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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 company incorporated in the People's Republic of China)
(Stock Code: 1157)

PROPOSED ADJUSTMENTS TO THE NON-PUBLIC ISSUANCE OF A SHARES UNDER GENERAL MANDATE

INTRODUCTION

Reference is made to the Company's circular and announcement dated 27 July 2020 and 12 August 2020, respectively, in relation to the Non-public Issuance.

The Board wishes to announce that on 29 September 2020, it proposed to adjust the Non-public Issuance based on the Company's actual circumstances and current market conditions, in accordance with the requirements of relevant laws and regulations including the Company Law, the Securities Law and the Administrative Measures for the Issuance of Securities by Listed Companies. Pursuant to the Adjusted Non-public Issuance, the Company will allot and issue not more than 1,060,000,000 A Shares to not more than 35 New Subscribers under the General Mandate. The Adjusted Non-public Issuance is expected to raise up to RMB5.6 billion in funds.

PROPOSED ADJUSTMENTS TO THE NON-PUBLIC ISSUANCE OF A SHARES UNDER GENERAL MANDATE

Structure of the Adjusted Non-public Issuance

Type and par value of shares to be issued	A Shares with a par value of RMB1.00 each
Method and timing	By way of a non-public offering, and the A Shares will be issued at an appropriate time to the New Subscribers within the validity period approved by the CSRC

Subscribers and subscription method

Not more than 35 specified investors, including securities investment fund management companies, securities companies, trust companies, financial companies, insurance institutional investors, qualified foreign institutional investors, Renminbi qualified foreign institutional investors who meet the requirements of the CSRC and other legal persons, natural persons or other institutional investors who meet the requirements of relevant laws and regulations. Securities investment fund management companies, securities companies, qualified foreign institutional investors and Renminbi qualified foreign institutional investors who subscribe with two or more products managed by them are treated as one issue target; and trust companies as an issue target can only subscribe with their own funds.

After obtaining approval from the CSRC of the Adjusted Non-public Issuance, the final New Subscribers will be determined by the Board and its authorised persons with the authorisation of Shareholders to be granted in a general meeting after negotiation with the sponsor(s) and principal underwriter(s) of the Adjusted Non-public Issuance, in accordance with the relevant requirements and the results of book building.

Further announcement(s) will be made by the Company if the number of New Subscribers is less than six, in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at the date of this announcement, the Company had not identified any New Subscriber. However, each New Subscriber and its ultimate beneficial owner(s) are expected to be third parties independent of the Company and its connected person(s). It is not expected that any New Subscriber will become a substantial Shareholder as a result of the Adjusted Non-public Issuance.

Each New Subscriber will subscribe the A Shares to be issued under the Adjusted Non-public Issuance in cash.

Benchmark date for price determination, issue price and pricing principles

The benchmark date for price determination is the first day of the issuance period for the Adjusted Non-public Issuance. The issue price will be no less than 80% of the average trading price of A Shares during the 20 trading days prior to the benchmark date ("**Indicative Price**").

The average trading price of A Shares during the 20 trading days prior to the benchmark date = total transaction amount of A Shares during the 20 trading days prior to the benchmark date/ total trading volume of A Shares during the 20 trading days prior to the benchmark date. If, during the period from the benchmark date to the issue date of the Adjusted Non-public Issuance, there is any ex-rights and ex-dividend event in respect of A Shares such as distribution of cash dividends, bonus shares or capitalisation of capital reserves, the Indicative Price will be adjusted accordingly.

Subject to the basis for calculating the Indicative Price, the final issue price will be determined by the Board and its authorised persons within the scope of authorisation granted in a general meeting by the Shareholders after negotiation with the sponsor(s) and principal underwriter(s) having regard to the subscription price indicated by the New Subscribers, based on a book building process, after obtaining approval from the CSRC of the Adjusted Non-public Issuance and in accordance with relevant regulations.

The closing price of the A Shares on 29 September 2020, being the date on which the terms of the Adjusted Non-public Issuance were fixed, was RMB8.01 per A Share.

Size of the issuance

The number of A Shares to be issued will not exceed 1,060,000,000 A Shares and the total amount of funds to be raised will not exceed RMB5.6 billion. The aggregate nominal value of the A Shares to be issued will be no more than RMB1,060,000,000. The final number of A Shares to be issued will be rounded down to the nearest integer, and subject to the approval of the CSRC.

The final size of the issuance will be determined by the Board and its authorised persons within the scope of authorisation granted in a general meeting by the Shareholders after negotiation with the sponsor(s) and principal underwriter(s) based on the maximum size of issuance approved by the CSRC and the subscription price indicated by the New Subscribers, after obtaining approval from the CSRC for the Adjusted Non-public Issuance and in accordance with relevant regulations.

If there is any ex-rights event in respect of the A Shares such as bonus issue or capitalisation of reserve capital from the date on which the Adjusted Non-public Issuance is approved by the Board to the issue date, the maximum number of A Shares to be issued under the Adjusted Non-public Issuance will be adjusted as follows:

$$QA1=QA0^{*}(1+EA)$$

Where, QA1 is the maximum number of A Shares to be issued under the Adjusted Non-public Issuance after adjustment, QA0 is the maximum number of A Shares to be issued under the Adjusted Non-public Issuance before adjustment, and EA is the number of bonus shares or share capital to be given for each A Share.

If the CSRC and other regulatory authorities adjust the size of the issuance, the size as approved by them shall prevail.

Conditions precedent

The Adjusted Non-public Issuance is subject to the fulfilment of the following conditions:

(1) approval from Shareholders at the EGM with respect to the Adjusted Non-public Issuance; and

(2) approval from the CSRC of the Adjusted Non-public Issuance.

Lock-up period

The A Shares to be subscribed for by the New Subscribers cannot be transferred within six months from the date of completion of the Adjusted Non-public Issuance. Any reduction of the holding of A Shares after expiry of the above lock-up period can only be made in accordance with the Company Law, the Securities Law and the Rules Governing Listing of Stocks on the Shenzhen Stock Exchange and other laws, regulations, rules, regulatory documents and also the relevant requirements of the Company's articles of association.

	During the above lock-up period, if a New Subscriber obtains additional A Shares as a result of bonus issue, capitalisation of capital reserves and other events for the A Shares subscribed for under the Adjusted Non-public Issuance, the above lock-up restriction arrangement applies.
Place of listing of the shares to be issued	Upon expiration of the lock-up period, the A Shares to be issued will be listed and traded on the Shenzhen Stock Exchange
Rights attached to the shares to be issued	The A Shares to be issued will rank *pari passu* with the existing A Shares and H Shares in all respects
Arrangement for retained profits before the issuance	After completion of the issuance, all Shareholders will be entitled to receive the retained but undistributed profits of the Company in proportion to their respective shareholdings in the Company upon completion of the issuance
Validity period	The resolutions in respect of the issuance will remain effective for 12 months from the date on which such resolutions are approved in a general meeting of the Company. The number of A Shares to be issued will not exceed 20% of the total number of A Shares in issue as at date of the AGM. If the Company fails to obtain approval or permission from, or otherwise complete registration with, the regulatory authority with respect to the Adjusted Non-public Issuance before the expiration of the General Mandate, the implementation of the Adjusted Non-public Issuance can continue subject to the authorised limit under the general mandate to be refreshed and sought from Shareholders in the following year in a general meeting of the Company. In such case, the Company will not be required to convene another general meeting or class meetings of Shareholders to reconsider and approve matters relating to the Adjusted Non-public Issuance.

Use of proceeds

The total amount of gross proceeds from the Adjusted Non-public Issuance will not exceed RMB5.6 billion, to be used in the following projects:

No.	Project name	Total investment amount (RMB million)	Proposed amount of proceeds to be invested (RMB million)
1	Excavating machinery intelligent manufacturing project	3,083.13	2,400.00
2	Project for upgrading of intelligent manufacturing of mixer product	829.77	350.00
3	Key components intelligent manufacturing project	1,667.50	1,300.00
4	Liquidity replenishment	1,550.00	1,550.00
	Total	**7,130.40**	**5,600.00**

If the actual net proceeds from the Adjusted Non-public Issuance are less than the total amount of proceeds proposed to be invested in the above projects, the Company will adjust and finally determine the specific investment projects to be funded by the proceeds, their priority and the specific investment amount each project will receive based on the actual net proceeds and the priority and importance of the projects, and will make up the shortfall with its internal funds or through other financing methods.

Pending the receipt of the proceeds from the Adjusted Non-public Issuance and depending on the actual progress of the projects, the Company will implement such projects by raising funds via other means. Such capital will be replaced with the proceeds upon their receipt in accordance with the relevant regulations.

Impact on control of the Company

There will be no change in control of the Company after the completion of the Adjusted Non-public Issuance, and the Company will continue to have no controlling shareholder or actual controller.

Fund raising activities in the past 12 months

Reference is made to the Company's announcement dated 29 September 2020 in relation to a proposed issue of new H Shares under general mandate. On 29 September 2020, the Company entered into a subscription agreement with Changsha Hesheng Technology Investment Co., Ltd., pursuant to which the Company agreed to allot and issue 193,757,462 new H Shares under general mandate. The subscription is expected to raise approximately HK$11.36 billion, the net proceeds of which will be applied by the Company for working capital and other general corporate purposes such as exploring overseas markets, establishing overseas base, and importing and procuring core parts and components. The subscription had not been completed as at the date of this announcement.

Save as disclosed, the Company has not raised any funds from the issue of equity securities in the 12 months immediately preceding the date of this announcement.

Effect of the Adjusted Non-public Issuance on the shareholding structure of the Company

As at 28 September 2020, the total issued share capital of the Company was 7,917,908,190 Shares, comprising 1,388,207,086 H Shares and 6,525,634,047 A Shares.

To the best knowledge of the Directors, the shareholding structure of the Company (i) as at 28 September 2020 and (ii) immediately upon completion of the Adjusted Non-public Issuance (assuming that there is no change in the number of Shares in issue between 28 September 2020 and the date of completion of the Adjusted Non-public Issuance) is:

	As at 28 September 2020		Immediately upon completion of the Adjusted Non-public Issuance assuming no H Shares are issued under the subscription		Immediately upon completion of the Adjusted Non-public Issuance assuming all H Shares are fully subscribed for under the subscription	
Class of shares	**Number of shares**	**Approximate percentage of the total number of Shares in issue (%)**	**Number of shares**	**Approximate percentage of the total number of Shares in issue (%)**	**Number of shares**	**Approximate percentage of the total number of Shares in issue (%)**
A	6,529,701,104	82.47	7,589,701,104	84.54	7,589,701,104	82.75
H	1,388,207,086	17.53	1,388,207,086	15.46	1,581,964,548	17.25
Total	**7,917,908,190**	**100.00**	**8,977,908,190**	**100.00**	**9,171,665,652**	**100.00**

General Mandate

The A Shares to be issued under the Adjusted Non-public Issuance will be allotted and issued by the Company pursuant to the General Mandate, which allows the Board to allot, issue and deal with not more than 20% of the number of A Shares in issue as at the date of the AGM (being 1,302,010,311 A Shares).

As at the date of this announcement, no A Shares had been issued pursuant to the General Mandate.

Reasons and benefits of the Adjusted Non-public Issuance

To improve the level of intelligent manufacturing of the Company, further reduce costs and increase efficiency

Construction machinery falls within the scope of high-end equipment manufacturing industry, which is a typical capital- and technology-intensive industry requiring high level of investment and technical input. The manufacturing of construction machinery industry is characterised by wide product range, numerous parts and components, small output and complicated manufacturing processes. The intelligent manufacturing of construction machinery towards which the proceeds from the Adjusted Non-public Issuance are proposed to be used will promote the ongoing optimisation of design, production, management, service aspects of the Company and procure their comprehensive integration, which is a necessary manoeuvre for the Company to foster effective transformation and upgrading. The intelligent manufacturing of construction machinery will involve the setting up of an automated plant in compliant with Industry 4.0 Standard, which enables a gradual implementation of data traceability at each production section and along the production process, in order to effectively enhance the operation efficiency, reduce production costs and laying a solid technical foundation for rapid and ongoing development of the Company.

To replenish liquidity and facilitate sustainable operation of the Company

The manufacturing of construction machinery requires a wide range of costly equipment, thus involving high investment in fixed assets. Accordingly, the ability of a construction machinery company to make huge investment in purchasing advanced production equipment to manufacture high-end products with high reliability, precision and sensitivity that meets the requirements of downstream customers has become the key to its development. The construction machinery industry is also capital-intensive, where the industry players need substantial liquidity to support day-to-day manufacturing.

The proceeds from the Adjusted Non-public Issuance will be used by the Company to satisfy its working capital requirements, providing financial support for the future business upgrade and technology development of the Company, laying a sound foundation for the continuous healthy development of subsequent business and for strengthening the competitive position in the industry. In addition, the Adjusted Non-public Issuance will help to replenish liquidity of the Company, which will improve its financial strength, optimise its capital structure, increase flexibility and long-term sustainability of its funds, reduce financial risks and enhance overall risk resistant capacity.

EGM

The Adjusted Non-public Issuance is subject to approval from the Shareholders. The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Adjusted Non-public Issuance.

A circular containing, among other things, further details of the Adjusted Non-public Issuance, together with a notice convening the EGM and a proxy form, will be despatched to Shareholders in due course.

TERMINATION OF SUBSCRIPTION AGREEMENTS AND STRATEGIC COOPERATION AGREEMENTS IN CONNECTION WITH THE NON-PUBLIC ISSUANCE

As the Non-public Issuance will not proceed, on 29 September 2020, the Company and each of the Previous Subscribers have mutually agreed to terminate with immediate effect the relevant subscription agreement and strategic cooperation agreement entered into in relation to the Non-public Issuance. The Board considers that the termination of such agreements will not have any material adverse impact on the financial position and business operations of the Group.

Shareholders and potential investors should note that completion of the Adjusted Non-public Issuance is subject to the fulfilment of conditions, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"Adjusted Non-public Issuance"	the adjusted proposed non-public issuance of not more than 1,060,000,000 A Shares to not more than 35 New Subscribers under the General Mandate
"AGM"	the annual general meeting of the Company held on 29 June 2020 at which, among other things, the General Mandate was granted by the Shareholders
"Board"	the board of Directors
"Company"	中聯重科股份有限公司 (Zoomlion Heavy Industry Science and Technology Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability
"Company Law"	the Company Law of the PRC（《中華人民共和國公司法》）

"CSRC"	the China Securities Regulatory Commission
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving, among other things, the Adjusted Non-public Issuance
"General Mandate"	the general mandate granted by Shareholders at the AGM to the Board to allot, issue and deal with not more than 20% of the number of A Shares in issue as at the date of the AGM
"H Share(s)"	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company which are listed on The Stock Exchange of Hong Kong Limited and traded in Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"New Subscriber(s)"	any specified investor including securities investment fund management companies, securities companies, trust companies, financial companies, insurance institutional investors, qualified foreign institutional investors, Renminbi qualified foreign institutional investors who meet the requirements of the CSRC and other legal persons, natural persons or other institutional investors who meet the requirements of relevant laws and regulations. Securities investment fund management companies, securities companies, qualified foreign institutional investors and Renminbi qualified foreign institutional investors who subscribe with two or more products managed by them are treated as one issue target; and trust companies as an issue target can only subscribe with their own funds
"Non-public Issuance"	the non-public issuance of not more than 1,249,999,998 A Shares to four Previous Subscribers under the General Mandate
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
"Previous Subscribers"	collectively, 馬鞍山懷瑾基石股權投資合夥企業(有限合夥) (Maanshan Huaijin Cornerstone Equity Investment Partnership (Limited Partnership)*), 太平人壽保險有限公司 (Taiping Life Insurance Co., Ltd.), 海南誠一盛企業管理合夥企業 (有限合夥) (Hainan Chengyisheng Enterprise Management Partnership (Limited Partnership)*) and 寧波實拓企業管理有限公司 (Ningbo Shituo Enterprise Management Co., Ltd.*)

"RMB"	Renminbi, the lawful currency of the PRC
"Securities Law"	the Securities Law of the PRC（《中華人民共和國證券法》）
"Share(s)"	A Share(s) and H Share(s), or the context requires, either of them
"Shareholders"	holders of the Shares
"%"	per cent.

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

Changsha, the PRC, 29 September 2020

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