
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your H shares in Zoomlion Heavy Industry Science and Technology Co., Ltd.*, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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

中联重科股份有限公司

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

(Stock Code: 1157)

**(1) AMENDMENTS TO THE TERMS OF
THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
AND
(2) NOTICE OF EGM**

A notice convening the EGM to be held at Multi-function Conference Room, Company Office Building, No. 361, Yin Pen South Road, Changsha City, Hunan Province, the PRC on Tuesday, 27 October 2020 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM and to complete and return the enclosed proxy form, in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in person or by post not less than 24 hours before the time stipulated for convening the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or at any adjourned meeting if you so wish.

* For identification purpose only

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DEFINITIONS

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

“A Share(s)”	domestic share(s) of RMB1.00 each in the share capital of the Company which are listed on the Shenzhen Stock Exchange and traded in RMB
“Adjusted Non-public Issuance”	the 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
“Administrative Measures”	Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》)
“AGM”	the annual general meeting of the Company held on Monday, 29 June 2020 at which, among other things, the General Mandate was granted by the Shareholders
“Announcement”	the announcement of the Company dated 29 September 2020 in relation to the Adjusted Non-public Issuance
“Articles”	the articles of association of the Company, as amended from time to time
“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 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 at Multi-function Conference Room, Company Office Building, No. 361, Yin Pen South Road, Changsha City, Hunan Province, the PRC at 2:30 p.m. on Tuesday, 27 October 2020
“General Authorisation”	the authorisation granted by Shareholders at the Company’s extraordinary general meeting held on Wednesday, 12 August 2020 to the Board and its authorised persons to handle all matters in connection with the Non-public Issuance
“General Mandate”	the general mandate granted by the 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 thereof

DEFINITIONS

“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Implementation Rules”	Implementation Rules of Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》)
“Latest Practicable Date”	7 October 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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 proposed non-public issuance of not more than 1,249,999,998 A Shares to four subscribers (namely, 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.*)) under the General Mandate
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this circular only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
“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》)

DEFINITIONS

“Share(s)”	A Share(s) and H Share(s), or the context requires, either of them
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Listing Rules”	the Rules Governing Listing of Stocks on the Shenzhen Stock Exchange
“%”	per cent.

* *For identification purpose only*

LETTER FROM THE BOARD



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

中联重科股份有限公司

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

(Stock Code: 1157)

Members of the Board

Chairman and executive Director:

Dr. ZHAN Chunxin

Non-executive Directors:

Mr. HE Liu

Mr. ZHAO John Huan

Independent non-executive Directors:

Mr. ZHAO Songzheng

Mr. LAI Kin Keung

Ms. LIU Guiliang

Mr. YANG Changbo

Registered office

No. 361, Yin Pen South Road,
Changsha City, Hunan Province,
the PRC

Dear Shareholders,

**(1) AMENDMENTS TO THE TERMS OF
THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
AND
(2) NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the Announcement.

As disclosed in the Announcement, on 29 September 2020, the Board 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, the Administrative Measures and the Implementation Rules. 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.

The purpose of this circular, of which this letter forms a part, is to give you notice of the EGM and to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM.

LETTER FROM THE BOARD

2. AMENDMENTS TO THE TERMS OF THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

A. Adjusted Non-public Issuance

(I) 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 New Subscribers will be finally 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 Hong Kong Listing Rules.

As at the Latest Practicable Date, 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 persons. It is not expected that any New Subscriber will become a substantial Shareholder as a result of the Adjusted Non-public Issuance.

LETTER FROM THE BOARD

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

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.

LETTER FROM THE BOARD

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 of 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 the 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, the Shenzhen Listing Rules, other laws, regulations, rules and regulatory documents and the relevant requirements of the Articles.

LETTER FROM THE BOARD

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 in respect of 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.

LETTER FROM THE BOARD

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	<u>1,550.00</u>	<u>1,550.00</u>
	Total	<u>7,130.40</u>	<u>5,600.00</u>

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.

LETTER FROM THE BOARD

(II) 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 Latest Practicable Date.

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 the Announcement.

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

As at the Latest Practicable Date, the total issued share capital of the Company was 7,917,908,190 Shares, comprising 1,388,207,086 H Shares and 6,529,701,104 A Shares.

To the best knowledge of the Directors, the shareholding structure of the Company (i) as at the Latest Practicable Date 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 the Latest Practicable Date and the date of completion of the Adjusted Non-public Issuance) is:

Class of shares	As at the Latest Practicable Date		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	
	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

(IV) 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 Latest Practicable Date, no A Shares had been issued pursuant to the General Mandate.

LETTER FROM THE BOARD

(V) *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 is 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.

B. Proposal for the Adjusted Non-public Issuance

Please refer to the Company's overseas regulatory announcement dated 29 September 2020 which contains the full text of the proposal for the Adjusted Non-public Issuance in the Chinese language.

C. Feasibility analysis report on the use of proceeds of the Adjusted Non-public Issuance

Please refer to Appendix I for the full text of the feasibility analysis report on the use of proceeds of the Adjusted Non-public Issuance. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version prevails.

LETTER FROM THE BOARD

D. Measures on making up diluted returns for the current period due to the Adjusted Non-public Issuance

Please refer to Appendix II for the measures on making up diluted returns for the current period due to the Adjusted Non-public Issuance. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version prevails.

E. Authorisation to the Board

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.

At the Company's extraordinary general meeting held on Wednesday, 12 August 2020, the General Authorisation was granted by the Shareholders to the Board and its authorised person(s), which has an effective period of 12 months from the date of its approval. Since the Company proposes to adjust the Non-public Issuance, approval will be sought from Shareholders to extend the validity period of the General Authorisation to 12 months from the date of the EGM, without any change in scope, in order to ensure the smooth implementation of the Adjusted Non-public Issuance. Further, it is proposed that authority be granted to the chairman of the Board and his authorised person(s) to handle all matters relating to the Adjusted Non-public Issuance within the authorised scope at their full discretion.

3. EGM

A notice convening the EGM to be held at Multi-function Conference Room, Company Office Building, No. 361, Yin Pen South Road, Changsha City, Hunan Province, the PRC on Tuesday, 27 October 2020 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

If you intend to appoint a proxy to attend and vote at the EGM, you are required to complete and return the accompanied proxy form in accordance with the instructions printed thereon to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in person or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

4. VOTING BY POLL

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the EGM will demand a poll in relation to all the proposed resolutions at the EGM in accordance with the Articles.

LETTER FROM THE BOARD

5. RECOMMENDATIONS

The Board considers that all resolutions to be proposed at the EGM are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the resolutions to be proposed at the EGM.

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

Changsha, the PRC, 9 October 2020

* *For identification purpose only*

Feasibility analysis report on use of proceeds of the Adjusted Non-public Issuance**1. Plan of use of proceeds**

The total amount of gross proceeds of the Adjusted Non-public Issuance will not exceed RMB5.6 billion (inclusive). The net proceeds after deducting the relevant expenses of the Adjusted Non-public Issuance are intended 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 of 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 of 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.

2. Feasibility analysis of the investment projects to be funded by the proceeds of the Adjusted Non-public Issuance**A. Overview of the projects****(I) Excavating machinery intelligent manufacturing project****1. Overview of the project**

In this project, it is intended to build a new excavating machinery intelligent factory initially including a material preparation centre, a mini excavator part workshop, a mid-large excavator part workshop, a mini excavator assembly workshop, a commissioning workshop, a mid-large excavator commissioning workshop, etc., and to improve the relevant roads, landscape and pipes and networking within the zone. Upon completion of the project, the annual production capacity of excavating machineries will be 33,000 sets.

2. *Estimated investment of the project*

The total investment of the project is RMB3,083,130,000. Details of the investment allocation are as follows:

No.	Type of investment	Investment amount (RMB'000)	Percentage
1	Construction investment	3,074,016	99.70%
1.1	Construction cost	2,393,966	77.65%
1.2	Other cost of project construction	482,807	15.66%
1.3	Reserve fund	197,242	6.40%
2	Interest payment during construction period	9,114	0.30%
Total		3,083,130	100.00%

3. *Project construction period*

The project period is 15 years, of which construction period is 1.33 years (16 months) and the operation period is 13.67 years.

4. *Benefit analysis for project*

Upon estimation, the after-tax internal rate of return of the project is 28.00% and after-tax return period is 6 years. The project generates good economic benefits.

5. *Filing and approval of the project*

On 4 August 2020, the project was filed with Hunan Provincial Investment Online Approval Platform (湖南省投資項目在線審批監管平台) (project code: 2019-430104-34-03-031541). The implementing entity is Zoomlion Earth Working Machinery Co., Ltd.* (中聯重科土方機械有限公司).

As of the Latest Practicable Date, the approval process of environmental assessment of the project remained in progress.

(II) Project for upgrading of intelligent manufacturing of mixer truck product1. *Overview of the project*

In this project, it is intended to build an internationally and domestically leading mixer truck intelligent manufacturing base including a mixer truck automation, an intelligent equipment production line and ancillary facilities such as a modern production plant and research and development (R&D) premises equipped with leading knowhow, equipment and production management. Upon completion of the construction, the production capacity is 10,000 mixer trucks and 450 dry-mix trucks.

2. *Estimated investment of the project*

The total investment of the project is RMB829,770,000. Details of the investment allocation are as follows:

No.	Type of investment	Investment amount (RMB'000)	Percentage
1	Construction investment	805,110	97.03%
1.1	Construction cost	650,330	78.37%
1.2	Other cost of project construction	95,140	11.47%
1.3	Reserve fund	59,640	7.19%
2	Interest payment during construction period	24,660	2.97%
Total		829,770	100.00%

3. *Project construction period*

The project period is 15 years, of which construction period is 2 years (24 months) and the operation period is 13 years.

4. *Benefit analysis for project*

Upon estimation, the after-tax internal rate of return of the project is 22.54% and after-tax return period is 6.94 years. The project generates good economic benefits.

5. *Filing and approval of the project*

On 14 September 2020, the project was filed with Hunan Provincial Investment Online Approval Platform (project code: 2018-430981-36-03-026113). The implementing entity is the Company. On 10 September 2020, the Company received the Certificate of Change in Filing in respect of the Project for Upgrading of Intelligent Manufacturing of Mixer Truck Product of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (《中聯重科攪拌車類產品智能製造升級項目備案變更證明》) issued by Yuanjiang Development and Reform Bureau evidencing the change of construction size of the project as shown in the original filing while other information therein remaining unchanged.

The environment assessment approval document, the Approval of Environmental Effect of the Project for Upgrading of Intelligent Manufacturing of Mixer Truck Product of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (Yi Huan Shen (Biao) [2019] No. 4) (《關於中聯重科股份有限公司中聯重科攪拌車類產品智能製造升級項目環境影響表的批覆》(益環審(表)[2019]4號)) issued by Yiyang Municipal Environmental Protection Bureau in respect of the project has been received.

*(III) Key components intelligent manufacturing project**1. Overview of the project*

The project will engage in the production of intelligent high-strength steel and metal sheet in Zoomlion Intelligent Industrial City, leveraged on Zoomlion Heavy Industry Technology Centre and the State Key Laboratory of Key Technology of Construction Machinery. The construction of the project includes a material preparation centre, a metal sheet workshop, a dispatch workshop, an office and an inspection and testing centre. Upon completion of the project, the annual production capacity will be 350,000 tonnes of high-strength steel and 75,000 sets of metal sheets.

2. Estimated investment of the project

The total investment of the project is RMB1,667,500,000. Details of the investment allocation are as follows:

No.	Type of investment	Investment amount (RMB'000)	Percentage
1	Construction investment	1,662,598	99.71%
1.1	Construction cost	1,430,631	85.79%
1.2	Other cost of project construction	168,021	10.08%
1.3	Reserve fund	63,946	3.83%
2	Interest payment during construction period	4,902	0.29%
TOTAL		1,667,500	100.00%

3. Project construction period

The project period is 15 years, of which construction period is 1.33 years (15 months) and the operation period is 13.67 years.

4. Benefit analysis for project

Upon estimation, the after-tax internal rate of return of the project is 24.83% and after-tax return period is 5.81 years. The project generates good economic benefits.

5. Filing and approval of the project

On 21 September 2020, the project was filed with the Hunan Provincial Investment Online Approval Platform (project code: 2019-430104-34-03-031521). The implementing entity is Zoomlion Earth Working Machinery Co., Ltd.* (中聯重科土方機械有限公司).

As of the Latest Practicable Date, the approval process of environmental assessment of the project remained in progress.

(IV) Liquidity replenishment

The Company intends to use RMB1,550,000,000 of the proceeds of the Adjusted Non-public Issuance to replenish the liquidity of the Company, in order to satisfy the capital requirements of the Company for future development, optimise the capital structure, improve the capital strength and enhance the ongoing profitability of the Company.

B. Necessity and feasibility of the projects*(I) Construction machinery intelligent manufacturing projects*

Both the excavating machinery intelligent manufacturing project and the project for upgrading intelligent manufacturing of mixer trucks are construction machinery intelligent manufacturing projects. The necessity and feasibility of the projects is as follow:

1. Necessity of the projects

- (1) The construction machinery industry is on the upward trend with rapid growth in domestic demand

The construction machinery industry of the PRC has already on its upward trend since 2017. Combined with factors such as growth in domestic infrastructure investment and improvement in the property industry, the domestic construction machinery market has been growing rapidly, resulting in record high in sales of major products.

- (i) The development of the construction machinery industry has long been driven by the State policy of infrastructure investment. On 17 April 2020, the Political Bureau reinstated at its meeting “to strengthen traditional and innovative infrastructure investment”. Thereafter, proposals have been announced by various provinces to strengthen the country by constructing transportation infrastructures with those “super construction projects” such as high-speed railways along the coast, intelligent highways and rail transport, as the key projects. High-technology and high-technique innovative infrastructures, such as 5G base stations, ultra-high voltage (UHV) transmission, intra-cities high-speed railway and rail transportation, together with investment to advanced manufacturing industrial sector will stimulate the development of the construction machinery industry.

- (ii) Property development and construction sector is another important sector which applies construction machinery. In 2019, new construction area of the PRC was 2.27 billion square metres, representing a year-on-year increase of 8.5%. In the same year, the accumulated investment in property development reached RMB1.32 billion, representing a year-on-year increase of 9.9%. Increase in both new construction area and investment in property development has driven the substantial growth of the construction machinery industry. Despite the economic slump and decline in new construction area and investment in property development in the PRC due to the global coronavirus disease and oil price since January 2020, investment in property development has rapidly bounced back when the disease is under better control and work and production has been gradually resumed. In light of the increasing land supply and improvement in financing ability of companies, it is expected that the property investment remains resilient and continues to have driving force to the construction machinery industry.
- (iii) In view of the increasing market demand, the Company needs to speed up its adjustment to and upgrade of industry structure in order to secure sound and sustainable development in future.

(2) To improve product quality of the Company to enhance market competitiveness

Construction machinery industry falls within high-end equipment manufacturing sector requiring extremely high level of technology. It is a typical capital- and technology-intensive industry. Construction machinery intelligent manufacturing projects adopt new knowhow, technology, material and equipment and emphasise improvements in key knowhow, key process and underperforming section along production to ensure product quality.

Intelligent manufacturing process in construction machinery production integrates digitalization and smart technology along the entire production process. Upon completion of the project, the Company will be able to effectively control R&D, production, sales and marketing and after-sale service through big-data and cloud analysis, which will in turn provide data for decision-making, ultimately enhancing products' competitiveness.

(3) To enhance production efficiency to better satisfy market demand

The construction machinery intelligent manufacturing project can optimise production process, enhance production efficiency and secure production reasonableness, efficiency and rationality through process improvement and intelligent and automated production. In the excavating machinery intelligent manufacturing project, 75% of the parts will be assembled by robots. Assembly of one excavator can be completed in every 12 minutes. Production efficiency can be enhanced.

In addition, benefited from the flexibility in improving production lines, the Company will be able to keep launching new products according to the changing market demand and offering high quality products to satisfy customers.

*2. Feasibility of the projects**(1) The Company has strong R&D capability and a comprehensive R&D system*

As a global leading high-end equipment manufacturer, the Company has strong R&D capability and comprehensive R&D system, together with a pool of talented calibres. The Company is one of the First Batch of National Innovative Enterprises, a National Modal Enterprise of New Technology, a Pilot Enterprise of Design of National Industrial Products and a National Modal Enterprise of Intellectual Property accredited by ministries and commissions of the PRC, including the Ministry of Science and Technology, the Ministry of Industry and Information Technology and the Ministry of Finance. The Company is also the first player in the concrete machinery industry to receive the State Scientific and Technological Progress Award. In 2014, the “Key Technology of Mega Tower Crane and its Application” was granted the State Scientific and Technological Progress Award — Second Class. This is the highest award so far received by the industry participants.

Leveraged on the comprehensive R&D system, a big talent pool and strong R&D capability of the Company, the project will be smoothly implemented.

(2) The national environmental policy and measures addressing excessive production capacity create new demand generating from vehicle replacement

During recent years, the national environmental and safety control policies have been tightened. Small-mid machinery enterprises with low R&D capability and technology level, as well as their obsolete capacity, are gradually eliminated. Capitalised on advantages over technology, products and financial strength, leading players continue to capture market share. For instance, in the concrete mixer truck industry, the inventory of equipment of China III vehicle emission standards and of below standards represents more than 30% of the total number. Mixer trucks are mainly used for transport concrete for highways. Since they are subject to the diesel emission policy, the market will need approximately 20,000 new mixer trucks per annum from 2020 to 2023, in addition to the demand creating from vehicle replacement. Furthermore, overloading is common in the mixer truck industry. Due to the regulation combating overloading, demand for compliant mixer trucks will grow rapidly. Environmental policy and regulation combating overloading will accelerate equipment replacement which will create new demand for the market.

Therefore, construction machinery satisfying national environmental policy and loading standards will be chosen as the replacement in the next couple of years, creating substantial market demand for the project.

*(II) Key components intelligent manufacturing project**1. Necessity of the project*

- (1) High-strength steel and metal sheet are the key material for light-weight products of the Company

Light-weight products have become the future trend for the construction machinery industry due to the increasing urbanisation and industrialisation of the PRC, strong government support to environmental protection and active promotion of low energy-consumption and emission car. In light of the market trend of large-size light-weight products, high-strength steel and metal sheet are widely applied to manufacture structural and wear-resistant parts. For instance, the 5-axle 67-Meter steel boom pump truck, the star product of the Company, is made of 1,100MPa ultra high-strength steel with a hollow design. It is well received by the industry. High-strength steel and metal sheet are also the integral part of the Company's products, such as excavator, crane, pump truck, aerial work platform.

Competition in the global construction machinery market is increasingly keen. The Company is required to achieve intelligent manufacturing for key components, launch wide-ranged and diversified products and enhance product quality to satisfy market needs. It also needs to align with market trend and establish competitive advantages in the market.

- (2) Intelligent manufacturing of high-strength steel and metal sheet can greatly enhance the manufacturing efficiency

Intelligent manufacturing of high-strength steel and metal sheet has higher technology requirements than traditional manufacturing where precision of products made of traditional steel cannot be secured. Therefore, mid- and high-end digital steel bar and intelligent workshop are the options to ensure quality and efficiency of key parts and components.

The project will introduce various mid- to high-end digital processing equipment, such as fibre laser cutting machines, one-headed plasma cutting machines, and multi-headed digital flame cutting machines. Also, intelligent manufacturing workshops will be designed in such a way compatible with the production scale, product features and knowhow requirements in order to achieve a high output ratio. The project will invest in various intelligent manufacturing equipment which enables higher automation and efficiency of production lines. Design concept of shortest distance will be adopted in workshops to reduce repeated or unnecessary logistics distance.

- (3) Centralised production of high-strength steel and metal sheet can achieve higher efficiency in cost

The current production bases of high-strength steel and metal sheet of the Company are scattered across Changsha, Weinan and other cities in the PRC. The scattered distribution leads to difficulty in overall management of parts and components and in monitoring sub-standard output, resulting in material wastage. Besides, numerous production bases also increase the transportation costs of the Company in adjusting and dispatching resources in between these bases.

Key components intelligent manufacturing project can resolve the above problems. Firstly, centralised production facilitates the promotion and application of intelligent manufacturing and new high technology. It helps to save investment, shorten production flow, and achieve safe production. Further, the project is located at an area with good transportation network. Centralized and sizable production not only reduces raw material wastage and quality risks, but also achieves greater cost benefits. Centralised production base also facilitates the Company to demonstrate its production capability, enhance corporate image and gain international connection.

2. *Feasibility of the project*

- (1) The Company has a pool of talent from various disciplines and professions

After more than 20 years' development, the Company has established a pool of talent who are high-quality, energetic and committed to innovation, and come from various disciplines and professions. We also have talents from intelligent manufacturing. In order to achieve the objective of the project, the Company will offer necessary training to production personnel who are on board after production commencement. These training include modern management and operation training for management; and ongoing training on product design, knowhow, electrical and hydraulic technology, foreign languages and computer skills to technical staff. Workers in workshop are required to have training from specialised schools, possess skill to operate production and hold relevant certificates. Inspection and sales personnel can only be on board after professional training. Leveraged on the abundant talent pool and systematic pre-work training, the project will be implemented smoothly.

- (2) The Company possesses comprehensive R&D system and abundant R&D resources

Zoomlion Technology Centre is a State-accredited “Enterprise Technology Centre” recognized by the National Development and Reform Commission, the Ministry of Technology, the Ministry of Finance, the State Taxation Administration and the General Administration for Customs in November 2005. It is committed to R&D of new construction machinery products, R&D and promotion and application of new knowhow and technology, setting industry standards, and collection and study of information on technology. Zoomlion Technology Centre, as the core R&D support to the Company, averagely completes 300 scientific research projects, and undertakes 19 projects of national and provincial level under the State Project 863 and the support projects under the State 11th Five Year Plan every year.

The State Key Laboratory of Key Technology of Construction Machinery was approved by the Ministry of Technology in 2008. The laboratory, backed up by the Company, contains 4 laboratories for structural, transmission, hydraulics and electric studies and 4 complete-vehicle laboratories for concrete machinery, with an area of 160,000 sq. metres. It is committed to research of key and common technology of construction machinery industry.

Therefore, the Company will be able to engage in technological R&D smoothly with the support from Zoomlion Technology Centre and the State Key Laboratory of Key Technology of Construction Machinery. Upon commencement of production of the project to be funded by the proceeds, it can achieve its objective to produce high-strength steel and metal sheet.

(III) Liquidity replenishment

1. Necessity of the project

- (1) To satisfy the capital requirements of the Company in expanding core business

As the downstream customers engaging in the national infrastructure and property development and mining operation have increasing demand for quality products, the Company is required to keep improving the design and technology of the relevant construction machinery products so as to secure sustainable business growth. During recent years, the Company has expanded its operation scale following the increasing market of the construction machinery industry. Therefore, the Company has a higher requirement of capital in raw material procurement and R&D. The Adjusted Non-public Issuance will further satisfy the capital requirement of the Company in expanding core business.

- (2) To optimise the capital structure and enhance sustainable profitability of the Company

Construction machinery industry is a high-end equipment manufacturing industry with extremely high requirement of investment size and technology level. It is a typical capital- and technology-intensive industry. Besides, it is the practice for the construction machinery companies to provide certain credit period to downstream customers, and therefore substantial liquidity is required to support daily operation. The Adjusted Non-public Issuance can not only replenish the liquidity, reduce financial burden and optimise the capital structure of the Company, but also improve risk tolerance and improve the profitability of the Company.

2. *Feasibility of the project*

The use of proceeds for liquidity replenishment is compliant with the relevant laws, regulations and policy as well as the liquidity requirement under the Regulatory Q&A — Regulatory Requirements Governing the Fundraising of Listing Companies (Revised). Therefore, the plan is practicable and feasible.

The use of proceeds for liquidity replenishment is in line with the current status of the industry and relevant policies, and therefore, the plan is feasible. The proceeds, upon receipt, can help to meet the capital requirements of the Company, optimise its financial structure and improve profitability and competitiveness of the Company, which in turn is of the interest of the Shareholders as a whole.

3. **Effect of the Adjusted Non-public Issuance on the operation, management and financial position of the Company**

A. **Effect of the Adjusted Non-public Issuance on the operation and management of the Company**

The proceeds of the Adjusted Non-public Issuance is mainly used for the construction machinery intelligent manufacturing project and the key components intelligent manufacturing project. Upon completion of the projects and their commencement in production, the competitiveness and performance of the products of the Company will be improved while the production costs can be lowered. In addition, the R&D of system management can be enhanced which in turn can strengthen the R&D capability of the Company, upgrade product, reinforce the leading position and secure sustainable development of the Company.

B. **Effect of the Adjusted Non-public Issuance on the financial position of the Company**

Upon completion of the Adjusted Non-public Issuance, the total current assets and total net asset of the Company will both increase while the gearing ratio will decrease. Pressure on working capital will be effectively relieved. Since the liquidity and solvency will be improved, the capital structure and risk tolerance of the Company will also be improved and strengthened.

The investment projects to be funded by the Adjusted Non-public Issuance are in line with the relevant industrial policies of the PRC and the strategic development of the Company. These projects have promising development prospects and economic benefits, which will further enhance the operating income and profitability of the Company and are in the interests of the Company and the Shareholders as a whole.

C. Effect of the Adjusted Non-public Issuance on the returns of the current period

Upon completion of the Adjusted Non-public Issuance, the total share capital of the Company will increase. Since it will take a certain period of time for the Company to realise the operating income from the projects to be funded by the proceeds, the earning per Share is likely to be diluted in the short term. In order to recover the shareholders' return, the Company intends to improve asset quality and achieve sustainable development of the Company through speeding up the investment of the concerned projects, strengthening the management of the proceeds of the Adjusted Non-public Issuance, improving corporate governance, refining and strictly executing the profit allocation policy and optimising mechanism of shareholders' return.

4. Approval status of the investment projects to be funded by the Adjusted Non-public Issuance

The issue of A Shares under the Adjusted Non-public Issuance is considered and approved at the fifth provisional meeting of the sixth session of the Board for 2020. The independent Directors have issued their independent opinion approving the same.

The Adjusted Non-public Issuance is subject to the approval of the Shareholders at the EGM and the approval of the CSRC, in accordance with the relevant laws and regulations, such as the Company Law, the Securities Law, the Administrative Measures and the Implementation Rules.

Upon approval of the CSRC, the Company will apply to Shenzhen Stock Exchange and Chinese Securities Depository and Clearing Corporation Limited, Shenzhen branch for issuance, registration and listing of stock.

5. Conclusion

On conclusion, after prudent analysis, the Board considers that the investment projects to be funded by the proceeds of the Adjusted Non-public Issuance are in line with the relevant industry policies, laws and regulations of the PRC, meet the strategic development of the Company and have promising market prospectus and sound economic efficiency. After the application of the proceeds of the Adjusted Non-public Issuance, the working capital of the Company can be replenished, the current assets, net assets, liquidity and solvency of the Company will increase, and the capital structure and risk tolerance of the Company will be improved and strengthened. In addition, product performance can be improved while product cost can be lowered. Enhancement in R&D capability and product upgrade can be achieved in order to reinforce the industry position of the Company. All of these form a solid foundation for the Company's sustainable development and are of the interest of the Shareholders as a whole.

Measures on making up diluted returns for the current period due to the Adjusted Non-public Issuance

Pursuant to the relevant requirements of the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Market (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (國辦發 [2013] 110號), the Opinions of the State Council on Further Promoting the Sound Development of Capital Market (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》) (國發 [2014] 17號) and the Guidance Opinions in Relation to the Matters Relating to the Dilution of Returns for the Current Period by Initial Public Offering, Refinancing and Material Assets Reorganization (CSRC Notice [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》)(證監會公告 [2015] 31號), the Company has truly and properly conducted an analysis on the dilution of returns for the current period due to the Adjusted Non-public Issuance and proposed specific measures to make up the returns, in order to protect the rights to knowledge and safeguard the interests of minority Shareholders. The relevant parties undertake to properly implement the make-up measures of the Company, and the specific conditions of which are as follows:

Special reminder: Investors are minded to take note that the Company makes no guarantee to future earnings by formulation of these make-up measures.

1. Analysis of the impact of the Adjusted Non-public Issuance on major financial indicators**A. Assumptions**

- (I) Assuming that there is no major adverse change in the situation of the macro-economic environment and securities market, and no major adverse change in the operation environment of the Company;
- (II) Assuming that the Adjusted Non-public Issuance will be completed in November 2020. Such time of completion is used to measure the impact of the dilution of returns for the current period due to the Adjusted Non-public Issuance on major financial indicators only, which does not constitute any commitment to the actual time of completion and will be subject to the actual time of completion as approved by the CSRC;
- (III) Assuming that the number of A Shares to be issued under the Adjusted Non-public Issuance is 1,060,000,000 A Shares, which does not exceed 20% of the total number of A Shares in the share capital as at the date of the AGM. The above number of A Share to be issued is only an estimate and solely used to measure the impact of dilution of returns for the current period due to the Adjusted Non-public Issuance on major financial indicators and does not represent the final number of A shares to be issued. In estimating the net assets of the Company after the Adjusted Non-public Issuance, the impact of factors other than the proceeds, net profit, cash dividends on the net assets are not considered; and impact of other factors which may affect the number of A Shares such as the capitalisation of reserves and payment of dividends of the Company are not considered;

- (IV) According to the 2019 annual report of the Company, the net profits attributable to owners of the parent company before and after extraordinary items for 2019 were RMB4,371,456,600 and RMB3,514,297,500 respectively, assuming that there is the occurrence of the following situations in respect of the net profits attributable to owners of the parent company before and after extraordinary items that: (1) they are the same as that of 2019; (2) they have a growth of 10% comparing to that of 2019; (3) they have a growth of 20% comparing to that of 2019. This assumption is used to measure the impact of the Adjusted Non-public Issuance on the returns of the Company for the current period only, which does not represent any judgment on the condition and trend of operation of the Company, nor does it constitute a profit forecast;
- (V) The effect of the proceeds from the Adjusted Non-public Issuance on the production, operation and financial status (such as financial expenses and investment income) of the Company is not considered, and the profit distribution is not considered;
- (VI) When making an estimation about the total share capital and a calculation of the earnings per A Share after the Adjusted Non-public Issuance by the end of 2020, the impact of the Adjusted Non-public Issuance on the total share capital is considered only and other possible changes in A Shares that may occur during such period are not considered; and
- (VII) The assumptions on the number of A Shares to be issued, the amount of proceeds to be raised and the time of issuance under the Adjusted Non-public Issuance are made only for calculation purpose, and will be subject to the number of A Shares to be issued, issuance results and actual date of issuance as approved by the CSRC.

The above assumptions are used to measure the impact of the dilution of returns for the current period due to the Adjusted Non-public Issuance on the major financial indicators only, which do not represent any judgment on the operation condition and financial status of the Company for 2020, nor does it constitute a profit forecast. The profitability of the Company for 2020 depends on various factors such as national macro-economic policies, industrial development, market competition and business development of the Company, and there are lots of uncertainties. Investors should not make investment decisions based on this report, and the Company shall not be liable for any loss so incurred to the investors.

**MEASURES ON MAKING UP DILUTED RETURNS FOR THE
CURRENT PERIOD DUE TO THE ADJUSTED NON-PUBLIC ISSUANCE**

Based on the above assumptions, the impact of the dilution of returns for the current period due to the Adjusted Non-public Issuance is as follows:

Description	For the year of 2019/As at 31 December 2019	For the year of 2020/ As at 31 December 2020	
		Before the Adjusted Non- public Issuance	After the Adjusted Non- public Issuance
Total share capital (in 10,000 A Shares)	787,497.49	789,877.82	895,877.82
Total amount of proceeds raised by the Adjusted Non-public Issuance (in RMB10,000)			560,000.00
Assuming that: the net profits attributable to owners of the parent company before and after extraordinary items for 2020 is the same as that of 2019			
Net profits attributable to equity Shareholders of the Company (in RMB10,000)	437,145.66	437,145.66	437,145.66
Net profits attributable to equity Shareholders of the Company after extraordinary items (in RMB10,000)	351,429.75	351,429.75	351,429.75
Basic earnings per A Share (RMB per A Share)	0.58	0.55	0.55
Diluted earnings per A Share (RMB per A Share)	0.58	0.55	0.55
Basic earnings per A Share after extraordinary items (RMB per A Share)	0.47	0.45	0.44
Diluted earnings per A Share after extraordinary items (RMB per A Share)	0.47	0.45	0.44
Weighted average return on net assets	10.82%	10.67%	10.55%
Weighted average return on net assets (after extraordinary items)	8.70%	8.58%	8.48%

APPENDIX II	MEASURES ON MAKING UP DILUTED RETURNS FOR THE CURRENT PERIOD DUE TO THE ADJUSTED NON-PUBLIC ISSUANCE		
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Description	For the year of 2019/As at 31 December 2019	For the year of 2020/ As at 31 December 2020	
		Before the Adjusted Non- public Issuance	After the Adjusted Non- public Issuance
Assuming that: the net profits attributable to owners of the parent company before and after extraordinary items for 2020 have a growth of 10% comparing to that of 2019			
Net profits attributable to equity Shareholders of the Company (in RMB10,000)	437,145.66	480,860.22	480,860.22
Net profits attributable to equity Shareholders of the Company after extraordinary items (in RMB10,000)	351,429.75	386,572.73	386,572.73
Basic earnings per A Share (RMB per A Share)	0.58	0.61	0.60
Diluted earnings per A Share (RMB per A Share)	0.58	0.61	0.60
Basic earnings per A Share after extraordinary items (RMB per A Share)	0.47	0.49	0.48
Diluted earnings per A Share after extraordinary items (RMB per A Share)	0.47	0.49	0.48
Weighted average return on net assets	10.82%	11.67%	11.54%
Weighted average return on net assets (after extraordinary items)	8.70%	9.39%	9.28%
Assuming that: the net profits attributable to owners of the parent company before and after extraordinary items for 2020 have a growth of 20% comparing to that of 2019			
Net profits attributable to equity Shareholders of the Company (in RMB10,000)	437,145.66	524,574.79	524,574.79
Net profits attributable to equity Shareholders of the Company after extraordinary items (in RMB10,000)	351,429.75	421,715.70	421,715.70
Basic earnings per A Share (RMB per A Share)	0.58	0.67	0.66
Diluted earnings per A Share (RMB per A Share)	0.58	0.67	0.66

Description	For the year of 2019/As at 31 December 2019	For the year of 2020/ As at 31 December 2020	
		Before the Adjusted Non- public Issuance	After the Adjusted Non- public Issuance
Basic earnings per A Share after extraordinary items (RMB per A Share)	0.47	0.53	0.53
Diluted earnings per A Share after extraordinary items (RMB per A Share)	0.47	0.53	0.53
Weighted average return on net assets	10.82%	12.67%	12.53%
Weighted average return on net assets (after extraordinary items)	8.70%	10.19%	10.07%

Note 1: The formulas for calculating the basic earnings per A Share and diluted earnings per A Share are subject to the requirements of the Guidance Opinions in relation to the Matters relating to Dilution of Returns for the Current Period by Initial Public Offering, Refinancing, and Material Assets Reorganisation issued by the CSRC, and based on the Rules for Preparation of Information Disclosure by Companies engaging in Public Issuance of Securities No. 9 — Calculation and Disclosure of the Return on Net Assets and Earnings Per Share (《公開發行證券的公司信息披露編報規則第9號 — 淨資產收益率和每股收益的計算及披露》).

Note 2: The total share capital before the Adjusted Non-public Issuance is the total share capital of the Company as at 30 June 2020.

2. The risk alert for the dilution of returns for the current period due to the Adjusted Non-public Issuance

After completion of the Adjusted Non-public Issuance, the size of the total share capital and net assets of the Company will be increased accordingly. Since a certain period of time is required for the preparation and implementation of the investment projects to which the fund raising relates, the financial indicators such as return on net assets and earnings per A Share may reduce to a certain extent in the short run. Investors are reminded that there is a risk of the dilution of returns to the Shareholders for the current period.

In the medium and long run, as those projects will be progressively completed and will then generate income, the continual profitability of the Company will be further enhanced. It is expected that the earnings per A Share and return on net assets will be gradually increased.

3. Necessity and rationality of the Adjusted Non-public Issuance

For the analysis of the necessity and rationality of the Adjusted Non-public Issuance, please refer to Appendix I of this circular.

4. Relationship between the investment projects to which the fund raising relates and the existing business of the Company, and the reserves in personnel, technology, market and other aspects of the Company in respect of those projects

A. Relationship between the investment projects to which the fund raising relates and the existing business of the Company

The Company is mainly engaged in the research and development, manufacturing, sales and other services of construction machinery and agricultural machinery. Construction machinery includes concrete machinery, crane machinery, infrastructure construction machinery, pile foundation machinery, work-at-height machinery, fire-fighting machinery, road building and maintenance machinery, forklift truck and other products, which are mainly used for infrastructure and real estate construction; agricultural machinery includes farming machinery, harvesting machinery, drying machinery, agricultural equipment and other products, which are mainly used throughout the entire agricultural production process including breeding, field preparation, sowing, field management, harvesting, drying, storage and other procedures.

The investment projects to which the fund raising relates are an extension and expansion of the existing principal businesses of the Company. By the implementation of these projects, the Company can strengthen its existing principal businesses, improve its research and development capabilities, strive for expansion of its market share, strengthen its market competitiveness and profitability and promote its sustainable development in the long run.

B. Reserves in terms of personnel, technology, market and other aspects of the Company

(I) Technological reserves

The Company, whose predecessor was the former Construction Machinery Research Institute of Changsha, has more than 60 years of technical experience and is the origin of construction machinery technology in China. The Company is a promoter of the standards for construction machinery industry in China, which has led, participated in, formulated and amended more than 300 national and industrial standards, and is the first company in the construction machinery industry in China named as a secretariat of a committee of the International Organization for Standardisation, allowing it to represent the interests of the entire industry and enhancing the access of Chinese construction machinery to the international market; the Company has 6 innovative platforms at national level, namely a corporate technological center at national level, a national key laboratory for critical technologies relating to construction machinery, a national concrete machinery technology research center, a national cooperative engineering research center for mobile crane technology, a national cooperative engineering research center for modern agricultural equipment and a postdoctoral research workstation at national level, allowing it to stay at the forefront in terms of the number of innovation platforms at national level; it also captures the core technologies in the industry and develops numerous innovative and cutting-edge products based on the needs of major construction works in China and won numerous national scientific and technological awards for outstanding performance, thus leading the development of technologies and products in the industry.

The international standards of ISO 19720-1:2017 known as “Building Construction Machinery and Equipment — Plants for the Preparation of Concrete and Mortar — Part 1: Terminology and Commercial Specifications” was officially published in June 2017, which has become the first international standards led and officially issued by a Chinese company in the global construction machinery industry; the international standards of ISO10245-3 known as “Cranes — Limiting and Indicating Devices — Part 3: Tower Cranes” was officially published in March 2019, which has become the first international standards in the crane segment the revision of which was led and completed by a Chinese company; in 2019, the Company formed various project teams for leading the revision of the international standards of ISO 12480-1, known as “Cranes — Safe use — Part 1: General” and ISO 9928-3 known as “Cranes — Crane Operating Manual — Part 1: General” respectively.

In conclusion, the Company has made sufficient technological reserves for the implementation of these investment projects to which the fund raising relates.

(II) Personnel reserves

The core management team of the Company has extensive experience in the research and development, manufacturing, sales, marketing and quality control in production of construction machinery and agricultural machinery, and has a deep and comprehensive understanding of the future development trends of the construction machinery and agricultural machinery industry, and is rather forward looking in making judgments on market trends and technological directions.

As at 30 June 2020, the Company had a total of 20,823 employees worldwide, of which 7,970 employees received undergraduate degrees or above qualifications and 1,417 employees received master degrees or above qualifications. In terms of occupational structure, the Company had 8,849 production staff, 3,193 sales staff, 4,928 research and development staff, 495 financial staff and 3,358 administrative staff. The Company will continue to retain outstanding talents and experts through recruitment, training, promotion and other methods in order to maintain the level of quality service and leading professional status of the Company in the industry and continue to satisfy the needs of customer. As such, the Company has sufficient and reasonably structured personnel reserves to ensure the effective implementation of the investment projects to which the fund raising relates.

In conclusion, the Company has reasonable and experienced personnel reserves to ensure the smooth implementation of the investment projects to which the fund raising relates.

(III) Capabilities of market development

Since the Company pays concern to the integration of high quality resources from a global perspective for the purpose of promoting rapid expansion, it has built a global manufacturing, sales and service network. In terms of manufacturing bases, it has established various industrial manufacturing bases worldwide through the integration and composition of industrial parks within and outside China. In terms of product sales and service networks, the product market of the Company has covered more than 100 countries and regions around the world, and through which it has established a global market structure and a global logistics network and spare parts supply system, in particular setting up constituent companies and representative offices along the routes of “One Belt One Road”. As an equipment manufacturing company capitalized on the key strategies under “One Belt One Road”, the Company has strived to explore foreign markets. Through the ownership of industrial parks or production bases in countries along the routes of “One Belt One Road”, such as Belarus, Kazakhstan, India, Pakistan, Indonesia, Thailand and other countries, the strategy of the Company for foreign development has evolved from “going out” to “going in”, i.e. the localisation of operation, thus creating new opportunities for development of the Company.

By progressively acquiring dozens of companies locally and in the overseas since 2001, the Company has become a pioneer for integration of foreign resources in the construction machinery industry in China; amongst which, the acquisition of Compagnia Italiana Forme Acciaio (CIFA), an Italian company, in 2008 represented a rapid absorption and re-innovation by the Company of the highest level of technology in the world, allowing the Company to become a pioneer and leader for internationalization of the Chinese construction machinery. The management team has accumulated experience in the course of a series of acquisitions, and through which it has derived five principles for successful acquisitions: “Tolerance, Responsibility, Regulation, Co-creation and Sharing”. The corporate culture of the Company has allowed the merged companies to smoothly integrate into the management system of the Company and attracted abundant outstanding and experienced talents and experts, successfully solving the management problems after the acquisitions. Especially in the course of foreign acquisitions and resource integration, the Company insisted on the leading role of its corporate culture, seized the strategic control, intensified coordination and exploration so as to implement the principles of “leadership, intensification and penetration”.

Forward-looking strategic decisions reflect the strategic views and insights of corporate managers. The Company has an acute awareness of economic development trends in the international and local realms, and it promotes corporate strategic transformation and upgrading in a timely manner, gains a foothold in the product and capital markets respectively and promotes the respective integrations of production and internet as well as industry and finance. The Company focuses on the construction machinery and agricultural machinery segments, optimises and strengthens its core businesses and fully enhances the position and influence of the Company in the global market by way of cross-border acquisitions and international cooperation.

In conclusion, the well-developed marketing network and sufficient customer resources of the Company have laid a sound market foundation for the investments projects to which the fund raising relates.

5. Specific measures on making up diluted returns for the current period due to the Adjusted Non-public Issuance

Considering the potential impact of the dilution of returns to the Shareholders for the current period due to the Adjusted Non-public Issuance and in order to protect the interests of the Shareholders, especially minority Shareholders, the Company will adopt the following measures to enhance the profitability and Shareholders' returns, in order to make up the diluted returns to the Shareholders for the current period due to the Adjusted Non-public Issuance:

A. To accelerate the development of the investment projects to which the fund raising relates and realise the expected returns of these projects as soon as possible

The implementation of the investment projects to which the fund raising relates will help to extend the influence of the Company in the market, further enhance its competitive advantages and improve its sustainable development capabilities that are beneficial to the realisation and maintenance of the interests of the Shareholders in the long run.

The Company will accelerate the implementation of the investment projects to which the fund raising relates and strive to complete them as soon as possible so as to contribute to the improvement of its operation results and profitability and facilitate the making up of diluted returns to the Shareholders for the current period due to the Adjusted Non-public Issuance.

B. To continuously improve the level of corporate governance and safeguard the development of the Company through the regulatory regime

The Company will strictly adhere to the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies (《上市公司治理準則》) and other requirements of relevant laws and regulations and regulatory documents, and continuously improve its corporate governance structure, in order to ensure that the Shareholders are able to fully exercise their rights and the Board can perform its duty in accordance with the laws and regulations and the Articles and make decisions in a scientific, prompt and prudent manner; and ensure that independent Directors can perform their duties diligently and protect the interests of the Company as a whole, especially the legitimate rights and interests of minority Shareholders; and ensure that the board of supervisors can independently and effectively exercise the rights of supervision and inspection over managers and other senior management personnel and also the financial status of the Company so as to safeguard the development of the Company through the regulatory regime.

C. To strengthen the management of the proceeds raised and ensure the uses of the proceeds are regulated

Pursuant to the Company Law, the Securities Law, the Administrative Measures, the Regulatory Guidance No. 2 of Listed Companies — Supervision and Administration Requirements for Listed Companies on the Management and Use of Raised Funds (《上市公司監管指引第 2 號 — 上市公司募集資金管理和使用的監管要求》), the Shenzhen Listing Rules and other requirements of relevant laws and regulations and regulatory documents and the Articles, the Company has formulated the Fund Raising Management Mechanism to expressly regulate the deposit, use, change in use, management and supervision of the accounts specialised for the proceeds raised. In order to ensure that the proceeds will be used by the Company in a regulated and effective way, the Board

will continue to monitor the deposit and use of the proceeds received from the Adjusted Non-public Issuance, regularly conduct internal audits on the proceeds and cooperate with regulatory banks and sponsors on the inspection and supervision of the proceeds so as to ensure that the proceeds will be used in a reasonable and regulated manner and avoid the risks of improper use.

D. To strictly implement the bonus policies and protect the returns to the Shareholders

Pursuant to the Company Law, the CSRC's Notice on Further Implementation of Cash Dividend Distribution by Listed Companies (Zheng Jian Fa [2012] No.37) (《關於進一步落實上市公司現金分紅有關事項的通知》) (證監發 [2012] 37號) and the Regulatory Guidance No. 3 of Listed Companies — Cash Dividend Distribution by Listed Companies (CSRC Notice [2013] No.43) (《上市公司監管指引第3號 — 上市公司現金分紅》) (證監會公告 [2013] 43號) and other requirements of relevant laws, regulations and regulatory documents and the Articles, and after fully considering factors such as corporate profitability, business development plan, Shareholders' returns, social capital costs and external financing environment, the Company has formulated the Shareholders' returns plan for the next three years (2020–2022) to further clarify and improve the principles and methods of profit distribution of the Company, in particular the specific conditions and proportion for distribution of cash dividends and the conditions for distribution of stock dividends, in order to improve the decision-making procedures and mechanism for profit distribution of the Company and the decision-making procedures for adjustment of profit distribution policies.

In the future, the Company will continue to strictly implement its bonus policies and strengthen its investors' returns mechanism so as to ensure that the interests of the Shareholders, especially minority Shareholders, are protected, and will strive to improve the Shareholders' returns.

E. Commitments made by the Directors and senior management of the Company in relation to the measures on making up diluted returns for the current period due to the Adjusted Non-public Issuance

Pursuant to the Opinions of the State Council on Further Promoting the Sound Development of Capital Market (Guo Fa [2014] No. 17), the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Interests of Minority Investors in the Capital Market (Guo Ban Fa [2013] No. 110) and the Guidance Opinions in Relation to the Matters Relating to the Dilution of Returns for the Current Period by Initial Public Offering, Refinancing and Material Assets Reorganization (CSRC Notice [2015] No. 31) promulgated by the State Council, the CSRC and other departments respectively, the directors and senior management of the Company make the following commitments in relation to the measures on making up diluted returns for the current period due to the Adjusted Non-Public Issuance respectively:

- (I) I undertake not to transfer benefits to other units or individuals at nil consideration or on unfair conditions, or otherwise damage the interests of the Company in any manner whatsoever;
- (II) I undertake to restrict my consumption behaviour during the performance of duties;
- (III) I undertake not to use the assets of the Company for investment and consumption activities that are not related to the performance of duties;

- (IV) I undertake to support the collaboration between the remuneration mechanism formulated by the Board or its remuneration and appraisal committee and the implementation of the measures on making up returns by the Company;
- (V) if the Company formulates any share incentive plan in the future, I undertake to support the collaboration between the conditions for exercise of the share incentive plan of the Company and the implementation of the measures on making up returns by the Company;
- (VI) After the making of these commitments, if the CSRC, Shenzhen Stock Exchange and other regulatory authorities promulgate any other new regulations relating to the measures on making up returns and the relevant commitments, and the above commitments are not able to comply with those regulations, I undertake to provide supplementary commitments in accordance with the latest regulations at that time; and
- (VII) I undertake to truly and properly perform these commitments. If I violate these commitments and as a result the Company or investors suffer losses, I am willing to accept the related administrative penalties or regulatory measures, and willing to assume the liability for compensation to the Company or investors in accordance with the law.

NOTICE OF EGM



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

中联重科股份有限公司

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

(Stock Code: 1157)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN by the board (the “**Board**”) of directors (the “**Directors**”) of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (the “**Company**”) that the extraordinary general meeting of the Company (the “**EGM**”) will be held at Multi-function Conference Room, Company Office Building, No. 361, Yin Pen South Road, Changsha City, Hunan Province, the People's Republic of China (“**PRC**”) at 2:30 p.m. on Tuesday, 27 October 2020 by way of physical meeting. Details of the EGM are as follows:

SPECIAL RESOLUTIONS

1. To consider and approve the Adjusted Non-public Issuance (as defined in the Company's circulated dated 9 October 2020):
 - (1) class and nominal value of shares to be issued;
 - (2) issue method and time;
 - (3) target subscribers and subscription method;
 - (4) issue price and pricing principles;
 - (5) issue size;
 - (6) lock-up period;
 - (7) arrangement of accumulated profit distribution prior to completion of the issuance;
 - (8) listing venue;
 - (9) use of proceeds; and
 - (10) validity period of the resolution.
2. To consider and approve the proposal for the Adjusted Non-public Issuance.
3. To consider and approve the feasibility analysis report on the use of proceeds of the Adjusted Non-public Issuance.

NOTICE OF EGM

4. To consider and approve the measures on making up diluted returns for the current period due to the Adjusted Non-public Issuance.
5. To consider and approve the authorisation to the Board and its authorised person(s) to handle all matters relating to the Adjusted Non-public Issuance within the scope permitted by the relevant laws and regulations at their discretion.

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

Changsha, the PRC, 9 October 2020

As at the date of this notice, 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

Notes:

(1) Eligibility for Attending the EGM and closure of H shares register of members

The H share register of members of the Company will be closed for the purpose of determining entitlement of holders of H shares to attend and vote at the EGM, from Friday, 23 October 2020 to Tuesday, 27 October 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to attend and vote at the EGM, holders of H shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 22 October 2020.

(2) Proxy

- a. Each shareholder entitled to attend and vote at the EGM may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
- b. The instrument appointing a proxy must be in writing by the appointor or his attorney duly authorised in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorised attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.
- c. To be valid, for holders of H shares, the proxy form and notarised power of attorney or other authorisation document must be delivered to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time appointed for the EGM (proxy form for use at the EGM is attached herewith). If a shareholder appoints more than one proxy, such proxies shall only exercise the right to vote by poll.

(3) Registration procedures for attending the EGM

A shareholder or his proxy should produce proof of identity when attending the EGM. If a shareholder is a legal entity, its legal representative or other person authorised by the board of directors or other governing body of such shareholder may attend the EGM by producing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

NOTICE OF EGM

(4) Voting by poll

According to Rule 13.39(4) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the EGM will demand a poll in relation to all the proposed resolutions at the EGM in accordance with the Company's articles of association.

(5) Miscellaneous

- a. The EGM is expected to last for no more than half a day. Shareholders (or their proxies) attending the meeting in person are responsible for their own transportation and accommodation expenses.
- b. The address of Computershare Hong Kong Investor Services Limited is: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- c. The registered office of the Company is: No. 361, Yin Pen South Road, Changsha City, Hunan Province, the PRC. Telephone: (86 731) 8878 8432. Fax: (86 731) 8565 1157. Email: 157@zoomlion.com.