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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)**

## **ANNOUNCEMENT**

# **CANCELLATION OF OPTIONS AND REPURCHASE AND CANCELLATION OF RESTRICTED A SHARES HELD BY CERTAIN PARTICIPANTS AND COMMENCEMENT OF THE THIRD EXERCISE PERIOD IN RESPECT OF OPTIONS AND THE THIRD UNLOCK PERIOD IN RESPECT OF RESTRICTED A SHARES**

## **CANCELLATION OF OPTIONS AND REPURCHASE AND CANCELLATION OF RESTRICTED A SHARES HELD BY CERTAIN PARTICIPANTS**

On 19 November 2020, the board (the “**Board**”) of directors (the “**Directors**”) of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) resolved to cancel the options and repurchase and cancel the restricted A shares held by certain participants of the Company’s share option scheme (the “**Share Option Scheme**”) and restricted A share incentive scheme (the “**Restricted A Share Incentive Scheme**”, and together with the Share Option Scheme, the “**Schemes**”), respectively. As a total of 31 participants of the respective Schemes are no longer qualified as participants due to reasons such as cessation and change of employment, the Board intends to cancel a total of 926,509 options granted to but not yet exercised by those participants under the Share Option Scheme, and repurchase and cancel a total of 926,505 restricted A shares granted to but not yet unlocked by those participants under the Restricted A Share Incentive Scheme, in accordance with the terms of the respective Schemes. The Board intends to cancel a total of 158,694 options held by 22 participants of the Share Option Scheme who obtained a “Fair” grade in their performance assessment and as such, are unable to satisfy the conditions for exercising such options. Further, the Board intends to cancel a total of 290,403 options granted to but not yet exercised by 27 participants of the Share Option Scheme under the first grant of options during the second exercise period. Accordingly, the Board intends

to cancel a total of 1,375,606 options held by 80 participants of the Share Option Scheme, and repurchase and cancel a total of 926,505 restricted A shares held by 31 participants of the Restricted A Share Incentive Scheme (all such repurchases and cancellations collectively, the “**Repurchase and Cancellation**”). Details are as follows:

## **I. Repurchase and cancellation**

### ***1. Reasons for and the number of options and restricted A shares to be repurchased and cancelled***

As at the date of this announcement, a total of 31 participants of the respective Schemes are no longer qualified as participants due to reasons such as cessation and change of employment. The Board intends to cancel a total of 926,509 options granted to but not yet exercised by those participants under the Share Option Scheme, and repurchase and cancel a total of 926,505 restricted A shares granted to but not yet unlocked by those participants under the Restricted A Share Incentive Scheme, in accordance with the terms of the respective Schemes.

As at the date of this announcement, 22 participants holding a total of 158,694 options under the Share Option Scheme have obtained a “Fair” grade in their performance assessment and as such, are unable to satisfy the conditions for exercising their options. Accordingly, the Board intends to cancel a total of 158,694 options held by those participants in accordance with the terms of the Share Option Scheme.

As at the date of this announcement, the Board intends to cancel a total of 290,403 options granted to but not yet exercised by 27 participants under the first grant of options during the second exercise period in accordance with the terms of the Share Option Scheme.

Accordingly, the Board intends to cancel a total of 1,375,606 options held by 80 participants of the Share Option Scheme, and repurchase and cancel a total of 926,505 restricted A shares held by 31 participants of the Restricted A Share Incentive Scheme. Upon completion of the Repurchase and Cancellation, the number of options granted under the Share Option Scheme will be adjusted from 156,877,328 options to 155,501,722 options, the number of restricted A shares granted under the Restricted A Share Incentive Scheme will be adjusted from 158,285,012 restricted A shares to 157,358,507 restricted A shares, and the number of participants under each Scheme will be adjusted from 1,093 to 1,062.

### ***2. Approvals for the Repurchase and Cancellation***

Pursuant to the authorisation granted by the Company’s shareholders at the extraordinary general meeting held on 1 November 2017, the Board resolved to approve the Repurchase and Cancellation. The independent Directors have issued an independent opinion on the Repurchase and Cancellation, and the supervisory committee of the Company resolved to approve the Repurchase and Cancellation.

## **II. Explanatory notes on the repurchase of restricted A shares**

### ***1. Number of restricted A shares to be repurchased, repurchase price and the source of funds***

#### *(1) Number of restricted A shares to be repurchased*

A total of 926,505 restricted A shares, being ordinary A shares, will be repurchased, representing 0.5853% of the restricted A shares granted under the Restricted A Share Incentive Scheme and 0.0117% of the total share capital of the Company.

#### *(2) Repurchase price*

According to the terms of the relevant Scheme, the repurchase price of the restricted A shares shall be the sum of the grant price and the interest accruing to bank deposits for the same period. In addition, if the Company declares a dividend after a grant of restricted A shares, the repurchase price of the restricted A shares not yet unlocked shall be adjusted accordingly such that the adjusted repurchase price shall be the grant price minus the amount of dividend declared per A share.

On 7 November 2017, the Board granted the restricted A shares to the participants at the grant price of RMB2.29 per A share. On 24 August 2018, the Company implemented the 2017 equity distribution plan and a cash dividend of RMB2 for every 10 shares was distributed to all holders of A shares. On 5 August 2019, the Company implemented the 2018 equity distribution plan and a cash dividend of RMB2.5 for every 10 shares was distributed to all holders of A shares. On 27 October 2020, the Company implemented the 2020 half-year equity distribution plan and a cash dividend of RMB2.1 for every 10 shares was distributed to all holders of A shares. Accordingly, the adjusted repurchase price shall be the sum of RMB1.63 per A share plus the interest accruing to bank deposits for the same period.

#### *(3) Source of funds*

Payment for the repurchase of the restricted A shares will be made out of internal funds of the Company.

### ***2. Effect on the operation results of the Company***

The Repurchase and Cancellation have no substantial effect on the financial position and operation results of the Company, nor will it impact on the diligence and integrity of the management team of the Company. The management team of the Company will continue to perform its duties faithfully so as to create value for shareholders.

# **COMMENCEMENT OF THE THIRD EXERCISE PERIOD IN RESPECT OF OPTIONS AND THE THIRD UNLOCK PERIOD IN RESPECT OF RESTRICTED A SHARES**

On 19 November 2020, the Board resolved to approve the commencement of the third exercise period in respect of options under the first grant of options under the Share Option Scheme and the third unlock period in respect of restricted A shares under the first grant of restricted A shares under the Restricted A Share Incentive Scheme. Based on the above resolution, the total number of options granted to and exercisable by 1,062 participants of the Share Option Scheme under the first grant of options during the third exercise period is 45,913,580 options, and the total number of restricted A shares granted to and may be unlocked by those participants under the first grant of restricted A shares under the Restricted A Share Incentive Scheme during the third unlock period is 46,072,212 A shares. Details are as follows:

## **I. Satisfaction of the conditions to exercise and unlock**

### ***1. Expiry of vesting period/lock-up period***

According to the terms of the respective Schemes, the options granted under the first grant of options have vesting periods of 12 months, 24 months and 36 months commencing from the date of grant. The restricted A shares under the first grant of restricted A shares have lock-up periods of 12 months, 24 months and 36 months commencing from the date of grant.

The date of first grant under the Schemes was 7 November 2017. As at the date of this announcement, the third vesting period/lock-up period of the options and restricted A shares under first grants of options and restricted A shares have expired respectively.

### ***2. Satisfaction of conditions to exercise/unlock the options***

- (1) As at the date of this announcement, there is no occurrence of any of the following on the part of the Company:
  - (i) issue of an auditors' report with a qualified opinion or which indicates an inability to give an opinion by a certified public account with respect to the financial report of the Company for its most recent accounting year;
  - (ii) issue of an auditors' report with a qualified opinion or which indicates an inability to give an opinion by a certified public account with respect to the financial reporting and internal control of the Company for its most recent accounting year;
  - (iii) there is any profit allocation contravening laws and regulations, the articles of association of the Company or any undertaking publicly made in the last 36 months after listing;
  - (iv) no share incentive scheme is allowed under laws and regulations; and

- (v) any other circumstances as determined by the China Securities Regulatory Commission (the “CSRC”).
- (2) As at the date of this announcement, there is no occurrence of any of the followings on the part of a participant under the first grant of options/restricted A shares:
- (i) he has been held to be an unsuitable candidate by a stock exchange in the last 12 months;
  - (ii) he has been held to be an unsuitable candidate by the CSRC or any of its dispatched agencies in the last 12 months;
  - (iii) he has been imposed with administrative penalties or measures which prohibit him from entering into the market by the CSRC or any of its dispatched agencies in the last 12 months due to material non-compliance with laws and regulations;
  - (iv) he is prohibited from acting as a Director or a member of the senior management of the Company under the Company Law of the People’s Republic of China;
  - (v) he is not allowed to participate in any share incentive scheme of a listed company under laws and regulations; and
  - (vi) there is any other circumstance as determined by the CSRC.
- (3) According to the terms of the respective Schemes, the performance target condition required of the Company for exercising the options under the first grant of options during the third exercise period is that “net profit of the Company for the year 2019 shall be a positive figure, and increase by 10% or more compared with that for the year 2018”, and the performance target condition required of the Company for unlocking the restricted A shares under the first grant of restricted A shares during the third unlock period is that “net profit of the Company for the year 2019 shall be a positive figure, and increase by 10% or more compared with that for the year 2018”.

According to the Audit Report (Tian Zhi Ye Zi no. 16616 of 2020) issued by Baker Tilly China Certified Public Accountants (Special General Partnership) on 30 March 2020, the net profit of the Company attributable to the owners of the parent company for the year 2019 amounted to RMB4,371,456,600, which increased by 116.42% compared with that for the year 2018. Based on the above, the performance target required of the Company for exercising the options under the first grant of options during the third exercise period and unlocking the restricted A shares under the first grant of restricted A shares during the third unlock period has been met.

- (4) According to the terms of the respective Schemes, the individual performance targets required of the participants are as follows:

(A) *Options*

Assessment Grade	Definition	Parameter for exercising options
Excellent	Annual assessment grade $\geq 90$	100%
Good	$80 \leq$ Annual assessment grade $< 90$	100%
Fair	$70 \leq$ Annual assessment grade $< 80$	70%
Needs improvement	Annual assessment grade $< 70$	0%

If the Company meets its performance target in the respective year, the actual number of options exercisable by a participant in that year would be: a parameter  $\times$  all the options exercisable by such participant during that exercise period.

(B) *Restricted A shares*

Assessment Grade	Definition	Parameter for unlocking restricted A shares
Excellent	Annual assessment grade $\geq 90$	100%
Good	$80 \leq$ Annual assessment grade $< 90$	100%
Fair	$70 \leq$ Annual assessment grade $< 80$	100%
Needs improvement	Annual assessment marks $< 70$	0%

If the Company meets its performance target in the respective year, the actual number of restricted A shares of a participant which can be unlocked in that year would be: a parameter  $\times$  all restricted A shares of such participant which can be unlocked during that unlock period.

According to the results of the assessment conducted by the remuneration and appraisal committee of the Board on the participants, save for 31 participants who have ceased or changed employment and amongst a total of 1,062 participants, there are 321 participants with “Excellent” grade, 710 participants with “Good” grade, 22 participants with “Fair” grade, and 9 participants having retired and no longer participating in the individual performance assessment.

Based on the above, save for a total of 158,694 options held by 22 participants who obtained “Fair” grade and as such, are unable to satisfy their performance targets, a total of 45,913,580 options granted under the first grant of options are exercisable during the third exercise period and a total of 46,072,212 restricted A shares granted under the first grant of restricted A shares may be unlocked during the third unlock period of the respective Schemes. The options held by participants who failed to satisfy conditions for exercise of options will be cancelled by the Company as a whole, and the restricted A shares held by participants who failed to satisfy the conditions for unlocking of restricted A shares will be repurchased and cancelled by the Company as a whole.



## II. The exercise/unlock arrangement in connection with the third exercise/unlock period under the Schemes

1. The source of shares to be issued upon the exercise of the options shall be such ordinary A shares of the Company specifically issued to the participants by the Company.
2. The participants of and the number of options granted under the first grant of the options and exercisable during the third exercise period pursuant to the Share Option Scheme are as follows:

No.	Name	Position	Number of options granted	Number of options exercisable during the current exercise period	Number of options not satisfying the conditions for exercise
1.	Zhan Chunxin	Chairman and Chief Executive Officer	2,888,520	866,556	0
2.	Xiong Yanming	Vice President	2,599,668	779,901	0
3.	Sun Changjun	Vice President	2,021,964	606,590	0
4.	Guo Xuehong	Vice President	2,202,497	660,750	0
5.	Fu Ling	Vice President	2,130,284	639,086	0
6.	Du Yigang	Vice President	2,310,816	693,246	0
7.	Wang Yongxiang	Vice President	1,400,000	420,000	0
8.	Luo Kai	Vice President	1,400,000	420,000	0
9.	Tang Shaofang	Vice President	1,000,000	300,000	0
10.	Shen Ke	Vice President	2,238,603	671,582	0
11.	Tian Bing	Assistant President	1,400,000	420,000	0
12.	Key personnel (1,051)	/	131,689,015	39,435,869	0
13.	Total (1,062)	/	153,281,367	45,913,580	0

3. The participants of and the number of restricted A shares granted under the first grant of the restricted A shares that may be unlocked during the third unlock period under the Restricted A Share Incentive Scheme are as follows:

No.	Name	Position	Number of restricted A shares granted	Number of restricted A shares that may be unlocked during the current unlock period	Number of restricted A shares not satisfying the conditions for unlocking
1.	Zhan Chunxin	Chairman and Chief Executive Officer	2,888,520	866,556	0
2.	Xiong Yanming	Vice President	2,599,668	779,901	0
3.	Sun Changjun	Vice President	2,021,964	606,590	0
4.	Guo Xuehong	Vice President	2,202,497	660,750	0
5.	Fu Ling	Vice President	2,130,284	639,086	0
6.	Du Yigang	Vice President	2,310,816	693,246	0
7.	Wang Yongxiang	Vice President	1,400,000	420,000	0
8.	Luo Kai	Vice President	1,400,000	420,000	0
9.	Tang Shaofang	Vice President	1,000,000	300,000	0
10.	Shen Ke	Vice President	2,238,603	671,582	0
11.	Tian Bing	Assistant President	1,400,000	420,000	0
12.	Key personnel (1,051)	/	131,689,015	39,594,501	0
13.	Total (1,062)	/	153,281,367	46,072,212	0

4. The exercise price of the options exercisable under the current exercise shall be RMB3.93 per A share. Prior to any exercise of the options by the participants, the Company had conducted certain capitalisation issue, bonus issue, payment of dividend and rights issue events, and the exercise price of the options shall be adjusted accordingly.
5. The current exercise period of the options is from 7 November 2020 to 6 November 2021. The exercise date must be a trading day and must not fall within any of the following periods: (1) the period commencing from 30 days prior to the publication of periodic reports of the Company, or in the event of delay in publishing the reports for special reasons, 30 days prior to the original date of publication, and ending one day before the announcement is published; (2) 10 trading days prior to the publication of the Company's announcement on estimated results and preliminary results; (3) the period commencing from the date of occurrence of a material event which may have a substantial impact on the trading prices of the Company's shares and their derivatives or the date on which the relevant decision-making procedures start, and ending on the second trading day following the disclosure in accordance with laws; (4) other periods as stipulated by the CSRC and Shenzhen Stock Exchange where directors and senior management of listed companies shall not deal in the shares of the Company.



6. The dealings of A shares by the above Directors, senior management and other personnel participating in the relevant Scheme during a period of six months before the date of this announcement are as follows:

Name	Position	Date of exercise of options	Number of options exercised (in A share)	Exercise price (RMB per A share)
Zhan Chunxin	Chairman and Chief Executive Officer	22 July 2020	866,556	4.14
Xiong Yanming	Vice President	22 July 2020	779,900	4.14
Sun Changjun	Vice President	22 July 2020	606,589	4.14
Guo Xuehong	Vice President	22 July 2020	660,749	4.14
Fu Ling	Vice President	22 July 2020	639,085	4.14
Du Yigang	Vice President	22 July 2020	693,244	4.14
Wang Yongxiang	Vice President	22 July 2020	420,000	4.14
Luo Kai	Vice President	22 July 2020	420,000	4.14
Tang Shaofang	Vice President	8 September 2020	300,000	4.14
Shen Ke	Vice President	22 July 2020	671,580	4.14
Tian Bing	Assistant President	22 July 2020	420,000	4.14

7. The exercise of options under the current exercise is on a voluntary basis.

### III. Adjustment to the exercise price of options

The exercise price of the options granted to the participants under the first grant of options by the Company on 7 November 2017 was RMB4.57 per A share.

According to the subsequent resolutions of the Board on adjustment of exercise price of options, the above exercise price has been adjusted to RMB3.95 per A share.

### IV. The effect of the exercise of options on the financial condition and operating results of the Company

- On the date of grant, the Company adopted the Black-Scholes option pricing model to determine the fair value of the options as at the date of grant. Subsequent to the date of grant, it is unnecessary to revalue the options and as such, the mode of exercise of options will have no effect on the pricing of the options. On each balance sheet date during the vesting period, the Company will update the expected number of restricted A shares and options exercisable based on information subsequently obtained, such as the latest number of participants who are entitled to exercise and the completion status of performance targets, and the services obtained in the current period shall be included in the relevant costs and the capital reserves at the fair value of the options on the date of grant. The mode of exercise will not affect the above accounting treatment and as such, the voluntary exercise of the restricted A shares and options will have no substantial impact on the pricing and accounting treatment of the options.

2. If all options exercisable in the third exercise period are fully exercised, the number of A shares of the Company will increase by 45,913,580 A shares and the shareholder's equity will increase by RMB180,440,369.40.
3. The options and restricted A shares under the current exercise have a total amortised cost amounting to RMB5,863,800 during the vesting period, affecting and diluting the earning per A share and return on equity of the Company for the year 2020. The actual affected amount shall be based on figures audited by the accountants.

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

Changsha, PRC, 19 November 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*