entitled to purchase Zoomlion restricted A shares at RMB1.96 each. As a result, 18,554,858 share options and 18,554,858 restricted shares were granted to the Participants on 10 September 2018.

On 6 November 2018, the board of directors further resolved to approve the commencement of the first exercise period in respect of options granted under the First Grants. A total number of 65,471,398 share options and 65,877,838 restricted shares granted to the Participants under First Grants were vested or unlocked.

During the six months ended 30 June 2019, 36,035,558 share options were exercised at an exercise price of RMB4.37 (six months ended 30 June 2018: nil). No share option was granted during the six months ended 30 June 2019 and 2018. There were no share options forfeited during the six months ended 30 June 2019 (six months ended 30 June 2018: nil). There were 146,807,471 share options outstanding and 29,435,840 share options exercisable at 30 June 2019 (2018: 182,843,029 and 65,471,398),

No restricted shares were granted or vested during the six months ended 30 June 2019 and 2018. There were no restricted shares forfeited during the six months ended 30 June 2019 (six months ended 30 June 2018: nil). There were 117,371,631 restricted shares outstanding at 30 June 2019 (31 December 2018: 117,371,631).

During the six months ended 30 June 2019, share incentive scheme expenses of RMB59 million (six months ended 30 June 2018: RMB121 million) were recognised in the consolidated statement of comprehensive income.

BUSINESS REVIEW

In the first half of 2019, global economic growth slowed down and US-China trade frictions intensified, while Chinese economy maintained a generally stable development trend. Driven by multiple favorable factors such as demand in infrastructure, promotion of environmental protection, upgrade of equipment and replacement of labors, the scale of the construction machinery industry continued to grow strongly. The agricultural machinery industry was affected by factors such as weak market demand, decline in crop prices and decrease in government subsidies, resulting in the decline in sales volume in the traditional agricultural machinery market while the industry is still at the stage of transformation and upgrade.

Since 2019, the Company has upheld the business motto of "Year of Development, Year of Management, Year of Intelligence, Year of Quality, Year of Service, Year of Ecology", with emphasis on implementation, responsibility and innovation. The Company has achieved sustainable and healthy development in all aspects of operation indicators and further solidify its market leading position in the market. Gross profit margin has risen stably, profitability has increased significantly and operating cash flow has been healthy, achieving high quality, efficiency and sustainable performance growth.

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

(1) Emerging effect from strategic focus and strong growth in sectors with competitive edges

The Company focused on its main business of equipment manufacturing, optimized resource allocation, further promoted industrial upgrade and continued to establish the Company as a new equipment manufacturing enterprise of "equipment manufacturing + Internet" and "industry + finance".

1. Strengthened construction machinery. During the Reporting Period, sales revenue of the Company's construction machinery products amounted to RMB21,017 million, representing a year-on-year increase of 54.79%, maintaining strong growth of construction machinery sector with competitive edges.

   ① Continuously improved the market position of major products. In 2019, the Company relaunched the "multidivisional system". Divisions regained the sales function of product lines, further achieved an accurate cooperation between production and sales. The domestic market shares of crane machinery and concrete machinery products continued to maintain their leading positions, among which construction crane machinery and long-arm pump trucks maintained the number one position in the industry and the domestic market share of truck cranes increased 6.8% compared to that of 2018, achieving the strategic goal of market leading.

② Emerging industries ready to be introduced and striving to develop potential markets. The introduction of work-at-height platform has initially received positive feedback from the market and our products were widely complimented by customers. Maintaining an extraordinary market acceptance of our products, the Company has the potential to become the top enterprise in the work-at-height platform field. Earth working machinery sector entered the market with strong momentum by finalizing the layout of sales service outlets throughout the provinces in the PRC and introducing new product series such as ZE60E-10 and ZE75E-10 that had remarkable fuel consumption efficiency, were popular in market and were expected to be the profit-making focus of the Company in the future. The businesses of manufactured sand, dry mortar and spraying robotic arm continued to expand in a favorable momentum.

2. Enhanced agricultural machinery. The Company explicitly formulated the strategy for the development of mid-to-high-end agricultural machinery, based on the business motto of "building foundation, preventing losses, navigating focus and achieving breakthrough", creating reliable products and promoting the application of intelligent agriculture.

① Market edges remained solid. The sales volume of drying machinery ranked first again in the domestic market, while the domestic market share of wheat harvester machinery and sugarcane machinery products ranked second in the industry. The Company intensified the adjustment of the structure of agricultural machinery products and expanded the research and development along with production of agricultural machinery of economic crops in 2019.

② AI empowered intelligent agriculture industry. The Company further broadened and deepened the strategic cooperation with Landing. AI, an artificial intelligence company founded by Professor Andrew Yan-Tak Ng. The Company expedited the application of artificial intelligence in agricultural machinery field.

3. Escalated the expansion of financial business. Financing guarantee companies operated effectively and improved the industrial chain layout corresponding to the industrial sector, promoting industrial transformation and upgrade; the Company expanded the cooperation with Zhongqi Yunlian, resulting in lower cost, more effective and flexible financial services provided to upstream and downstream industry chain.

4. Speeding up digital transformation. In 2019, the Company comprehensively advanced digital transformation, published new version of ZValley OS, created downstream customized new application products, promoted product design and upgrade of big data such as Industrial Intellect and Agricultural Machinery Intellect; empowered product divisions to provide user-end general operation solutions based on intelligent equipment, fostering the transformation of traditional manufacturing into intelligent manufacturing.

(2) Comprehensively intensifying intelligent manufacturing, striving to promote industrial upgrade

The Company speeded up the upgrade of manufacturing, continuously creating a new model for the development of high-end equipment manufacturing industry.

1. Promoted industrial agglomeration and upgrade. On 21 July, the Company duly signed the contract of the project of Zoomlion Intelligent Industrial City, which was invested, constructed, operated and managed by Zoomlion, marking an overall commencement of the world's largest scale of integrated industrial base project in construction machinery and agricultural machinery that offers the most variety of products, creating an intelligent, ecological and international industrial city that produces high quality products upon the completion of production.

2. Escalated the advancement of intelligent manufacturing. The world's biggest Zoomlion intelligent tower crane factory stably achieved the targeted capacity and crawler intelligent work-at-height platform production line achieved mass production, pushing the intelligentization of the Company to a new level. The intelligent mixer manufacturing industrial park and hydraulic key component industrial park under planning and construction will turn into internationally top-notch and domestic leading intelligent manufacturing industrial parks that achieve industry leading level of craftsmanship, equipment and production management.

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

The Company achieved new breakthroughs in the area of international standards, with our momentum in independent innovation continuously enhancing.

1. Continuous leading the international standards. The Company is the first domestic construction machinery enterprise to lead the formulation of international standards, with the number of registered international standardization experts increased to 13. During the Reporting Period, for international standards revised under the lead of the Company, 10245-3 "Cranes — Limiting and Indicating Devices — Part 3: Tower Cranes" was published; working groups in respect of ISO 9928-3 "Crane Driving Manual — Part 3: Tower Cranes" formulated under the lead of the Company and ISO 12480-1 "Cranes — Safe use — Part 1: General" revised under the lead of the Company were duly formed and the first version of the Working Draft has been completed.

2. Achieved fruitful results in independent innovation

   ① Construction machinery products: ZCC9800W crawler crane, T7525 series flat-head tower crane, ZLJ5318GJBHE truck-mounted concrete mixer and intelligent and lithium battery driven crosscutting work-at height platform ZS1212HD-Li were included in the list of 2019 TOP50 Chinese Construction Machinery Products (中國工程機械年度產品 TOP50)(2019), among which, ZCC9800W crawler crane was awarded "Application Contribution Golden Award". The world's first hybrid truck-mounted fabrics mixer MK28E was launched and sold.

② Agricultural machinery products: TB80 drum grain integrated harvester was awarded Market-leading Award of 2018 TOP50 Chinese Agricultural Machinery (2018中國農業機械年度TOP50市場領先獎); production of the PRC first 4GQT-1 mountainous sugarcane machine and 9YY-2200 bundling machine samples symbolizing innovative technology of the PRC has been completed.

③ Maintaining a leading position in patent application. The Company was included in the list of the first domestically published "Chinese Enterprise Patent Top 500" and ranked the 186th, which was the top in the construction machinery industry. Based on intelligent technology, the Company achieved new breakthrough in respect of patent layout planning of industrial Internet technology.

(4) Intensifying efforts in overseas markets, fostering international breakthroughs

The Company continued to focus on key countries and regions and intensified its efforts in exploring overseas markets. In accordance with the principle of "leading, intensifying and penetrating", the Company speeded up the layout planning and upgrade of overseas production bases to form a localized manufacturing cluster along the "One Belt, One Road".

1. Stably advanced overseas integration. Main divisions regained the sales function of product lines, comprehensively streamlining research, production, sales and services and significantly enhancing response speed and operating efficiency, which promoted the swift breakthrough of overseas operations.

2. Continuously advanced the expansion and upgrade of overseas bases. The progress of the construction of the China-Belarus Industrial Park project was orderly and smooth, where phase one of the project will be completed by the end of this year and commence production. India division was set up and the planning and design of India Industrial Park was completed. This helped to establish a comprehensive production and manufacturing base integrating research, production and sales along the "One Belt, One Road". The localization of manufacturing of the European CIFA crane achieved great breakthrough, and ATC960 and ATC1000 all-terrain crane samples, 100% designed and made in Europe, were unveiled in bauma GERMANY.

3. Stably improved operation quality of overseas businesses. Improving the structure of export goods, upgrading technology to have a share in high-end market, gradually increasing profitability, in particular the significant rise in revenue from the export of construction crane machinery; strictly managing overdue risk of overseas operations, enhancing the management of capital budgeting to reduce translation loss from exchange rate fluctuation were the measures taken by the Company.

(5) Strengthening management innovation, significantly improving operational quality

During the Reporting Period, the Company continuously strengthened its management platform, innovated management tools and improved management capabilities, achieving a new level of management standards and operational efficiency.

1. Gradually implemented multi-level incentives. The Company enhanced its profit-centered assessment incentive model, improved the performance accountability and termination mechanism of managers at all levels, strengthened training of talent teams, reinforced the crisis awareness and benign competition of all employees and ensured the accomplishment of the strategic goals and enhancement of the operational quality of the Company. The Company comprehensively promoted market performance partnership scheme, in order to stimulate new vitality of marketing, strengthen teamwork and promote the rapid growth of new employees.

2. Continuously enhanced risk management and control capabilities. The Company adhered to tightening credit policy, verified the quality of individual new machinery sales contracts, eliminated low-quality orders and firmly grasped the key points of risk control, significantly enhancing the quality of operations.

3. Establishing new supplier relationship. The Company formed strategic alliance with reputable enterprises within professional fields in the PRC and abroad and held regular meetings, in order to transform trading relationship to long-term mutually beneficial strategic alliance relationship, so that the sharing of high-quality resources of technology, techniques and manufacturing can be achieved and a stable, efficient and low-cost supply chain system can be established.

4. Establishing core competitiveness in services. The Company continuously optimized and improved its service system to enhance service level and component supply capabilities. The Company introduced "Miles of Service" in 2019. Leveraging on industrial Internet platform to promote innovative service mode, the Company constantly provided users with more convenient, personalized and customized services, setting the benchmark for industry services.

ANALYSIS OF FINANCIAL POSITION

1. Analysis of operating income and profit

Driven by multiple favorable factors such as demand in infrastructure, promotion of environmental protection, upgrade of equipment and replacement of labors, the construction machinery industry continued to grow strongly. The agricultural machinery industry was affected by factors such as weak market demand, decline in crop prices and decrease in government subsidies, resulting in the decline in sales volume in the traditional agricultural machinery market while the industry is still at the stage of transformation and upgrade. For the six months ended 30 June 2019, the Group's revenue was RMB22,262 million, representing an increase of 51.38% as compared to the same period of 2018. In which, the

Group recorded revenue of RMB18,473 million in concrete machinery and crane machinery products, representing an increase of 62.90% as compared to the same period of last year. The Group recorded revenue of RMB911 million in agricultural machinery products, representing a decrease of 2.57% as compared to the same period of last year.

During the six months ended 30 June 2019, the Company's gross profit increased by 77.94% year-on-year as driven by the construction machinery segment. Due to further optimization in the mix of product sales such that the share of products with high profit margin kept increasing, the overall gross profit margin increased to 30%.

2. Cash flow and capital expenditure

The Company finances its operations primarily through bank loans and borrowings. As at 30 June 2019, the Company had RMB6,145 million in cash and cash equivalents. The Company's cash and cash equivalents primarily consist of cash and deposits at bank.

(1) Operating activities

For the six months ended 30 June 2019, net cash generated from operating activities was RMB3,298 million, mainly attributable to the sales growth as a result of the continuous recovery of the construction machinery industry, and the better operating cash flow performance as compared to the previous period due to the Company's measures such as the continuous urging of receivables collection and control of expenses which had positive contribution to the cash flow in the first half of 2019.

(2) Investing activities

For the six months ended 30 June 2019, net cash used in investing activities was RMB3,584 million, mainly attributable to the improvement of performance and enhancement of cash flow condition. The Company utilized part of its idle funds for the purchase of wealth management products and structured deposits issued by banks to improve the utilization efficiency of its idle funds.

(3) Financing activities

For the six months ended 30 June 2019, net cash generated from financing activities was RMB2,327 million, including the repayment of bank and other borrowings of RMB199,39 million, increase in bank and other borrowings of RMB20,371 million and interest payment of RMB494 million.

(4) Capital expenditures

For the six months ended 30 June 2019, the capital expenditures for the purchases of property, plant and equipment, intangible assets and lease prepayments amounted to RMB296 million.

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

DIVIDEND

The Board of the Company recommended not to declare any interim dividend.

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

During the Reporting Period, the Company purchased a total of 390,449,924 ordinary shares on the Shenzhen Stock Exchange at an aggregate consideration of RMB2,144,813,074.51 (excluding stamp duty, brokerage fee and other transaction levies) as follows:

Month/year	Number of A shares purchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
		RMB	*RMB*	*RMB*
05/2019	164,295,362	5.46	5.07	863,272,548.93
06/2019	226,154,562	6.29	5.22	1,281,540,525.58
	390,449,924			2,144,813,074.51

The above repurchases were approved at the second extraordinary meeting of the sixth session of the Board of 2019 held on 13 May 2019. The total amount paid on the repurchased shares of RMB2,144,813,074.51 was paid wholly out of cash. The A shares repurchased are not subject to cancellation and will be used as the source of stocks for the subsequent implementation of employee stock ownership plan(s). As at the date of this announcement, no employee stock ownership plan has been formulated or implemented.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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 2019 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 2019 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 2019

As at the date of this announcement, the executive director of the Company is Dr. Zhan Chunxin; the non-executive directors are Mr. He Liu 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*