OVERVIEW

We are a leading China-based construction machinery manufacturer providing diversified products, including concrete machinery, crane machinery and environmental and sanitation machinery, with a presence in Asia, Europe and other regions. Since our listing on SZSE on October 12, 2000, we have experienced significant growth benefiting from China's ongoing urbanization. During the Track Record Period, our consolidated turnover increased from RMB8,973 million in 2007 to RMB20,762 million in 2009, representing a CAGR of approximately 52.1%. Our profit for the year increased from RMB1,437 million in 2007 to RMB2,419 million in 2009, representing a CAGR of approximately 29.7%. For the six months ended June 30, 2010, our consolidated turnover and profit for the period amounted to RMB16,089 million and RMB2,163 million, respectively.

Our Product Offerings and Market Position

We have one of the most diversified and comprehensive product offerings in China's construction machinery industry. We currently offer more than 640 models of machinery and equipment covering 83 different product types across 13 product lines, which include concrete machinery, crane machinery, environmental and sanitation machinery, road construction and pile foundation machinery, earth working machinery and material handling machinery and systems. Our diversified and comprehensive product offerings position us well to take advantage of the future development of the domestic and overseas construction machinery markets. Moreover, we enjoy a leading market position across all of our core product lines in China, including concrete machinery, crane machinery and environmental and sanitation machinery. According to CCMA, we were the:

- Second largest construction machinery manufacturer in China in terms of annual turnover in 2009; and
- The tenth largest construction machinery manufacturer in the world in terms of annual turnover in 2009.

Furthermore, according to CCMA, among all China-based construction machinery manufacturers, we ranked:

- First in medium- to large-capacity tower cranes in terms of turnover in 2009;
- Second in truck-mounted and trailer-mounted concrete pumps (excluding our CIFA line of products) and truck cranes in terms of unit sales volume in 2009; and
- Fourth in crawler cranes in terms of unit sales volume in 2009.

In addition, according to Liaoning Yitong, we have been the largest environmental and sanitation machinery manufacturer in China since 2007 in terms of annual unit sales volume. Turnover generated from sales of environmental and sanitation machinery accounted for 6.3%, 6.4%, 5.9% and 4.4% of our consolidated turnover in 2007, 2008, 2009 and the six months ended June 30, 2010, respectively.

Our acquisition of CIFA in 2008 also helped to position us become a global leading concrete machinery manufacturer by strategically combining our leading market position in the large and fast-growing construction machinery market in China with CIFA's overseas operational and technological capabilities and extensive distribution and service network in Europe.

The table below sets forth the breakdown of our consolidated turnover by our major product lines, and each expressed as a percentage of our consolidated turnover, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,		Nine Months Ended September 30,	
	2007		2008		2009		2010			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB[1]	%
	(in millions, except for percentages)									
Concrete machinery	3,509	39.1	4,682	34.6	7,157	34.5	7,037	43.7	10,744	45.0
Crane machinery	4,206	46.9	6,237	46.0	8,298	40.0	5,910	36.7	8,203	34.3
Environmental and sanitation machinery	564	6.3	871	6.4	1,230	5.9	710	4.4	1,251	5.2
Road construction and pile foundation machinery	487	5.4	610	4.5	787	3.8	539	3.4	880	3.7
Earth working machinery	—	—	116	0.9	445	2.1	450	2.8	652	2.7
Material handling machinery and systems	—	—	261	1.9	873	4.2	281	1.7	359	1.5
Other machinery products	193	2.1	635	4.7	1,575	7.6	808	5.1	1,159	4.9
Finance income under finance lease	14	0.2	136	1.0	397	1.9	354	2.2	653	2.7
Total	**8,973**	**100.0**	**13,548**	**100.0**	**20,762**	**100.0**	**16,089**	**100.0**	**23,901**	**100.0**

Note:

(1) The financial data for the nine months ended September 30, 2010 is based on unaudited IFRS interim financial statements reviewed by the reporting accountants, as set out in Appendix II to this prospectus.

The table below sets forth the respective market size as measured by sales volume in 2009 (except with respect to medium to large capacity tower cranes), our ranking, our market share and the respective revenue contribution for each of our core product lines in China, including concrete machinery, crane machinery, and environmental and sanitation machinery.

	Ranking	Market Share	Market Size (units)	Turnover (RMB in millions)	Revenue Contribution
Concrete Machinery					
—truck-mounted concrete pump	2	37.7%	4,893	3,509	16.9%
—trailer-mounted concrete pump[1]	2	25.6%	5,252	190	0.9%
—truck-mounted concrete mixer	4	14.3%	22,152	998	4.8%
—concrete mixing plant	4	8.7%	4,561	762	3.7%
Crane Machinery					
—truck crane	2	23.1%	27,263	5,925	28.5%
—crawler crane	4	16.4%	1,043	773	3.7%
—tower crane (medium to large capacity)[2]	1	9.8%	12,800	1,046	5.0%
Environmental and Sanitation Machinery	1	12.7%	13,873	1,230	5.9%

Source: CCMA, Liaoning Yitong

(1) Including truck-mounted line concrete pumps. In 2009, the sales volume of our trailer-mounted concrete pumps and our truck-mounted line concrete pumps were 952 units and 393 units, respectively.

(2) Tower cranes with lifting capacity above QTZ40, calculated based on sales turnover, in millions.

Our Manufacturing Capabilities

We currently own and operate eight industrial parks located in Hunan Province, Shaanxi Province and Shanghai Municipality, China and one located in Senago, Italy. These industrial parks include Guanxi Industrial Park, Lugu Industrial Park, Huayin Industrial Park, Quantang Industrial Park, Maqiaohe Industrial Park, Yuanjiang Industrial Park, Zoomlion Industrial Park, Songjiang Industrial Park and CIFA Industrial Park. In addition, we have an industrial park under construction in Weinan, Shaanxi Province, with a gross floor area of approximately 1,120,000 square meters to manufacture and assemble excavators with a planned annual production capacity of 20,000 units. We expect phase one of our industrial park at Weinan to be completed and commence production by the end of 2010, and phase two to be completed and commence production by the end of 2012. We have another industrial park under construction in Hanshou, Hunan Province, with a gross floor area of approximately 260,960 square meters to manufacture and assemble concrete mixing plants and special vehicles with a planned annual production capacity of 11,800 special vehicles and 1,500 concrete mixing plants. We expect our industrial park at Hanshou to be completed by mid-2011 and commence production of concrete mixing plants and special vehicles by the end of 2011. We have already obtained all necessary land use right certificates for these two industrial parks. These specialized industrial parks allow us to manufacture and assemble different products in order to increase efficiency and enhance product quality.

Our large-scale operations enable us to achieve cost-effective manufacturing and maintain a reliable and high-quality supply chain. Our stringent quality control system ensures the high quality of our products, which is evidenced by various domestic and international certifications for our product quality, including the China Compulsory Certifications for product quality and safety from the China Quality Certification Center and the CE Certification for product quality from TüV Rheinland and TüV SüD, independent certification institutions based in Germany.

Our Brands and Distribution Network

We market our products globally under our "Zoomlion" and "CIFA" brand names, each of which has strong customer recognition and loyalty because of the track-record of high quality and performance of the products sold under those two brands. Two of our trademarks were recognized as "Well-Known Trademarks" nationwide. Our trademark "中联", the Chinese characters for Zoomlion, was recognized as a "Well-Known Trademark" (馳名商標) nationwide by the Trademark Office of the State Administration for Industry and Commerce of the PRC, and our trademark "Zoomlion" was recognized as a "Well-Known Trademark" nationwide in a judgment by the Intermediate People's Court of Zhuzhou, Hunan Province on January 13, 2009, relating to a lawsuit which we initiated to protect our trademark from infringement by a third party. This court decision is final as the defendant did not appeal to a higher court. Under the PRC laws, courts have the authority to recognize a "Well-Known Trademark" in an infringement claim on a case-by-case basis. Similarly, our "CIFA" brand has enjoyed strong brand recognition in Europe and globally through over 80 years of operational history and is associated with the introduction of the first truck-mounted concrete mixer pumps in the world.

Both our Zoomlion line and CIFA line of products are sold through an extensive distribution network in China which, as of September 30, 2010, consisted of 548 outlets

owned and operated by us, as well as 410 outlets owned and operated by third-party dealers, 524 service centers and 309 components depots owned and operated by us and 339 service centers and 223 components depots owned and operated by third parties, which are located in more than 300 cities covering all provinces and autonomous regions in China. Our third-party dealers in China operated a total of 39, 115, 279 and 408 outlets as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. We also sell our products to over 70 different countries through an established and extensive overseas distribution and service network which, as of September 30, 2010, consisted of 31 outlets, 14 service centers and 15 parts and components depots owned and operated by us, as well as 190 outlets, 180 service centers and 139 parts and components depots owned and operated by our 88 third-party dealers.

Our Overseas Operations

We are one of the few construction machinery manufacturers headquartered in China that have established a presence in overseas markets, as evidenced by our strong overseas distribution and service network as described in the paragraph above. In addition, prior to the global financial crisis, which negatively impacted the demand of our products in the overseas markets in 2009, we were able to generate more than 20% of our total turnover from sales to end-users in overseas countries and regions in 2008. In 2007, 2008 and 2009 and the six months ended June 30, 2010, sales to end-users in overseas markets, which include direct sales made outside of the PRC as well as sales to overseas end-users through our third-party dealers in the PRC, amounted to RMB757 million, RMB2,768 million, RMB2,615 million and RMB923 million, respectively, and accounted for 8.4%, 20.4%, 12.6% and 5.7% of our consolidated turnover for the respective periods. In the same periods, direct sales made outside the PRC alone amounted to nil, RMB531 million, RMB1,769 million and RMB784 million, respectively, which accounted for nil, 3.9%, 8.5% and 4.9% of our consolidated turnover for the respective periods.

Our Research and Development Capabilities

We have established a global research and development platform with facilities in China and Italy. We are a leading participant in the establishment of national and industry standards for construction machinery in China. We have contributed to the establishment of over 180 national and industry standards that are currently in effect, including the first industry standard for truck-mounted concrete pumps in China and the industry standard for chassis specially designed for truck cranes. In addition, our technology center has been jointly accredited as a national technology enterprise center by the NDRC, the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation since 2005. We also own and operate the National Key Laboratory on Key Technologies for Construction Machinery, the only national key laboratory in China's construction machinery industry, as well as the National Engineering Technology Research and Development Center for Concrete Machinery, the only national concrete machinery engineering technology research and development center in the construction machinery industry. As of October 31, 2010, we had been granted 327 patents in China and have applied for over 20 new patents every year since 2002. In 2007, 2008, 2009 and the six months ended June 30, 2010, we recorded research and development expenses of RMB83 million, RMB120 million, RMB194 million and RMB116 million, respectively.

Our Acquisition of CIFA

On June 20, 2008, Magenta SGR S.p.A., Fadorè S.àr.l., Intesa Sanpaolo S.p.A., Immobiliare BA.STE.DO. S.r.l., Immobiliare Duemila S.r.l., Immobiliare Novanta S.r.l., Pasquale Di Iorio, Simone Rafael Emdin and Maurizio Ferrari, as the sellers, and Hony Capital Fund III, L.P., Mandarin Capital Partners, and GS Hony Holdings I Ltd. and our Company, as the buyers, entered into the Sale and Purchase Agreement relating to 100% of the issued and fully paid-in share capital and voting rights of CIFA, a concrete machinery manufacturer based in Italy, for a total purchase price of EUR271 million, of which our Company has contributed EUR162.6 million. We currently hold 59.3% of equity interest in CIFA. The purchase price was determined by the parties after arm's length negotiation and on a fair and reasonable basis with reference to a combination of factors including (i) the industry environment in which CIFA operates; (ii) the business operations of CIFA; (iii) the financial results of CIFA; (iv) industry comparables, and (v) commonly accepted valuation methods of enterprises operating in the construction machinery industry, which resulted in a goodwill of RMB1,816 million to our Group. The goodwill is the difference between the purchase price and the fair value of identifiable assets acquired and liabilities assumed, based on a valuation performed by an independent appraiser, and relates to the assembled workforce of CIFA and the synergies expected to be achieved from integrating CIFA's concrete machinery business with our existing business. In September 2008, a shareholders' agreement was entered into among the Company, Hony Capital Fund III, L.P., Mandarin Capital Partners and GS Hony Holdings I Ltd. (the "Co-Investors") to govern their rights and obligations as shareholders of ZoomlionCifa (Hong Kong). Such agreement was subsequently amended to include the five management shareholders of CIFA upon completion of their investment in ZoomlionCifa (Hong Kong) in June 2009. The shareholders' agreement contains customary minority shareholders' rights such as nomination rights, reserved matters protection rights, pre-emptive rights, tag-along rights, drag-along rights and anti-dilution rights. Save as disclosed above, there is currently no arrangement in respect of the purchase of shares in ZoomlionCifa (Hong Kong) held by the Co-Investors. The acquisition of CIFA enabled us to take advantage of CIFA's extensive distribution and service network in Europe, strong research and development capabilities and proprietary technologies, and become a leading concrete machinery manufacturer in the world.

Our Finance Lease Services and Liquidity Management

Although our turnover and profits from operations increased during the Track Record Period, we recorded negative net operating cash flow in 2008, 2009 and the six months ended June 30, 2010. This is primarily because since 2008, sales of our products through finance lease services as a percentage of our consolidated turnover has been increasing. In 2007, 2008, 2009 and the six months ended June 30, 2010, sales of our products through finance lease services amounted to RMB381 million, RMB2,068 million, RMB7,463 million and RMB5,407 million, respectively, which accounted for 4.3%, 15.4%, 36.6% and 34.4% of turnover from sales of our products for the respective periods. We factored a portion of our receivables under finance lease to banks starting from 2008. In 2008, 2009 and the six months ended June 30, 2010, we obtained net cash of RMB971 million, RMB3,501 million and RMB2,822 million, respectively, through factoring of receivables under finance lease, which, together with cash obtained from bank borrowings and the non-public offering of our A Shares, generated sufficient cash flow for our normal operations and capital commitments.

Our finance lease services have been one of the reasons for our negative operating cash flow in 2008, 2009 and the six months ended June 30, 2010, and may expose us to additional risks and uncertainties. For a detailed description of the risks associated with finance lease services, please see "Risk Factors — Risks Related to Our Company — We provide our customers with various payment options, including credit sales, installment payments, financial guarantees and finance lease services, which expose us to additional risks and uncertainties." and "— We recorded negative operating cash flow in 2008, 2009 and the six months ended June 30, 2010, as our sales of machinery products through finance lease services increased significantly. There can be no assurance that we will record positive operating cash flow in the future." However, our stringent risk management system for finance lease services and our ability to factor receivables under finance lease will help to reduce our exposure to such risks and uncertainties. We have a risk control committee to control and oversee the risks associated with our finance lease services. Our risk control committee is chaired by Mr. Wan Jun, the general manager of Zoomlion Finance Leasing (China) and currently consists of 15 members. We will continue to strictly implement our risk management policies and measures in place, including pre-lease investigation, lease approval procedures, lease payment collection and management as well as repossession and subsequent sale of repossessed machinery and forfeiture of related customer deposits in case of customer default. We will constantly update our risk management policies based on stringent risk management principles, performance of our underlying business, applicable laws and regulations, and prevailing market conditions. For a detailed discussion regarding the regulatory regime for the financial lease industry in China, see "Regulatory Overview — Regulations as to Finance Lease Industry."

Going forward, we plan to prudently manage the growth of our finance lease services, which is expected to be in proportion with the growth of the underlying business, and we also expect the sales of our products through finance lease services as a percentage of our consolidated turnover to remain stable. We plan to continue to factor our receivables under finance lease to banks in the normal course of our business, subject to terms offered by banks and our working capital needs. If we are able to negotiate with banks for factoring terms that meet the conditions for de-recognition of financial assets, the cash proceeds will be presented as cash flow from operating activities. In addition, we aim to take measures to speed up collection of credit sales and installment sales accounts receivable such that our operating cash flow will be further improved to fund our operations and future capital commitments. We plan to increase the proportion of upfront payments in future sales contracts, assign designated staff members to closely monitor and collect payments overdue for more than 90 days, including initiating necessary legal proceedings to collect such overdue debts, and strengthen our year-end payment collection measures.

The following table sets forth the breakdown of turnover from sales of our products by different payment options, and each expressed as a percentage of turnover from sales of our products, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,		Nine Months Ended September 30,	
	2007		2008		2009		2010			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)									
Credit payment	3,934	43.9	6,394	47.7	6,896	33.9	5,395	34.3	7,504	32.3
Installment payment	2,256	25.2	2,215	16.5	2,666	13.1	2,329	14.8	3,555	15.3
Sales under financial guarantee arrangement	2,388	26.6	2,735	20.4	3,340	16.4	2,604	16.5	4,635	19.9
Sales under finance lease arrangement[(1)]	381	4.3	2,068	15.4	7,463	36.6	5,407	34.4	7,554	32.5
Total	**8,959**	**100.0**	**13,412**	**100.0**	**20,365**	**100.0**	**15,735**	**100.0**	**23,248**	**100.0**

Note:

(1) The interest income from finance lease service is not included in the sales under finance lease arrangement in the above table as such income is not directly derived from product sales under the finance lease payment option. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our Group's interest income under finance lease amounted to RMB14 million, RMB136 million, RMB397 million and RMB354 million, respectively. For the nine months ended September 30, 2010, our Group's interest income under finance lease amounted to RMB653 million.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and will continue to enable us to capitalize on future growth opportunities in the global construction machinery industry.

Leading China-based Construction Machinery Manufacturer with an Established Presence in Asia, Europe and Other Regions and Strong Brand Recognition

We are a leading China-based construction machinery manufacturer that has grown rapidly by capitalizing on China's ongoing urbanization and significant growth in the infrastructure sector. We enjoy a leading market position across substantially all of our core product lines in China, including concrete machinery, crane machinery and environmental and sanitation machinery. According to CCMA, we were the second-largest construction machinery manufacturer in China and the tenth largest construction machinery manufacturer in the world in terms of turnover in 2009. Furthermore, according to CCMA, we ranked first in medium- to large-capacity tower cranes in terms of turnover in 2009, and second in truck-mounted and trailer-mounted concrete pumps and truck cranes and fourth in crawler cranes in terms of sales volume in 2009, among all China-based construction machinery manufacturers. In addition, according to Liaoning Yitong, we have been the largest environmental and sanitation machinery manufacturer in China since 2007 in terms of annual sales volume. We grew significantly during the Track Record Period. Our consolidated turnover increased by 51.0% from 2007 to 2008, by 53.2% from 2008 to 2009, and by 74.4% in the six months ended June 30, 2010, as compared to the six-months ended June 30, 2009. We believe our leading position will enable us to continue to capitalize on the rapid economic growth in China in the future.

We believe we are among the first China-based construction machinery manufacturers that have established a global operational and research platform and sales and distribution

network. Our products are currently sold to over 70 different countries through our strong overseas distribution and service network which, as of September 30, 2010, consisted of 31 outlets, 14 service centers and 15 parts and components depots owned and operated by us, as well as 190 outlets, 180 service centers and 139 parts and components depots owned and operated by our 88 third-party dealers. We have also established our research and development facilities in China and Italy, which grant us access to advanced technologies and large pool of highly skilled engineering and technical personnel. In 2007, 2008 and 2009 and the six months ended June 30, 2010, sales to end-users in overseas markets, which include direct sales made outside of the PRC as well as sales to overseas end-users through our third party dealers in the PRC, amounted to RMB757 million, RMB2,768 million, RMB2,615 million and RMB923 million, respectively, and accounted for 8.4%, 20.4%, 12.6% and 5.7% of our consolidated turnover for the respective periods. In the same periods, sales occurring outside the PRC amounted to nil, RMB531 million, RMB1,769 million and RMB784 million, respectively, which accounted for nil, 3.9%, 8.5% and 4.9% of our consolidated turnover for the respective periods. CIFA, one of our subsidiaries, is a major global concrete machinery manufacturer based in Italy, as evidenced by its 80 years of history, advanced proprietary technology, including its carbon fiber boom technology, and strong research and development capabilities in the concrete machinery sector. The acquisition of CIFA has enabled us to integrate CIFA's extensive distribution and service network in Europe, its strong research and development capabilities and its proprietary technologies, and helped us become a leading concrete machinery manufacturer in the world.

We have two widely recognized brands, Zoomlion and CIFA. Our leading market position in the construction machinery industry in China, together with the high quality of our products and advanced technology features have rewarded us with strong recognition of our Zoomlion brand in China. We believe our Zoomlion brand is widely regarded by our Chinese customers as representing innovation, reliability and integrity. Two of our trademarks were recognized as "Well-Known Trademarks" nationwide. Our trademark "中联", the Chinese characters for Zoomlion, was recognized as a "Well-Known Trademark" nationwide by the Trademark Office of the State Administration for Industry and Commerce of the PRC, and our trademark "Zoomlion" was recognized as a "Well-Known Trademark" nationwide in a judgment by the Intermediate People's Court of Zhuzhou, Hunan Province on January 13, 2009, relating to a lawsuit which we initiated to protect our trademark from infringement by a third party. This court decision is final as the defendant did not appeal to a higher court. Under the PRC laws, courts have the authority to recognize a "Well-Known Trademark" in an infringement claim on a case-by-case basis. Our Zoomlion brand has also received international recognition as evidenced by the sales and export of our products in certain overseas countries and regions and we believe we are among the first few China-based construction machinery manufacturers to have gained such international recognition. As of October 31, 2010, we maintained 507 trademark registrations of our Zoomlion brand overseas. In addition, our CIFA brand has been a well-recognized brand in the global concrete machinery industry, representing advanced design and technology and our CIFA-branded products have enjoyed a leading global market position. This differentiation in perception enables us to employ a dual-branding strategy, with our Zoomlion-branded products targeting the mid-end and mass markets and our CIFA-branded products targeting the high-end market.

We believe our leading market position in China, our established presence in Asia, Europe and other regions and our strong brand recognition in China and overseas provide us with a solid foundation to establish and strengthen our leading market position in the global construction machinery industry.

Comprehensive Product and Service Offerings and Systematic Solutions to Capitalize on Various Aspects of China's Urbanization and Infrastructure Sector

We have one of the most diversified and comprehensive product offerings in China. We currently offer more than 640 models of machinery and equipment covering 83 different product types across 13 product lines, which include concrete machinery, crane machinery, environmental and sanitation machinery, road construction and pile foundation machinery, earth working machinery, material handling machinery and systems and other machinery products, including special vehicles and vehicle axles. Our products are widely utilized in various aspects of infrastructure construction activities in China. In response to the changing market demand and customer needs, we are also committed to designing and producing new and innovative products. Our broad range of product offerings in and across product lines can satisfy various needs of our customers and are complementary to each other in certain cases, which help us to provide complete and systematic solutions for our customers. For example, in our concrete machinery product line, we offer concrete mixing plants, truck-mounted concrete mixers, concrete pumps and concrete placing booms, thereby satisfying our customers' needs that may arise throughout the full concrete production process, including mixing, transportation, pumping and placing. We believe our diversified and comprehensive product offerings position us well to take advantage of the future development of the domestic and overseas construction machinery markets.

Leveraging our broad range of products offerings, we are able to provide our customers with systematic solutions that can satisfy their specific needs, which have helped and will continue to help establish and maintain strong long-term relationships with such customers, thereby increasing the sales of our products to them. In our environmental and sanitation machinery product line, we offer road sweepers, washing vehicles, refuse transfer vehicles, snow removal vehicles and sewer dredging vehicles, which help us provide government clients with systematic solutions to address their urban sanitation needs. For example, we were engaged by the government of Zhuzhou City, Hunan Province ("**Zhuzhou**") to provide systematic solutions to satisfy the needs for a total environmental and cleaning plan for Zhuzhou. We designed a comprehensive urban-cleaning operation system and a procurement solution plan for the environmental and sanitation machinery for Zhuzhou, specifically tailored to the city's road and geographical conditions, environmental and sanitation conditions and the government's specific needs. Thereafter, we were designated by the government as its preferred supplier of environmental and sanitation machinery and our sales of such products to Zhuzhou increased significantly. We believe that our ability to provide systematic solutions tailored to our customers' various needs, combined with our diversified and comprehensive product offerings, allows us to generate more recurring revenues. In addition, we provide our customers with finance lease services as part of our value-added solutions. Based on an official approval issued by the MOFCOM and the State Administration of Taxation on April 21, 2006, we believe we are among the second group of enterprises, but one of the first few construction machinery manufacturers, in China that have received licenses to provide finance lease services in the equipment leasing market in China,

as none of the enterprises in the first group of enterprises that have received the licenses is a construction machinery manufacturer. In addition, we have started extending finance lease services to overseas markets. Our finance lease services provide our customers with more flexible payment options and have helped generate strong customer recognition and loyalty for our products and boost our overall product sales. We believe that we will enjoy a competitive advantage as an early market mover in this field to capture future growth in the promising equipment leasing market in China.

Leading Developer and Setter of Industry Standards in China with Innovation Capabilities to Capture Potential Market Opportunities

We are the leading institution in developing and setting national and industry standards for construction machinery in China. We have participated in and contributed to the setting of over 180 national and industry standards that are currently in effect, including the first industry standard for truck-mounted concrete pumps in China and the industry standard for chassis specially designed for mobile cranes. Our technology center has been accredited as a national technology enterprise center. We own the National Key Laboratory on Key Technologies for Construction Machinery, the only national key laboratory in the field of construction machinery; and the National Engineering Technology Research and Development Center for Concrete Machinery, the only national concrete machinery engineering technology research and development center in the construction machinery industry. We believe our active participation in setting industry standards and our nationally accredited research and development laboratories allow us to be an industry leader in addressing prevailing market trends and developing products with industry-leading technologies.

We have strong research and development and innovation capabilities stemming from our historical roots with the Research Institute, a leading state-owned research and development institution for construction machinery in China for over 50 years. As of October 31, 2010, we had 327 effective patents in China and had applied for over 20 new patents every year since 2002. Since we commenced operations, we have brought 78 new types of machinery to the market. In 2007, 2008, 2009 and the six months ended June 30, 2010, we offered 133, 165, 238 and 242 new models of machinery, respectively. We currently hold numerous world-class core technologies in the construction machinery industry, including our advanced high-pressure concrete pumping technology and our placing boom design, which significantly increase the maximum height our concrete pumps can reach, and our proprietary single-cylinder multi-level telescopic boom design and control technologies, which reduce the weight and increase the reliability and accuracy of the boom for our crane machinery. Based on reports in China Industry News, Construction Machinery Technology and Management and Construction Machinery Today, we believe that our trailer-mounted concrete pumps had the highest vertical range for the pumping of a certain type of CP100 ultra high performance concrete of any concrete pump in the world in 2008 and 2009. In addition to the product-specific efforts, we are also committed to the research and development of technologies with general applications across different product lines, such as those relating to welding of high-strength steel, metal structural strength and fatigue resistance, hydraulics and transmission and intelligent control. We are able to leverage the results achieved in such research endeavors to upgrade and enhance the overall performance of our products. In addition, CIFA has leading research and development

capabilities in Europe with over 80 years of experience in concrete machinery. We have been selectively applying CIFA's proprietary technologies to our Zoomlion line of concrete machinery. For example, we have introduced the carbon fiber concrete placing boom for truck-mounted concrete pumps, which significantly reduces the weight of the boom and consequently improves its fuel efficiency levels. We have also introduced the K-Tronic electrical control systems, which is capable of coordinating the concrete placing boom and the stabilizer in our concrete machinery products.

We currently employ over 3,000 engineering and technical personnel, including 17 "Leading Experts Subsidized by the State Council (享受國務院政府特殊津貼的專家)." We believe our corporate culture of strong commitment to research and development has created a strong degree of employee loyalty from our research and development team. Our core research and development team has 25 chief research personnel who have spent an average of more than ten years with our Group. We believe our dedicated and stable research and development team and prevailing corporate culture, which fosters an environment of innovation and excellence, will serve as key elements driving our long-term growth.

Highly Competitive Cost Structure and Product Quality Control System

Our large-scale operations enable us to enjoy economies of scale and maintain a reliable, cost-effective manufacturing line and high-quality supply chain. Leveraging our purchasing power, we are able to enter into strategic cooperation framework agreements with certain suppliers of key raw materials, parts and components that are important to our manufacturing process. Such agreements allow us to procure quality raw materials, parts and components at relatively competitive prices on a sustainable basis. In addition, we are able to attract certain suppliers to establish their manufacturing facilities in proximity to our assembly facilities so that we can closely monitor the quality of the parts and components and minimize the transportation and inventory and storage costs. Through the acquisition of key parts and components manufacturers, we are also able to further secure a stable supply of high quality parts and components.

With a focus on resource integration, our advanced management system helps us achieve optimal resource allocation and highly effective cost control. We have established specialized industrial parks to manufacture and assemble various products to increase efficiency and enhance product quality. To avoid duplication of processing facilities in our different specialized industrial parks, we also group certain pre-assembly processing and treatment steps of the raw materials, parts and components, such as coating, before dispatching to the specialized industrial park for assembly. In addition, we put together our production and procurement plans in accordance with our master production schedule, which allows us to optimize our utilization rates and inventory levels.

Through our stringent quality control system, we are able to assure high product quality. We employ standardized work processes and comprehensive quality control systems throughout our supply chain and manufacturing process. This allows us to quickly detect any quality issues, and thereby minimize any associated costs. Our stringent quality control practices are also evidenced by the fact that our products have received various domestic and international certifications from the relevant PRC government agencies and independent international certification authorities, including but not limited to the China Compulsory

Certification for product quality and safety from the China Quality Certification Center and the CE certification for product quality from TüV Rheinland and TüV SüD, independent certification institutions based in Germany.

Extensive and Effective Distribution and Service Network Providing Value-added Services

We have established an extensive distribution network in China and an overseas distribution network with wide coverage across the globe. As of September 30, 2010, our distribution and service network in China consisted of 548 outlets owned and operated by us, as well as 410 outlets owned and operated by third-party dealers, 524 service centers and 309 components depots owned and operated by us and 339 service centers and 223 components depots owned and operated by third parties, which are located in more than 300 cities covering all provinces and autonomous regions in China. Our third-party dealers in China, in aggregate, operated 39, 115, 279 and 408 outlets, respectively, as of December 31, 2007, 2008 and 2009 and June 30, 2010. Meanwhile, we currently sell our products to over 70 different countries through an extensive overseas distribution network which, as of September 30, 2010, consisted of 31 outlets, 14 service centers and 15 parts and components depots owned and operated by us, as well as 190 outlets, 180 service centers and 139 parts and components depots owned and operated by our 88 third-party dealers.

We utilize different combinations of direct sales outlets and dealers for different types of products and geographic areas to meet local customers' demands and maximize our market penetration. As part of our efforts to integrate resources across different operating segments, since 2008, we have established various all-products sales and service centers in major cities across the key markets where there is strong demand for more than one line of our products and our important customers are located, allowing us to fully leverage our customer relationships and information across our total product portfolio and to cross-sell our products.

We provide comprehensive after-sales services through our outlets and dealers in our distribution network, including various value-added services aimed at lowering costs for our customers and increasing their productivity and operating efficiency. Our value-added services include the provision of on-site technical and product training sessions for the use and maintenance of our products, preventive maintenance and diagnostics, the procuring of product insurance and other necessary certifications, and the remanufacturing of existing products upon a customer's request. We implement a "24 Hours On-call" policy that aims to respond to customers with 24 hours. We also provide on-site consultation support to our customers within two hours for urban areas covered by our service centers.

Proven Ability to Acquire and Integrate Strategic Targets to Augment our Growth

We have supplemented the organic growth of our business with domestic and overseas strategic acquisitions during the last several years. In 2008, 2009 and the six months ended June 30, 2010, turnover contributed by the businesses we acquired during the Track Record Period accounted for, in aggregate, approximately 10%, 19% and 10% of our consolidated turnover for the respective periods. While the acquisitions were not the major contributing factor of the significant growth in our consolidated turnover during the Track Record Period, we believe they supplemented our organic growth. In order to broaden our

product offerings, we have made several acquisitions in China, and we have successfully integrated those businesses into our existing operations and effectively increased their sales and profitability. For example, in 2003, we acquired Hunan Puyuan Construction Machinery Co., Ltd. with its truck crane business and Zhongbiao with its environmental and sanitation machinery business. Leveraging our large-scale operations, cost-effective manufacturing facilities and strong research and development capabilities, as evidenced by our active involvement in research projects and national government research and development initiatives since 1999, we were able to strengthen the market positions of those products. Currently, these acquired businesses have become integral parts of our core business and we have achieved a leading market position for those acquired product lines in China. In 2009 and the six months ended June 30, 2010, sales of truck cranes accounted for approximately 28.5% and 25.9% of our consolidated turnover, and sales of environmental and sanitation machinery accounted for 5.9% and 4.4% of our consolidated turnover, respectively. In order to strengthen our global operations and increase our market share in the global concrete machinery market, we acquired CIFA in 2008 and have integrated its businesses into our existing operations. For example, CIFA's research and development capabilities have been integrated into our concrete machinery research and development platform, and certain manufacturing facilities in Changsha, Hunan Province have been used to produce certain components for our CIFA products. In addition, we currently sell our CIFA line of products in China through our extensive distribution network. The CIFA acquisition is the largest outbound acquisition by a Chinese construction machinery manufacturer so far. The integration of CIFA into our business has enabled us to strategically combine CIFA's well recognized brand, global sales and distribution network, innovative technology and experienced management team with our leading market position and our manufacturing expertise in China, thereby strengthening our leading market position in concrete machinery and better positioning us to capture the growth opportunities globally.

With our extensive experience in strategic acquisitions and integration of acquired businesses in China and overseas markets, we have established sound approaches and principles with respect to strategic acquisitions. We focus on domestic targets that can broaden our existing range of products and help us achieve a leading market share for such products, and focus on overseas targets that can further strengthen our existing product offerings and global footprint. Furthermore, we believe that the strong recognition of our Zoomlion and CIFA brands in the overseas markets will give us a competitive edge over other potential bidders and/or buyers for future acquisitions and alliances. We believe that the global construction machinery industry will continue to experience consolidation and, as such, our acquisition principles together with our hands-on experience and proven execution capability will enable us to capitalize on this trend.

Experienced Management Team with Proven Track Record and Strong Corporate Governance

Our management team has in-depth industry knowledge and sector expertise, with an average of approximately 20 years of experience in the construction machinery industry, and has successfully led our operations. Dr. Chunxin Zhan, chairman of our Board of Directors and our chief executive officer, has over 32 years of experience in the construction machinery industry. In 2010, Dr. Zhan received the Yuan Baohua Gold Award, the most distinguished award for corporate executives in China from the China Business Administration Science

Foundation (中國企業管理科學基金會), a foundation focused on improving business administration and management and corporate governance of Chinese enterprises. In 2005, 2006 and 2009, our Board of Directors received the Golden Roundtable Award, an award for outstanding boards of directors from Directors and Boards, a Chinese magazine focusing on board practices and corporate governance. We believe the industry knowledge, operating experience and technological know-how of our Directors and senior executives provide the strong leadership necessary to sustain our future growth.

We have established a strong corporate culture focused on fostering collaboration, innovation, integrity, transparency, professionalism, excellence, accountability and maintaining strong, long-term customer relationships. We believe that our corporate governance standards and culture will continue to serve as the key elements for the future development of our Company.

OUR BUSINESS STRATEGIES

We aim to become the largest Chinese construction machinery manufacturer, and one of the top-five global construction machinery manufacturers offering comprehensive and diversified products and systematic solutions in different sectors, including construction machinery, environmental and sanitation machinery and various other machinery industries to capitalize on China's increasing trends of urbanization and industrialization, as well as growth opportunities around the world. We intend to achieve this objective by pursuing the following strategies:

Solidify and Strengthen Our Leading Market Position in China

We will continue to solidify and strengthen our leading market position in China's construction machinery industry and capitalize on the expected continued strong economic growth and ongoing urbanization in China. We aim to become the largest Chinese construction machinery manufacturer.

We plan to further expand our distribution network in China, particularly in second- and third-tier cities and in the central and western regions, where we believe there will be stronger demand for our products due to the faster rate of urbanization, stronger economic growth and higher expected level of construction activity in the near to medium term. In particular, we aim to focus our sales and marketing efforts in these markets on concrete machinery, crane machinery and environmental and sanitation machinery. In addition, we plan to form strategic alliances with certain major customers, third-party dealers and finance lease services providers to increase our market share. For example, we will continue to strengthen our relationships with existing third-party dealers and help them to strengthen their after-sale services and quality control capabilities so as to better serve and support our customer base.

Furthermore, we plan to continue to supplement the organic growth of our business in China with selective strategic acquisitions. We plan to focus on targets that (i) can significantly strengthen one or more of our existing product lines, (ii) manufacture products that we believe have substantial commercial potential but we do not currently offer, (iii) possess advanced technologies that can be used for our existing product lines, or (iv) manufacture parts and components that are important to our manufacturing process. We will also actively search for underperforming and undervalued players in the construction

machinery industry. We believe that with our proven integration capability coupled with our strong track record in domestic strategic acquisitions, we can successfully revitalize acquired underperforming companies and rapidly assimilate their operations. By leveraging our strong brand recognition and sales channels, we can also effectively improve the market position of our acquired product lines. As of the Latest Practicable Date, we had not identified any definite acquisition target for expansion purposes.

Strategically Expand our Global Presence in Diverse Overseas Markets

We will leverage our current global business platform and accelerate the strategic expansion of our overseas presence in order to enhance our brand recognition, increase our turnover and maximize the synergies from our global operations.

We plan to expand our overseas operations with different strategies tailored to different overseas markets, including Asia, North America, the Middle East, South America and Africa. In particular, we plan to expand our operations in Singapore, India, Australia, the United Arab Emirates, South Africa, Italy, Russia, Brazil and the United States. In the emerging markets, we aim to increase our market share to quickly capitalize on the rapid growth opportunities leveraging our technologically advanced and high-quality products, outstanding cost control capabilities and successful client experiences in the fast-growing PRC market. We plan to acquire or establish manufacturing facilities and further expand our distribution network in these markets. In developed countries, we aim to leverage our CIFA platform to further develop and optimize our supply chain and distribution and service network. We plan to focus our sales efforts on certain markets through offering our existing leading line of products, including concrete machinery and crane machinery, thereby enhancing the brand recognition of Zoomlion and CIFA in these markets. We also aim to improve our management systems and research and development capabilities through our expanded operations achieved in developed countries.

We plan to expand our operations internationally through strengthening our overseas distribution and service network and selective strategic acquisitions and alliances with certain overseas targets that (i) can increase the sales of our existing product lines overseas, (ii) can significantly increase the geographic coverage of our distribution and service networks, (iii) have advanced technologies, or (iv) offer products with strong market potential. We believe such strategic acquisition focus will enable us to achieve greater operational synergies.

Enhance Our Global Research and Development Platform and Efforts

We aim to expand our global research and development platform to strengthen our innovation capabilities and integrate our research and development resources across the globe. We aim to focus on establishing additional research facilities in the United States and Europe in the next three to five years, which we believe will provide us with a better understanding of local market demands, better access to advanced technologies and facilities as well as world-class talent. We plan to finance our research facilities in the United States with our cash generated from operations, equity or debt offering or bank borrowings, and finance our research facilities in Europe primarily with the proceeds of this Offering. Furthermore, we plan to use CIFA's research center and personnel as a base for growing our

research and development capabilities in Europe. The research facility in the United States will focus on concrete machinery and crane machinery, and the one in Europe will focus on crawler cranes, all-terrain truck cranes, truck cranes, derrick cargo trucks and aerial working platforms. We will also consider opportunities to cooperate with certain overseas companies, top universities or independent research facilities. We will introduce those advanced technologies developed by our overseas research facilities into our manufacturing bases in China, enabling us to provide such innovations to our domestic and overseas customers at a more affordable price. For example, we have introduced concrete pumps with carbon fiber booms developed at CIFA's research center to the PRC market.

We will continue to develop new products and additional features in response to changes in customer needs, industry trends and business conditions. We will focus on developing products with better safety and reliability, higher fuel efficiency and larger capacity. In addition, we plan to strengthen our research and development efforts for our key parts and components, including initiatives to improve the quality and standardization levels of the key parts and components used across our product lines, including hydraulic cylinders, chassis for concrete pumps and truck-mounted concrete mixers and valves for truck cranes. Furthermore, we will strengthen our research and development initiatives aimed at streamlining our manufacturing and assembly processes.

Continue to Broaden Our Product Offerings and Strengthen Our Manufacturing Capabilities

We are committed to expanding our product offerings in each product line and broadening our coverage in various industries. Below are some examples of the endeavors we plan to undertake:

- In the concrete machinery product line, we will continue to introduce concrete machinery products to satisfy the various needs of customers across the globe by integrating our Zoomlion line of products and our CIFA line of products and leveraging our advanced technology and strong manufacturing capabilities. We will increase our manufacturing capacity for truck-mounted concrete pumps, trailer-mounted concrete pumps, truck-mounted line concrete pumps, truck-mounted concrete mixers and concrete mixing plants by approximately 1,000 units, 400 units, 350 units, 2,700 units and 500 sets, respectively, by the end of 2011. The total investment is approximately RMB400 million, which will be funded by our own capital and bank loans.

- In the crane machinery product line, we will continue to optimize our product mix and develop products with higher maximum lifting capacity, and further strengthen our manufacturing capabilities. We are currently upgrading the manufacturing technology and optimizing the manufacturing process of large-capacity crane machinery, including large-capacity tyre cranes, crawler cranes and tower cranes. We expect that upon completion of the upgrading in 2011, our production capacity for large-capacity crane machinery is expected to increase to 613 units per year, including 216 units of all-terrain truck cranes, 101 units of large-capacity crawler cranes, 175 units of large-capacity tyre cranes and 121 units of large-capacity

tower cranes. The total investment in the project is approximately RMB800 million and is solely funded by the proceeds from the non-public offering of our A Shares completed in February 2010.

- In the environmental and sanitation machinery product line, we plan to introduce refuse transfer equipment, more fuel-efficient products, such as hybrid vehicles, and integrated waste treatment solutions, including garbage burning and disposal equipment. We will increase our manufacturing capacity for road sweepers, high-pressure washing vehicles and waste treatment equipment by approximately 12,000 units, 300 units and 770 sets, respectively, by 2012. The total investment for this project is approximately RMB250 million, which is solely funded by the proceeds from the non-public offering of our A Shares completed in February 2010. Ultimately, we aim to develop into a domestic waste treatment solutions provider.

- In the earth working machinery product line, we plan to increase our manufacturing capacity in medium- and large-capacity excavators in order to gain a significant market share in China. We are currently constructing a manufacturing line for excavators. It is expected to be completed in 2012, and the planned annual production capacity is approximately 20,000 units. The total investment for this project is approximately RMB770 million, approximately RMB600 million of which is funded by the proceeds from the non-public offering of our A Shares completed in February 2010, and the rest is planned to be funded by our own capital and bank loans.

- We aim to further expand our product offerings, based on the prevailing industry trends and our strategic targets, into more industries, such as compact multi-functional construction machinery and emergency rescue machinery. We are currently constructing a manufacturing line for emergency rescue machinery, including aerial emergency rescue machinery, road emergency rescue machinery and underground emergency rescue machinery. We expect the manufacturing line to commence production in 2012, with a planned annual production capacity of 140 units of aerial emergency rescue machinery, 2,900 units of road emergency rescue machinery and 100 units of underground emergency rescue machinery. The total investment in connection with the project is approximately RMB550 million, and is solely funded by the proceeds from the non-public offering of our A Shares completed in February 2010.

We aim to further strengthen our manufacturing capabilities through various optimization measures in order to offer technologically advanced products at a reasonable cost. For example, we are in the process of implementing lean, flexible and zero-defect manufacturing measures so that we can optimize the utilization rates of our production lines and our inventory levels while improving our product quality. We plan to optimize our supply chain management by increasing the in-house manufacturing capability of key parts and components, such as hydraulic pumps, valves and cylinders and chassis by acquiring manufacturers of such key parts and components. Based on our current plan, we will increase our manufacturing capacity for hydraulic cylinders and valves by approximately 300,000 units and 150,000 units, respectively, by the end of 2012. The total investment is approximately

RMB920 million, approximately RMB300 million of which is funded by the proceeds from the non-public offering of our A Shares completed in February 2010, and the rest is planned to be funded by our own capital and bank loans.

Prudently Manage the Expansion of Our Finance Lease Services

We will continue to prudently manage the expansion of our finance lease services as an alternative payment option. For products that have typically been subject to finance lease services in China, such as concrete machinery and crane machinery, we expect our finance lease services will increase in proportion to the growth of our business. For other products, we intend to begin offering finance lease services as a payment option for our customers. We have obtained the relevant licenses and/or permits to provide finance lease services in the PRC, Hong Kong, Australia, Italy and Russia, and we expect to obtain such licenses and/or permits in certain new markets such as United States and Brazil. We believe that the provision of finance lease services will attract potential overseas customers and make our products more competitive in the overseas market.

We recorded negative operating cash flow in 2008, 2009, and the six months ended June 30, 2010. This is primarily because since 2008, the proportion of our product sales using the finance lease payment option has been increasing. In 2007, 2008, 2009 and the six months ended June 30, 2010, our sales through finance lease services amounted to RMB381 million, RMB2,068 million, RMB7,463 million and RMB5,407 million, respectively, which accounted for 4.3%, 15.4%, 36.6% and 34.4% of turnover from sales of our products for the respective periods. We factored a portion of our receivables under finance lease to banks starting from 2008. During 2008, 2009 and the six months ended June 30, 2010, we obtained net cash of RMB971 million, RMB3,501 million and RMB2,822 million, respectively, through factoring of receivables under finance lease, which, together with cash obtained from bank borrowings and the non-public offering of our A Shares, generated sufficient cash flow for our normal operations and capital commitments. We expect to continue to grow our finance lease services and factor our receivables under finance leases to banks in the normal course of our business, subject to terms offered by banks and our working capital needs. If we are able to negotiate with banks for factoring terms that meet the conditions for de-recognition of financial assets, the cash proceeds will be presented as cash flow from operating activities. In view of the potential credit and liquidity risks related to finance lease services, we will carefully monitor the expansion of our finance lease services with the growth of our underlying business, and continue to strictly follow our risk management policy while constantly updating our risk management system and controls, based on stringent risk management principles, performance of our underlying business, relevant laws and regulations, and prevailing market conditions.

OUR PRODUCTS

We are engaged in the design, research and development, manufacturing and sale of concrete machinery, crane machinery, environmental and sanitation machinery, road construction and pile foundation machinery, earth working machinery, material handling machinery and systems and other types of machinery products. We currently offer more than 640 models of machinery and equipment covering 83 different product types in 13 product lines. Since we commenced our operations, we have brought 78 new types of machinery to

the market. In 2007, 2008, 2009 and the six months ended June 30, 2010, we offered 133, 165, 238 and 242 new models of machinery, respectively. Concrete machinery and crane machinery are our current core product lines, together representing 74.5% and 80.4% of our consolidated turnover in 2009 and the six months ended June 30, 2010, respectively. In the nine months ended September 30, 2010, turnover from sales of our concrete machinery products and our crane machinery products represented 79.3% of our consolidated turnover. Generally, our products have an estimated useful life of ten years. However, based on circumstances including working conditions, work load, usage and maintenance, the actual useful life of our products could vary significantly among our end-users. The table below sets forth the breakdown of our consolidated turnover by our major product lines, and each expressed as a percentage of our consolidated turnover, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,		Nine Months Ended September 30,	
	2007		2008		2009		2010			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB[3]	%
	(in millions, except for percentages)									
Concrete machinery	3,509	39.1	4,682	34.6	7,157	34.5	7,037	43.7	10,744	45.0
Crane machinery	4,206	46.9	6,237	46.0	8,298	40.0	5,910	36.7	8,203	34.3
Environmental and sanitation machinery	564	6.3	871	6.4	1,230	5.9	710	4.4	1,251	5.2
Road construction and pile foundation machinery	487	5.4	610	4.5	787	3.8	539	3.4	880	3.7
Earth working machinery[1]	—	—	116	0.9	445	2.1	450	2.8	652	2.7
Material handling machinery and systems[2]	—	—	261	1.9	873	4.2	281	1.7	359	1.5
Other machinery products	193	2.1	635	4.7	1,575	7.6	808	5.1	1,159	4.9

Notes:

(1) We commenced the manufacture and sale of earth working machinery since our acquisition of 100% of the equity interest of Zoomlion Earth Working in June 2008.

(2) We commenced the manufacture and sale of material handling machinery and systems since our acquisition of 82% of the equity interest of Zoomlion Material Handling in July 2008.

(3) The financial data for the nine months ended September 30, 2010 is based on unaudited IFRS interim financial statements reviewed by the reporting accountants, as set out in Appendix II to this prospectus.

Concrete Machinery

We offer a wide range of concrete machinery used for the production, transportation and laying of concrete in various commercial and residential construction sites and infrastructure projects, primarily including truck-mounted concrete pumps, trailer-mounted concrete pumps, concrete placing booms and truck-mounted concrete mixers. Our concrete machinery is comprised of two product lines: Zoomlion and CIFA, the latter of which we acquired in September 2008. Set forth below are pictures and key features of our major concrete machinery products:

Product	Key Features
Truck-mounted Concrete Pump Zoomlion CIFA  	• Transport and deliver concrete through a hose attached along a folding boom with a jib that can be rotated in various angles and directions. • 14 models under the Zoomlion brand and nine models under the CIFA brand with different folding boom lengths, concrete pumping heights and concrete output capacities. • Enhanced strength and reliability of the folding boom through the use of selected materials combined with our proprietary technology. • Industry-leading maximum concrete pumping capacity. • Folding boom length ranges from 22 to 58 meters. • Industry-leading nominal output capacity ranges from 60 to 170 cubic meters per hour as a result of our proprietary pumping technology. • Maximum concrete output pressure ranges from 7 to 12 MPa.

Product	Key Features
Trailer-mounted Concrete Pump Zoomlion CIFA  	• Deliver and pump concrete. • Higher maximum concrete delivery height compared with our truck-mounted concrete pumps. • 11 models under the Zoomlion brand and one model under the CIFA brand with different concrete output capacity, maximum pressure on concrete and type of driving power. • Maximum nominal concrete output capacity ranges from 26 to 136 cubic meters per hour. • Maximum pressure on concrete ranges from 7 to 40MPa.
Concrete Placing Boom Zoomlion 	• Used in conjunction with various types of concrete pumps for the delivery and pouring of concrete. • Eight models under the Zoomlion brand with different mounting structures, folding boom lengths and heights of the placing boom. • Our line of products includes independently mounted concrete placing, ship-mounted concrete placing and self-climbing concrete placing boom. • Maximum placing boom length ranges from 19 to 45 meters. • Maximum height up to 200 meters.

Product	Key Features
Concrete Mixing Plant Zoomlion 	● We provide the full set of equipment and machinery for concrete mixing plants. We also design the plants and install and commission the equipment and machinery. However, we are not responsible for the actual construction of concrete mixing plants. ● Capable of mixing hard concrete, semi-hard concrete, plastic concrete and other kinds of concrete in different ratios. ● Six models under the Zoomlion brand. ● Maximum nominal concrete production capacity that ranges from 60 to 270 cubic meters per hour.
Truck-mounted Concrete Mixer Zoomlion  CIFA 	● Transport concrete from the concrete mixing plant to the construction site while continuously mixing the concrete during transport. ● Twenty models under the Zoomlion brand with different mixer drum capacity. ● Capacity of mixer drum ranges from 8 to 15 cubic meters.
Truck-mounted Line Concrete Pump 	● Our truck-mounted line concrete pumps combine the mobility of our truck-mounted concrete pumps with the broader delivery range of our concrete pumps. ● Eleven models under the Zoomlion brand. ● Concrete output capacity ranges from 50 to 100 cubic meters per hour. ● Maximum output pressure for concrete that ranges from 9 to 18 MPa.

Product	Key Features
Self-propelled Boom Concrete Pump 	• Designed for the construction of rail systems with ballast-less tracks and can move easily on railways to transport and deliver concrete. • Special chassis design facilitating wheel switching. • Maximum concrete output capacity ranges from 40 to 80 cubic meters per hour. • Maximum concrete output pressure ranges from 6 to 12.5 MPa.

Crane Machinery

We offer truck cranes, crawler cranes and tower cranes. Our truck cranes and crawler cranes are primarily used in the construction, repair and maintenance of infrastructure, buildings and manufacturing facilities to lift and transport equipment and materials. Our tower cranes are stationary and assembled on the construction or work site and are able to carry greater loads and reach greater heights due to increased stability. Set forth below are pictures and key features of our major crane machinery products:

Product	Key Features
Truck Crane (including all-terrain truck crane) 	• Lift through a telescopic boom with an attached scalable jib that can reach varying maximum heights. • 15 models with different maximum lifting capacities, maximum lifting heights and the maximum load of the boom to meet various construction needs. • Maximum lifting capacity ranges from 12 to 150 tons. • Maximum lifting height ranges from 35.8 to 86 meters. • Maximum load ranges from 465.5 to 5,400 KN-m. Key features of our all-terrain truck cranes: • Capable of traveling across rough terrains as well as on roadways as compared with our truck cranes. • Five models with different lifting capacities, lifting heights and loads. • Maximum lifting capacity of telescopic boom ranges from 180 to 500 tons. • Maximum lifting height ranges from 88.5 to 150 meters. • Maximum load ranges from 6,480 to 17,000 KN-m.

Product	Key Features
Crawler Crane 	● Capable of moving materials and equipment on rough or uneven terrain, and are often located for long periods of time on a single construction or work site such as a building site, highway or utility project. ● Eleven models with a maximum lifting capacity that ranges from 50 to 1,000 tons.
Tower Crane 	● Used in space-constrained urban areas and in long-term or high-rise building sites. ● They include a vertical tower with a horizontal jib with a counterweight at the top. On the jib is a trolley which runs a load carrying cable that moves the load along the jib length. ● Thirty models. ● Maximum working radius ranges from 50 to 80 meters. ● Maximum load ranges from 804 to 5,316 KN-m.

Environmental and Sanitation Machinery

Environmental and sanitation machinery is used for the cleaning and maintenance of urban areas as well as processing domestic solid waste. We offer a wide range of environmental and sanitation machinery, including road sweepers, washing vehicles, waste treatment equipment, including garbage compactors and transporting stations, refuse compression and transfer vehicles, sewer dredging maintenance vehicles and snow removal vehicles. Set forth below are pictures and key features of our major environmental and sanitation machinery products:

Product	Key Features
Road Sweeper 	● 20 models with various maximum sweeping widths, hopper capacities and sweeping and dust-removal methods employed. ● Sweeping width ranges from 1.8 to 3.5 meters. ● Hopper capacity ranges from 0.7 to 5 cubic meters.
Washing Vehicle 	● 13 models with various working width, spraying width and water pressure system used. ● Working width ranges from 2.5 to 3.5 meters. ● Spraying width ranges from 14 to 24 meters.

Product	Key Features
Waste Treatment Equipment Complete Equipment of Garbage Compacting and Transporting Station  Refuse Compression and Transfer Vehicle  Kitchen Waste Disposal System 	• Comprehensive range of waste treatment equipments to provide complete waste treatment systems for our customers. • Customized design. • Vertical and horizontal refuse compression collecting and transfer complete equipment for waste treatment stations, with daily processing capacity ranges from 60 to 150 tons per day. • 35 models of refuse compression and transfer vehicle. • Two models of kitchen waste disposal system with different processing capacity.
Snow Removal Vehicle  Sewer Dredging Maintenance Vehicle 	• Three models of snow removal vehicle. • Two models of sewer dredging maintenance vehicle.

Road Construction and Pile Foundation Machinery

We offer a wide range of road construction machinery, including road surface heaters, graders, road rollers, pavers, road surface cold planers and asphalt mixing equipment, used for the construction and maintenance of roads and highways. We also offer pile foundation machinery, which is currently primarily comprised of rotary drilling rigs. Set forth below are pictures and key features of our major road construction and pile foundation machinery products:

Product	Key Features
Road Surface Heater 	• Used to heat asphalt to a high temperature in order for the asphalt to bind with the other materials used in road pavement. • Heating width ranges from 2.8 to 4.5 meters.
Motor Grader 	• Used to create a flat surface during road construction. • Two models with maximum torque ranges from 701.5 to 946 N-m.
Road Roller 	• Two models of double-drum road roller and eight models of single-drum road roller with different drum width, vibrating power and operation weight.
Paver 	• Nine models with various pacing width.
Road Surface Cold Planer 	• Used to remove worn or deteriorated pavement to a specified grade and slope that can be opened immediately to traffic or overlay with new asphalt. • Three different with various maximum milling width and maximum deliver capacity.
Asphalt Mixing Equipment 	• Three different models with various production capacity and mixing capacity.
Rotary Drilling Rig 	• Five models with various maximum drilling depth and maximum drilling diameter.

Earth Working Machinery

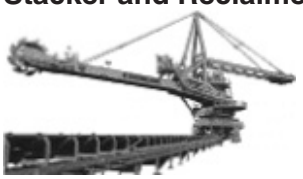
Earth working machinery is widely used in road construction, mining and other types of construction. Our earth working machinery includes five models of excavators and two models of mini-excavators, two models of loaders with various loading capacity and power, and five models of bulldozers with various maximum net flywheel power, blade lengths and loading capacities. Set forth below are pictures of our major earth working machinery products:

Product	Key Features
Excavator 	• Used to dig trenches, holes or foundations, handle bulky materials, demolish buildings, dredge rivers or ports and lift heavy materials. • Five models with maximum torque ranging from 614 to 1106 N-m. • Two models of mini-excavator. • Easy to adjust the power output in accordance with different working loads and reduce fuel consumption of the engine.
Bulldozer 	• Five models with different maximum net flywheel power, blade length and loading capacity.
Loader 	• Used to shovel, load and deliver bulky materials. • Two models with maximum loading capacity of 3.2 cubic meters and maximum designed loading power of 6.5 tons.

Material Handling Machinery and Systems

We provide complete material handling system design services and manufacture a wide range of machinery used for material handling including stackers and reclaimers, tube belt conveyors, port loading and unloading equipment and portal cranes. We currently offer six models of stackers and reclaimers with different types of piling and recovering mechanisms, as well as pipe conveyors that are used to transport bulk materials where a closed transportation is required, port loading/unloading equipment and portal cranes. Set forth below are pictures of our major material handling machinery and system products:

Stacker and Reclaimer



Pipe Conveyor

Port Loading/Unloading Equipment

Portal Crane

Other Machinery Products

We manufacture other types of machinery products, mainly including special vehicles and vehicle axles. Our special vehicles include derrick cargo trucks, aerial working platform vehicles, cable trucks, container cranes, articulated mobile cranes for smaller containers, tyre cranes, reach stackers, road wreckers and roll-off dump trucks. Our axles are widely used for the manufacturing of construction vehicles and commercial vehicles. We currently offer two main types of vehicle axles. We currently offer seven models of axles for construction vehicles and 24 models of axles for commercial vehicles with various fixed loads. Set forth below are pictures of our major special vehicles and axle products:

Derrick Cargo Truck

Articulated Mobile Crane

Tyre Crane

Reach Stacker

Aerial Working Platform Vehicle

Road Wrecker

Cable Truck

Hook Loader Loading and Unloading Device

Vehicle Axles

MANUFACTURING FACILITIES AND PROCESS

Manufacturing Facilities and Production Capacity

We have established specialized industrial parks to manufacture and assemble various products to increase efficiency and enhance product quality. We currently own and operate eight industrial parks located in China and one industrial park located in Italy. In addition, we have two industrial parks under construction. One is located in Weinan, Shaanxi Province, with gross floor area of approximately 1,120,000 square meters to manufacture and assemble excavators and with a planned production capacity of 20,000 units. The other is located in Hanshou, Hunan Province, with gross floor area of approximately 260,960 square meters to manufacture and assemble concrete mixing plants and special vehicles and with a planned production capacity of 11,800 special vehicles and 1,500 concrete mixing plants. We expect phase one of our industrial park at Weinan to be completed and commence production by the end of 2010, and phase two to be completed and commence production by the end of 2012. We expect our industrial park at Hanshou to be completed by mid-2011 and commence production of concrete mixing plants and special vehicles by the end of 2011. We have already obtained all necessary land use right certificates for of these two industrial parks. The table below sets forth certain information relating to our existing facilities:

Name	Location	Commencement Date of Operation	Approximate Gross Floor Area (m^2)	Products
Guanxi Industrial Park	Guanxi, Hunan Province, China	August 2008	729,103	Cranes, concrete machinery and others
Lugu Industrial Park	Changsha, Hunan Province, China	August 2005	685,766	Concrete machinery, road construction machinery and others
Huayin Industrial Park	Huayin, Shaanxi Province, China	January 2002(1)	507,363	Earth working machinery
Quantang Industrial Park	Changsha, Hunan Province, China	July 1997(2)	420,670	Mobile cranes
Maqiaohe Industrial Park	Wangcheng, Hunan Province, China	November 2007	137,056	Road construction machinery
Yuanjiang Industrial Park	Yuanjiang, Hunan Province, China	December 2007	125,876	Concrete machinery
Zoomlion Industrial Park	Changsha, Hunan Province, China	September 1992	109,862	Environmental and sanitation machinery
Songjiang Industrial Park	Shanghai, China	May 2010	98,397	Rotary drilling rigs
CIFA Industrial Park	Senago, Italy	May 2006(3)	23,000	Concrete machinery

Notes:

(1) The establishment date of Zoomlion Earth Working, which was acquired by the Company in June 2008.

(2) Acquired by the Company in November 2003.

(3) The establishment date of CIFA, which was acquired by the Company in September 2008.

The table below sets forth the annualized production capacity, production volume and utilization rate for the specified product categories and major parts and components for the periods indicated:

Products[1]	Year Ended December 31, 2007 Production Capacity	2007 Production Volume	2007 Utilization Rate	2008 Production Capacity	2008 Production Volume	2008 Utilization Rate	2009 Production Capacity	2009 Production Volume	2009 Utilization Rate	Nine Months Ended September 30, 2010 Production Capacity	2010 Production Volume	2010 Utilization Rate[3]	2010 Utilization Rate[4]
						(Units)							
Concrete Machinery													
Truck-mounted concrete pump	780	1,186[2]	152%	1,044	939	90%	2,580	1,812	70%	3,900	2,551	65%	87%
Trailer-mounted concrete pump	950	800	84%	950	812	85%	950	947	100%	1,200	1,173	98%	130%
Truck-mounted concrete mixer	1,100	966	88%	1,600	1,587	99%	5,760	3,220	56%	8,760	4,506	51%	69%
Concrete mixing plant	110	94	85%	250	227	91%	450	395	88%	1,200	667	56%	74%
Crane Machinery													
Truck crane (including all-terrain truck crane)	3,000	4,323[2]	144%	4,000	4,872[2]	122%	6,000	7,804[2]	130%	6,000	7,672	123%	170%
Crawler crane	200	118	59%	200	319[2]	160%	600	182	30%	600	222	37%	49%
Tower crane	1,100	1,070	97%	1,600	1,548	97%	1,800	1,678	93%	3,500	3,814	109%	145%
Environmental and Sanitation Machinery													
Road sweeper	1,000	744	74%	1,000	1,124[2]	112%	1,800	1,433	80%	2,500	1,660	66%	89%
Washing vehicle	500	387	77%	500	793[2]	159%	1,000	836	84%	1,500	748	50%	67%
Refuse Compression and transfer vehicle	500	512[2]	102%	500	554[2]	111%	1,000	946	95%	1,500	860	57%	76%
Road construction and pile foundation machinery													
Road construction machinery	260	290[2]	112%	360	359	100%	400	279	70%	480	348	73%	97%
Rotary Drilling Rig	240	87	36%	240	103	43%	385	142	37%	400	169	42%	56%
Earth working machinery													
Excavator	—	—		300	30	10%	1,000	602	60%	2,790	1,112	40%	53%
Bulldozer	—	—		800	225	28%	800	325	41%	800	395	49%	66%
Hydraulic cylinder	40,000	44,234	111%	50,000	48,060	96%	60,000	68,871	115%	100,000	85,178	85%	114%
Hydraulic valve	—	—	—	—	—	—	7,000	6,370	91%	11,000	9,340	85%	113%

Notes:

(1) We aggregate the production volume and production capacity of all types of products in a specific product line to arrive at the production volume and production capacity for the line of product.

(2) For certain products, the actual production volume was larger than our production capacity, which is primarily due to the fact that the actual working hours exceeded the working hours being used as a presumption to calculate the production capacity, which is 16 hours per day, five days a week for processing of raw materials, parts and components and assembly into semi-finished products, eight hours per day, five days a week for assembly into finished products and eight hours for commission.

(3) The utilization rate has not been annualized.
(4) Annualized utilization rate for 2010 is based on the production volume of the first three quarters of 2010.

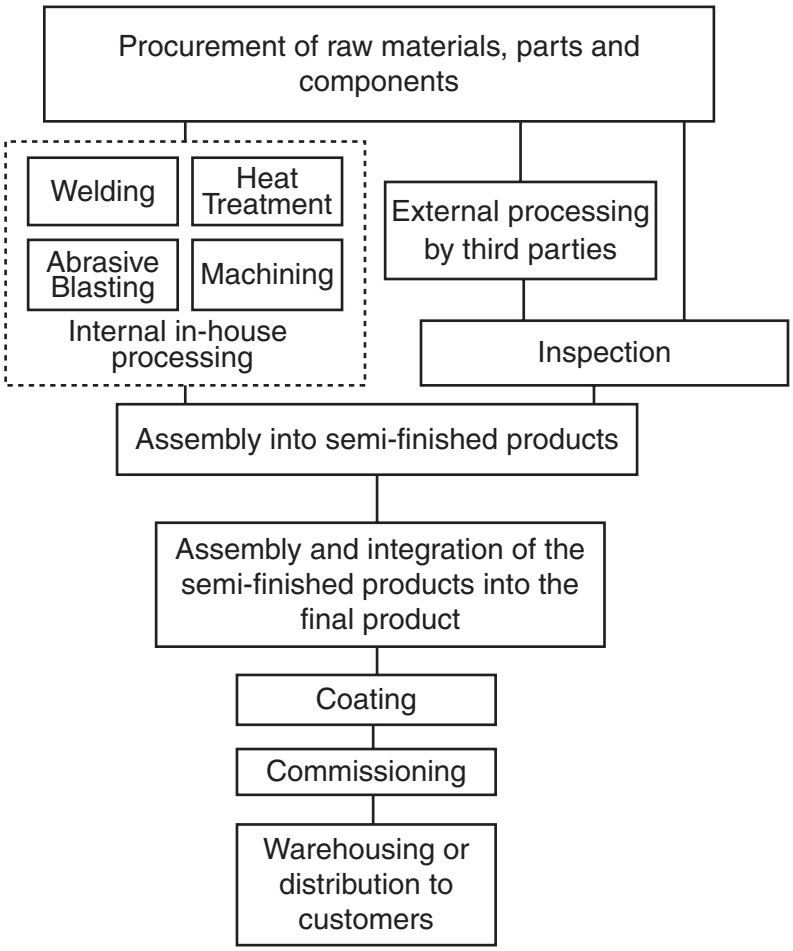
Primary factors affecting the utilization rate of our manufacturing facilities include the market demand and our ability to utilize our newly ramped-up capacity. In particular, the utilization rate for our manufacturing facility for truck-mounted concrete pumps decreased from 152% for the year ended December 31, 2007 to 90% for the year ended December 31, 2008 as the market demand for our products decreased and we reduced the overtime hours in response. The utilization rate for our manufacturing facility for road sweepers increased from 74% in 2007 to 112% in 2008 as a result of strong market demand. In 2009, the utilization rate decreased to 80% as we expanded our production capacity in response to the strong market demand. The utilization rate for our manufacturing facility for washing vehicles increased from 77% for the year ended December 31, 2007 to 159% for the year ended December 31, 2008, and decreased to 84% for the year ended December 31, 2009. The increase in 2008 was primarily due to stronger market demand and longer working hours. In 2009, although the demand for our products continued to increase, we were not able to fully utilize the newly ramped up capacity. In addition, we ramp up our production capacity in anticipation of the market demand, so that we will be able to capitalize on the increased market demand. As a result of our expectation about the increase in market demand for crawler cranes, we increased our annual production capacity for crawler cranes from 200 units to 600 units in 2009. The market demand for crawler cranes did not increase as expected in 2010, which resulted in a lower utilization rate for the production facilities for crawler cranes. However, in view of the infrastructure projects and emission reduction measurements the PRC government committed to implement, including large-scale nuclear power plant projects, we expect the market demand for crawler cranes to increase significantly. As a result, we plan to continue to increase our production capacity for crawler cranes to capitalize on the expected growth.

To continue supporting our growth, we have undertaken and will continue to expand our manufacturing capabilities so as to meet the market demand for our products and the manufacturing capacity for key parts and components used in our products. For example, we are currently expanding our manufacturing facility at Quantang Industrial Park to increase our annual production capacity for large- and medium-capacity cranes to approximately 613 units, including 216 units of all-terrain truck cranes, 101 units of large-capacity crawler cranes, 175 units of tyre cranes and 121 units of large-capacity tower cranes. We are also expanding our manufacturing facility at Guanxi Industrial Park to increase our manufacturing capacity for hydraulic cylinders and hydraulic valves by 300,000 units and 150,000 units. We expect to complete the expansion of our manufacturing capacities at Quantang Industrial Park in 2011 and Guanxi Industrial Park in 2012. We believe that our manufacturing facilities are well maintained, in good operating condition and suitable for their current purposes. In addition to expanding our manufacturing capacity, we also plan to further improve our manufacturing efficiency and processes by reducing our manufacturing cycle times and upgrading existing technologies. Given that most of the expanded production capacity are for parts and components, including hydraulic cylinders and hydraulic valves, we believe we are able to take up the extra capacities by decreasing our external procurement of such parts and components required for the production of all of our machinery. Moreover, the additional manufacturing facilities to be funded by the proceeds of this Offering are for the manufacture of new products, including certain crane machinery products, to meet the market demand or

for the manufacture of parts and components to increase the proportion of parts and components manufactured in-house.

Manufacturing Process

The diagram below illustrates the major manufacturing process of our principal products:



Generally, our manufacturing process can be broadly categorized into the following steps:

- *Procurement of raw materials, parts and components.* Principal raw materials, parts and components include steel sheets, round steel, steel pipes, electrical parts, hydraulic cylinders and valves and chassis. Some of the raw materials, parts and components do not need to be processed. They can be assembled into semi-finished products upon completion of quality inspection.

- *Processing of raw materials, parts and components.* Raw materials, parts and components are processed according to the necessary technical specifications to form the specified components. Such treatment process includes cutting, drilling, gas cutting, welding, bending, abrasive blasting, polishing, pre-coating, machining and heat treatment. While we purchase some components processed by third

parties, the processing of raw materials, parts and components is typically either carried out by us or is outsourced to external third parties who conduct the processing based on our designs and technical specifications. We typically outsource procedures that do not involve our proprietary technologies to third parties, including surface treatment, painting and zinc plating. We perform strict quality control measures to inspect the raw materials, parts and components processed by third parties.

- *Assembly of parts and components into semi-finished products.* Raw materials, parts and components are further processed to form semi-finished parts ready for final assembly. These materials will undergo processes including welding and drilling.

- *Assembly and integration of semi-finished products.* All semi-finished parts and components, such as electric motors, electric controls, hydraulic cylinders and valves and chassis, are assembled and integrated to form the finished products.

- *Coating.* Finished products are sent to the coating factory.

- *Commissioning.* Finished products are sent for commissioning, further adjustments and fine tuning before being dispatched to the manufacturing sites for evaluative testing and quality inspection. For additional information as to the testing and quality inspection of our products, please see "—Quality Control."

- *Warehousing.* The painted final products are sent to our warehouses for storage and distribution to our customers.

To avoid duplication of processing facilities in our different specialized industrial parks, we also group certain pre-assembly processing and treatment steps of the raw materials, parts and components, such as coating, before dispatching them to the specialized industrial park for assembly. The lead manufacturing time for our products varies. The lead manufacturing time for our concrete machinery, excluding concrete mixing plants, ranges from 10 to 33 days, the lead manufacturing time for our mobile cranes ranges from 30 to 210 days, the lead manufacturing time for our crawler cranes ranges from 45 to 180 days, and the lead manufacturing time for our tower cranes ranges from 7 to 30 days. Every stage of our manufacturing process is subject to quality control procedures and adheres to our strict quality control standards. See "—Quality Control" for additional information.

In order to utilize our manufacturing facilities more effectively and enhance our manufacturing efficiencies, we are continuously improving our manufacturing processes. We have hired experts in relevant areas to implement lean manufacturing and zero-defect manufacturing measures. Our headquarters develops general directional strategies to improve our manufacturing efficiencies, which are then adjusted and implemented by each of our business divisions, with the approval from our headquarters, to best suit their manufacturing activities. We believe that enables our business divisions to tailor the implementation of the strategies and improve their manufacturing processes, and thus, allocate resources more efficiently and help address the practical business needs.

Manufacturing System

We have developed and implemented an advanced manufacturing system based on the master production schedule ("**MPS**") model. At the end of the third quarter of each year, our senior management first sets the overall business plan as well as a target for our domestic and international sales plan for the next year based on the prevailing macro economic outlook, industry forecast and our strategic targets. The manufacturing division would then set an MPS to implement the overall business plan and to achieve the domestic and international sales targets. The MPS sets out the quantity of each model to be completed in a given month. At the end of each month, our manufacturing division sets the detailed manufacturing plan that covers each phase of the manufacturing process for the following month in order to implement the MPS. In order to minimize inventory levels, our manufacturing department also adjusts the MPS based on the actual orders we receive.

We utilize automated and computerized systems in our manufacturing lines for many stages of our manufacturing processes in most of our manufacturing facilities. As a result, certain specific manufacturing processes, such as the processing of machinery, changing of manufacturing tools along the manufacturing line, automatic movement of parts along the manufacturing line, parameters for welding and drilling, and the assembly of parts, can all be programmed and automated. Such parameters can then be repeated precisely for each subsequent manufacturing cycle. We believe by automating our manufacturing processes, we are able to effectively control our manufacturing parameters, increase the quality of our products and shorten the manufacturing time for our products. In addition, this also allows for greater manufacturing flexibility as the parameters may be changed easily according to any changes in product specifications, thereby allowing us to quickly shift and adjust our manufacturing capacity between different products to take into account any changes in demand.

QUALITY CONTROL

We have implemented stringent quality control measures to identify and solve potential quality issues. Our senior management is actively involved in setting internal quality control policies and has established a dedicated quality control department at our headquarters that sets forth general quality control guidelines, manages our quality control practices and oversees the performance of the dedicated quality control departments of each of our business divisions. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any product recall that adversely impacted our reputation, business operations or financial condition. Our quality control procedures start with quality assurance of raw materials, parts and components, which includes annual evaluation of our major suppliers and inspection of raw materials, parts and components upon their arrival at our facilities. We regularly dispatch quality control personnel to our key suppliers in order to ensure the quality of the raw materials, parts and components we procure externally. Raw materials, parts and components that fail our inspection are returned to suppliers. We also established quality control measures in all key stages of our manufacturing process, and test all finished products before delivery to customers. If a problem is detected, a failure analysis is performed to determine the cause. We distribute internal quality control publications on a weekly and monthly basis that inform, examine, and analyze quality control issues and problems that are identified in order to continuously improve our quality control measures. During the Track

Record Period, the value of raw materials, parts and components returned to our suppliers accounted for less than 1% of our total costs for raw materials, parts and components.

We have received ISO9001:2008 certification for the quality management system, ISO10012 for the measurement management system, ISO14001 certification for the environmental management system and BSOHSAS18001 certification for the occupational health and safety management system covering substantially all of our products. We have also received many other domestic and international certifications for our products from PRC government agencies and independent international certification authorities, including the China Compulsory Certification for product quality and safety from the China Quality Certification Center and the CE certification from TüV Rheinland and TüV SüD, independent certification institutions based in Germany, as well as GOST certification from Russia and Korea Product Safety Certification. We believe all of these certifications demonstrate the technological capabilities of our manufacturing processes and help build customer confidence.

SUPPLIES

Raw Materials, Parts and Components

The principal raw materials, parts and components that we use to manufacture our products include steel, branded chassis, hydraulic pumps, valves and cylinders, engines, tires, electric controls, and a variety of other commodities and fabricated or manufactured parts and components. We currently source our raw materials and a portion of the parts and components used in our products from multiple suppliers located in and outside of the PRC. We also manufacture certain key parts and components that are used in our products, especially for hydraulic cylinders and valves. We have also recently increased our efforts to manufacture chassis for our products as well. We may continue to subcontract and outsource the manufacturing of additional non-key parts and components to external parties in the future as we believe it can be more cost effective and a more efficient use of resources. In 2007, 2008, 2009 and the six months ended June 30, 2010, major raw materials, parts and components we manufactured included hydraulic cylinders and valves, structural parts and machined parts, the value of which, in aggregate, amounted to approximately RMB1,000 million, RMB1,500 million, RMB2,500 million and RMB3,000 million in the respective periods. In the same periods, major raw materials, parts and components we outsourced included steel and chassis, and the value of which, in aggregate, amounted to approximately RMB800 million, RMB1,500 million, RMB2,000 million and RMB2,500 million in the respective periods.

Procurement Control

We adopt different policies to manage our procurement for raw materials, parts and components. We typically have multiple suppliers for each of our raw materials, parts and components so as to minimize any potential disruption of our operations, maintain sourcing stability and secure competitive prices from suppliers. For certain raw materials, parts and components with limited supply sources or which are manufactured specifically for an individual product type, including steel, chassis and hydraulic pumps, we enter into strategic framework agreements to ensure a sufficient supply. Our strategic cooperation framework agreements express the parties' intention to explore future cooperative opportunities and normally specify favorable pricing terms, supply priority, quantity, and quality of raw materials,

parts and components to be provided, and post-sales service assurance. Our strategic cooperation framework agreements also provide for minimum purchase volumes. Our strategic cooperation framework agreements typically have a term of one to three years. We make our raw materials, parts and components procurement plan based on the MPS. Depending on the type and lead time of raw materials, parts and components, purchase orders are issued on a weekly or monthly basis. The lead time for our individual purchases ranges from one day to 30 days.

For parts and components that we subcontract to external third parties, we typically enter into two types of subcontracting arrangements. Both types of arrangements typically provide for subcontracting volumes and pricing terms within a fixed period of time. Under the first type, we provide the designs of the parts and components we require, along with the raw materials required for the manufacturing of such parts and components, and the subcontractors are only required to manufacture the products in accordance with our specifications. Under the second type, the subcontractors procure the specified raw materials and manufacture the parts and components in accordance with our required standards and suitable for our specifications. In 2007, 2008, 2009 and the six months ended June 30, 2010, we had a total of 122, 171, 182 and 145 subcontractors covering both types of subcontracting arrangements, and the processing fees we incurred from these subcontracting arrangements amounted to RMB106 million, RMB146 million, RMB172 million and RMB105 million for the same respective periods. During the Track Record Period, we maintained a contractual relationship for services to be rendered by the subcontractors, each acting in the ordinary course of its business as an independent third-party contractor.

In addition, after our acquisition of CIFA, we have established a global supply sourcing platform, which we believe will allow us to increase and strengthen our purchasing power on a global scale and increase our raw materials, parts and components supply channels.

For the years ended December 31, 2007, 2008, and 2009, and the six months ended June 30, 2010, our single largest supplier accounted for approximately 5.1%, 2.6%, 3.1% and 4.5%, respectively, of our total purchases, and our five largest suppliers together accounted for approximately 13.1%, 9.8%, 10.4% and 16.5%, respectively, of our total purchases. None of our Directors or their associates, or any Shareholders, who, to the knowledge of our Directors, owns more than 5% of our issued share capital, has any interest in any of our five largest suppliers in 2007, 2008 and 2009 and the six months ended June 30, 2010.

The operation department at our headquarters is responsible for the procurement of standardized raw materials, parts and components that can be used by several of our business divisions. Each of our business divisions in turn is responsible for the procurement of the specialized raw materials, parts and components that are only needed to manufacture their respective products. We constantly monitor and evaluate current and potential suppliers on their ability to meet our requirements and standards. Our headquarters' supply procurement department constantly evaluates our suppliers based on their size, production capabilities, quality control capabilities, financial stability and ability to timely deliver raw materials and components. Each of our business divisions also actively monitors and evaluates its supply sources for raw materials, parts and components as well as provides feedback to our headquarters as to the quality and suitability of the commonly purchased raw

materials, parts and components. We enjoy stable relationships with our suppliers, generally averaging five years of business relationships with our key suppliers.

Inventory Management

We undertake inventory control in order to reduce the risks of under- and over-stocking. Our advanced manufacturing system is based on the MPS, which is adjusted by the actual purchase orders we receive. As our raw materials and components procurement plan is based on the MPS, our inventory of raw materials, parts and components required is minimized and kept at an appropriate level to facilitate the manufacturing process. For certain small key parts and components that we use on a recurring or regular basis, we typically maintain stock at a level based on our inventory policy. For imported parts and components, including hydraulic pumps, valves and cylinders, we typically maintain a stock for our production needs of 15 to 30 days. For parts and components manufactured in China, including engines, we typically maintain a stock for our production needs of seven to 15 days. This is to ensure a ready and sufficient inventory level when we need to significantly adjust our MPS. For certain of our operation segments, we have also installed an enterprise resource planning ("**ERP**") system which provides us with real-time information about purchases, production schedules and supplies of our raw materials, parts and components. By providing us with quick access to various data and easy formulation of operating models, the ERP system has substantially improved our inventory controls.

CUSTOMERS, DISTRIBUTION NETWORK AND SALES AND MARKETING

Customers

We sell our products to customers around the world. In 2007, 2008, 2009 and the six months ended June 30, 2010, sales to end-users in China accounted for 91.6%, 79.6%, 87.4% and 94.3%, respectively, of our consolidated turnover. We currently market and sell a majority of our products under the Zoomlion brand to domestic customers in China. On the other hand, our products under the CIFA brand are primarily sold to customers that are located outside China. In addition, our products under the CIFA brand are sold in China through our extensive distribution network.

Our concrete machinery, crane machinery and certain other construction machinery such as rotary drilling rigs, earth working machinery and special vehicles are typically sold, either directly or through dealers, to property developers, infrastructure construction companies, construction contractors or government agencies. Our road construction machinery is typically sold, either directly or through dealers, to infrastructure construction companies or government agencies. Our material handling machinery and systems are typically sold to mining companies and port construction companies. Most of our environmental and sanitation machinery is sold to government agencies. The sales of our products to government agencies and certain customers are achieved through competitive bidding and tender processes. We have established a dedicated team that specializes in such government or private competitive bidding and tender processes. In certain cases, our products are also sold to leasing companies. We also consider certain large-scale state-owned enterprises, such as China Railway Engineering Group Co., Ltd., China Railway Construction Corporation Limited and China Communication Construction Company Limited to be our major customers. While direct purchases from these major customers do not

account for a significant percentage of our consolidated turnover during the Track Record Period, we have been able to sell several lines of products to the contractors engaged by these customers based on their recommendations. In 2007, 2008, 2009 and the six months ended June 30, 2010, none of these major customers was one of our five largest customers, and sales to these customers, in aggregate, amounted to RMB150 million, RMB227 million, RMB237 million and RMB96 million, respectively, which represented 1.7%, 1.7%, 1.1% and 0.6% of the consolidated turnover for the respective periods.

Currently, we have over 30,000 customers that varied widely in terms of their contribution to our total turnover. In 2007, 2008, and 2009 and the six months ended June 30, 2010, sales to our five largest customers accounted for approximately 4.3%, 6.7%, 4.6% and 5.9%, respectively, of our consolidated turnover, and our largest customer accounted for approximately 1.4%, 3.3%, 1.2% and 1.7%, respectively, of our consolidated turnover for the respective periods. None of our Directors or their associates, or any Shareholders, who, to the knowledge of our Directors, owns more than 5% of our issued share capital, has any interest in any of our five largest customers in 2007, 2008, 2009 and the six months ended June 30, 2010.

Sales and Distribution

We have established an extensive distribution network in China. As of September 30, 2010, the distribution network consisted of 548 outlets owned and operated by us, as well as 410 outlets owned and operated by third-party dealers, 524 service centers and 309 components depots owned and operated by us and 339 service centers and 223 components depots owned and operated by third parties, which are located in more than 300 cities covering all provinces and autonomous regions in China. Our third-party dealers in China, in aggregate, operated 39, 115, 279 and 408 outlets, respectively, as of December 31, 2007, 2008 and 2009 and June 30, 2010. As of September 30, 2010, we employed over 3,400 marketing, sales and after-sales services personnel in China. In addition, we sell our products to over 70 different countries and have also established an extensive overseas distribution network which, as of September 30, 2010, consisted of 31 outlets, 14 service centers and 15 parts and components depots owned and operated by us, as well as 190 outlets, 180 service centers and 139 parts and components depots owned and operated by our 88 third-party dealers. Our dealers generally have experience in the sales of construction machinery or other machinery and all of our dealers in the Track Record Period are independent third parties.

The table below sets forth the numbers of outlets, service centers and parts and components depots by geographical location in the PRC and overseas as of September 30, 2010:

	Outlets			Service Centers			Parts and Components Depots		
	Owned and operated by us	Owned and operated by third-party dealers	Total	Owned and operated by us	Owned and operated by third-party dealers	Total	Owned and operated by us	Owned and operated by third-party dealers	Total
Inside China									
Northern China	142	90	232	138	68	206	78	43	121
Eastern China	133	88	221	126	81	207	66	67	133
Southern China	78	50	128	75	39	114	46	21	67
Western China	113	115	228	108	93	201	59	60	119
Central China	82	67	149	77	58	135	60	32	92
Total	**548**	**410**	**958**	**524**	**339**	**863**	**309**	**223**	**532**
Overseas									
North America	—	3	3	1	2	3	—	2	2
Oceania	2	5	7	1	5	6	1	4	5
Africa	5	13	18	2	12	14	3	10	13
South America	3	32	35	1	32	33	2	28	30
Europe	7	60	67	5	52	57	3	40	43
Asia	14	77	91	4	77	81	6	55	61
Total	**31**	**190**	**221**	**14**	**180**	**194**	**15**	**139**	**154**

The table below sets forth our sales by geographical location in China and overseas and each expressed as a percentage of our consolidated turnover, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,		Nine Months Ended September 30,	
	2007		2008		2009		2010			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)									
China										
—North	2,127	23.7	3,275	24.2	5,350	25.8	4,249	26.3	5,831	24.4
—South	1,354	15.1	1,525	11.3	2,498	12.0	1,923	12.0	3,019	12.6
—East	2,199	24.5	2,659	19.6	3,654	17.6	3,260	20.3	4,810	20.1
—West	961	10.7	1,798	13.3	3,441	16.6	3,049	19.0	4,265	17.9
—Central	1,575	17.6	1,523	11.2	3,204	15.4	2,685	16.7	4,678	19.6
Sub-total	**8,216**	**91.6**	**10,780**	**79.6**	**18,147**	**87.4**	**15,166**	**94.3**	**22,603**	**94.6**
Overseas										
—Europe[1]	83	0.9	794	5.9	1,929	9.3	587	3.6	750	3.1
—Asia[2]	513	5.7	1,372	10.1	335	1.6	168	1.0	254	1.1
—Others[3]	161	1.8	602	4.4	351	1.7	168	1.1	294	1.2
Sub-total	**757**	**8.4**	**2,768**	**20.4**	**2,615**	**12.6**	**923**	**5.7**	**1,298**	**5.4**
Total	**8,973**	**100.0**	**13,548**	**100.0**	**20,762**	**100.0**	**16,089**	**100.0**	**23,901**	**100.0**

Note: The presentation of geographic location above is based on the location of the end-users of our products, and is different from the geographic analysis on the geographic location of the sales. Under the sales location method, the products that are ultimately sold to end-users located in the overseas markets through our dealers located in the PRC are presented as turnover from the PRC and the amounts and the percentages of the PRC and the overseas sales are higher and lower, respectively, for the relevant periods than the amounts and percentages presented in the table above. We believe the geographic classification method used in the above presentation provides investors with additional information about the turnover from our domestic and overseas end-users.

(1) Including Italy, Germany and Russia.
(2) Including Japan, India and Korea.
(3) Including South Africa, Australia, Brazil and the United States.

The table below sets forth our sales by outlets owned and operated by us and outlets owned and operated by third party dealers and each expressed as a percentage of our consolidated turnover, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,		Nine Months Ended September 30,	
	2007		2008		2009		2010			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)									
Sales by outlets owned and operated by us	7,439	82.9	10,627	78.4	16,206	78.1	12,451	77.4	19,219	80.4
Sales by outlets owned and operated by third party dealers	1,534	17.1	2,921	21.6	4,556	21.9	3,638	22.6	4,682	19.6
	8,973	**100.0**	**13,548**	**100.0**	**20,762**	**100.0**	**16,089**	**100.0**	**23,901**	**100.0**

We provide personalized and tailored purchasing experiences for our customers by offering consultations to design comprehensive solutions in accordance with each customer's specific needs, industry and business operations. For example, our engineers will accompany our customers to their construction sites to understand work requirements and recommend the most suitable products. We also provide technical advisory services to our customers and assist them in designing construction plans based on available equipment. For special projects, we work with our customers to design and manufacture tailored products to address the customers' unique needs. Some of our products are sold to customers who, as a result of our reputation or customer referrals, approach us directly. However, we also actively source business through open or invited tenders where competitive bidding processes are arranged by potential customers.

We select our dealers in China based on their reputation, market coverage, sales experience and ability to foster relationships with local customers, financial strength and existing or potential size of their distribution force. As of December 31, 2007, 2008 and 2009 and June 30, 2010, we had a total of 30, 54, 66 and 70 third-party dealers in China, respectively. Our dealers include specialized construction machinery retailers, car dealers and electrical engineers, including special equipment service providers. We typically require a deposit when we engage a dealer. We have two types of arrangements with our dealers. Under the first type, our dealers in China purchase our products from us and subsequently sell our products within a designated region to end-users. Under the second type, we sell our products through dealers to particular customers or projects, and the sales contracts for our products are between the customer and us. Our dealers under the second type of arrangement are compensated by commissions paid by us. We usually determine the type of arrangement based on the dealer's experience, relevant expertise and customer bases. For the first type of arrangement with our dealers, we typically enter into written distribution agreements for a one-year term with our dealers in China that are generally renewed annually. The second type of arrangement with our dealers is typically customer and/or project based and the contract terms vary from dealer to dealer. These distribution

agreements set forth guidelines for the sale and distribution of our products, including restrictions on the territories in which our products may be sold to end-users by such dealers. Our distribution agreements also allow our dealers to sell our products to overseas end-users. Dealers who sell our products to overseas end users are typically subject to the same terms and conditions under the first type of arrangement, and have similar rights and obligations to the other dealers under the first type of arrangement. Under the first type of arrangement, we typically enter into non-exclusive agreements under which we are not bound to only sell to such dealers within a defined territory. Our distribution agreements typically have certain periodic sales targets to facilitate our evaluation of the performance of our dealers. Failure of our dealers to achieve the sales targets would not result in any penalty, but may result in non-renewal of the distribution agreement. In addition, if the dealers sell competing products from other companies, we also reserve the right to terminate the distribution agreements. Under the second type of arrangement, we typically enter into non-exclusive agreements with our dealers.

We utilize different combinations of direct sales outlets and dealers for different types of products, customers' demand and geographic areas to maximize our market penetration. As part of our efforts to integrate resources across different operating segments, since 2008, we have established various all-products sales and service centers in major cities across the key markets where there is strong demand for more than one line of our products and our important customers are located, allowing us to fully leverage our customer relationships and information and to cross-sell our products.

Our products are typically sold internationally through dealers supported by certain of our own distribution outlets staffed with our own personnel. As of December 31, 2007, 2008 and 2009 and June 30, 2010, we had a total of 16, 74, 94 and 88 third-party dealers outside of China, respectively. Our international distribution network is comprised of 88 third-party dealers as of September 30, 2010. Our international third-party dealers typically purchase our products from us and subsequently sell our products within a designated region to end-users. The contractual arrangements with our international third-party dealers are similar to the first type of contractual arrangement with our third-party dealers in China in this respect. Certain of our international dealers also engage sub-dealers to further broaden the market reach of our products. We typically enter into written exclusive distribution agreements with our international dealers for either one- or two-year terms that can be renewed upon expiration of the agreements. International distribution agreements contain similar terms as our domestic distribution agreements, but many of the international dealers are also required to construct a parts and components depot in their designated territories under the agreement and we can terminate the exclusive distribution agreement with our international dealers if they fail to achieve certain sales targets.

In 2007, 2008, 2009 and the six months ended June 30, 2010, we had 45, 123, 154 and 156 third-party dealers under the first type of arrangement, and five, eight, seven and two third-party dealers under the second type of arrangement, respectively. Among these third-party dealers four, three and one third-party dealers entered into both types of distribution agreements with us in 2007, 2008 and 2009, respectively. Under the contractual arrangements with our international dealers, the sales contracts for our products are entered into between the international dealers and the end-users. Therefore, all of our international dealers are considered dealers under the first type of arrangement.

The table below sets forth the sales under the first and second types of arrangements in the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2007	2008	2009	2010
			RMB (in millions)	
Sales under the first type of arrangement	1,251	2,676	4,225	3,335
Sales under the second type of arrangement	283	245	331	303

We actively manage our distribution network and regularly review the performance of each of our own distribution outlets and our dealers as well as monitor customer satisfaction with the performance of our services. We divide the sales and support of our products into our respective business divisions, which we believe allows us to better formulate and implement our sales strategy to target our customers and provide the necessary after-sales services. During the Track Record Period, all of our third-party dealers were in compliance with the distribution agreements in all material aspects. In addition, we believe that the increase in our consolidated turnover during the Track Record Period was not caused by accumulation of inventory at the dealers' level, as we did not experience any product returns from our third-party dealers during the Track Record Period.

The table below sets forth the movement of the number of our third-party dealers inside China and overseas during the Track Record Period:

	Year Ended December 31,						Six Months Ended June 30,	
	2007		2008		2009		2010	
	PRC	Overseas	PRC	Overseas	PRC	Overseas	PRC	Overseas
Dealers under first type of arrangement								
Addition	8	13	22	60	17	25	9	16
Non-renewal	10	—	2	2	6	5	1	22
Opening balance	31	3	29	16	49	74	60	94
Net increase/(decease)	(2)	13	20	58	11	20	8	(6)
Closing balance	**29**	**16**	**49**	**74**	**60**	**94**	**68**	**88**
Dealers under second type of arrangement								
Addition	3	—	5	—	—	—	—	—
Non-renewal	—	—	2	—	1	—	5	—
Opening balance	2	—	5	—	8	—	7	—
Net increase/(decease)	3	—	3	—	(1)	—	(5)	—
Closing balance	**5**	—	**8**	—	**7**	—	**2**	—
Overlapping	(4)	—	(3)	—	(1)	—	—	—
Total	**30**	**16**	**54**	**74**	**66**	**94**	**70**	**88**

The primary reason for non-renewal of a distribution agreement is the failure of the dealer to meet the sales target. In particular, we did not renew the distribution agreements with five and 22 international dealers in 2009 and the six months ended June 30, 2010, respectively, for reasons including the slowdown in the sales of our products in the particular region covered by those dealers and the potential competition between the dealers and us.

Customer Services

We typically sell our products with warranty terms covering three to 12 months after the sale, except for parts that are subject to special warranty terms that range from 15 days to 12 months. For example, tires, batteries and friction plates in our mobile cranes are subject to warranty terms of 30 days, 45 days and three months, respectively. In addition, our product warranty does not cover normal wear and tear during the products' use. Our product warranty typically requires us to provide after-sales services covering parts and labor for non-maintenance repairs, provided operator abuse and improper use or negligence did not necessitate the repair. Certain parts and components of our products, however, are not covered by us but are covered by the warranties of the manufacturers of such parts and components, such as the branded chassis used in our products. In accordance with the relevant return procedures, our customers can return defective components of our products to us during the warranty period. Following the expiration of the warranty period, we may provide repair and maintenance services and supply parts and components for a fee based on the services required. Product warranty provisions in 2007, 2008, 2009 and the six months ended June 30, 2010 were RMB30 million, RMB127 million, RMB87 million and RMB93 million, respectively. The product warranty provision increased in 2008 as compared to 2007, because we were upgrading the medium to large capacity tower cranes and the concrete placing booms in 2008, which led to more repairs and parts and components replacements for those products and therefore caused us to incur additional warranty claims during 2008. Since the quality issue of the products was resolved after the upgrading was accomplished in 2008, our product warranty provision in 2009 decreased and remained stable in the six months ended June 30, 2010.

We provide a comprehensive suite of after-sales services to our customers, which includes many value-added services aimed at lowering costs to our customers and increasing their productivity and operating efficiency. When our products arrive at our customers' locations, our technical personnel are present on-site to provide any required installation and assembly services. Furthermore, to ensure that our customers understand the operation and functions of our products, we provide on-site technical and product training. We also perform preventive maintenance and diagnostics for our customers, instead of waiting for our customers to request maintenance services. Other value-added after-sales services include the procurement of product insurance and other necessary certifications and providing ongoing relevant industry advice and analysis. Furthermore, we are one of the few construction machinery manufacturers' in China to offer remanufacturing services as a value-added service to our customers, including technological upgrades and extending the life of their products at the request of customer.

As part of our commitment to provide quality after-sales services, we implement a "24 Hours On-call" policy under which we aim to respond to customers within 24 hours. We also provide on-site support to our customers within two hours for urban areas covered by our service centers.

After-sales services overseas are currently provided either through over 180 service centers and 139 parts and components depots of our international dealers or through 14 of our own service centers and 15 parts and components depots located across Italy, Russia, the United Arab Emirates, Belgium, Vietnam and 21 other countries.

In order to ensure that our brand is associated with high quality and both reliable and responsive service levels, we constantly provide training to our own and our dealers' after-sales services personnel. We expect our dealers to provide the same, if not higher, levels of service than our own personnel, with such capability an important criterion in our selection of dealers. We also continuously catalog and archive our customers' product usage history which assists us in improving the quality of our services and enhancing our knowledge as to such customers' preferences, needs, constraints and strategies and the field performance of our products.

Pricing Strategy

We formulate and adjust the prices for most of our products based on such product's life cycle and in a market-oriented manner. As a majority of our products remain in the growth stage of their life cycle, we adopt a pricing strategy focused on maximizing our profitability and margins. We also take into account factors such as product capabilities, degree of competition, market demand and changes and improvements in technical innovations in pricing our products. The sales prices of our products are formulated at the sales center level. The prices of our products are not subject to official price guidelines under PRC laws and regulations. The sales prices of our products are generally the same within each designated region in China but may be affected by variation in transportation costs. However, the sales prices of our products outside of China are generally higher than the sales prices for the same products in China. For most of our machinery, we set a suggested sale price, while giving our sales personnel and third party dealers the flexibility to offer certain discounts. We also provide volume discounts to certain of our customers as well as a discount from the retail purchase price to our dealers.

Payment Options

We currently provide certain of our customers, including our dealers, with installment payment options or credit payment options, or provide financial guarantees for such customers' bank loans to purchase our products, depending on the credit quality of our customers or dealers and the general business practices in the region in which the products are sold.

In addition, starting from May 2007, we began to provide finance lease services directly to our end-user customers in China covering all products manufactured and sold by us through our subsidiary Beijing Zoomlion Leasing. We also established Zoomlion Finance and Leasing (China) in February 2009 to further expand our finance lease services domestically, and Zoomlion Capital (H.K.) in May 2008 to expand our finance lease services overseas. Our two PRC subsidiaries, Beijing Zoomlion Leasing and Zoomlion Finance and Leasing (China), have obtained prior approvals from MOFCOM to conduct finance lease business, and have complied with all the other requirements under PRC laws as to registered capital, relevant experience for senior management and specialists of the enterprise and periodic inspection from MOFCOM. For more details, please refer to "Regulatory Overview — Regulations as to Finance Lease Industry". In addition, we have obtained the relevant licenses and/or complied with the requirements and conditions in order to provide finance lease services in Hong Kong, Australia, Italy and Russia. Pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), any person in Hong Kong must apply to the authority for a money lender's licence in order to engage in the operation of financial leasing business. Our

Company has strictly complied with the Basic Law and the relevant laws of Hong Kong and obtained the money lender's license issued by the Registrar of Money Lenders by the end of May 2009. We are therefore in compliance with the relevant regulatory requirements for our financial leasing operation in Hong Kong. In Australia, providers of finance lease services are not subject to special requirements, but their operations must comply with the law and policies of Australia. According to Art. 106 of the Consolidated Banking Act of Italy, carrying out financial activity (including leasing business) in Italy is restricted to banks and to institutions enrolled in the register of financial intermediaries as non-banking institutions which is kept by Bank of Italy. Zoomlion Capital (Italy) S.p.A., a wholly owned subsidiary of Zoomlion Capital (H.K.), is regularly registered as a non-banking institution in the general register of financial intermediaries kept by Bank of Italy and has included leasing services in its corporate register in Italy. In Russia, providers of finance lease services do not have to obtain special licenses, but have to include leasing services in the scope of business in their corporate constituent documents. Zoomlion Finance & Leasing (Russia) Co., Ltd. has included finance lease services and loan services in the business scope in its corporate constituent documents. In addition, our financial guarantee arrangement does not violate any laws and regulations in the PRC.

The following table sets forth the breakdown of total turnover from sales of our products by different payment options, and each expressed as a percentage of turnover from sales of our products, for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,		Nine Months Ended September 30,	
	2007		2008		2009		2010			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)									
Credit payment	3,934	43.9	6,394	47.7	6,896	33.9	5,395	34.3	7,504	32.3
Installment payment	2,256	25.2	2,215	16.5	2,666	13.1	2,329	14.8	3,555	15.3
Sales under financial guarantee arrangement	2,388	26.6	2,735	20.4	3,340	16.4	2,604	16.5	4,635	19.9
Sales under finance lease arrangement[1]	381	4.3	2,068	15.4	7,463	36.6	5,407	34.4	7,554	32.5
Total	**8,959**	**100.0**	**13,412**	**100.0**	**20,365**	**100.0**	**15,735**	**100.0**	**23,248**	**100.0**

Note:

(1) The interest income from finance lease service is not included in the sales under finance lease arrangement in the above table as such income is not directly derived from product sales under the finance lease payment option. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our Group's interest income under finance lease amounted to RMB14 million, RMB136 million, RMB397 million and RMB354 million, respectively. For the nine months ended September 30, 2010, our Group's interest income under finance lease amounted to RMB653 million.

- Under the credit payment option, credit terms granted to our customers normally range from one to three months from the date of billing, and an upfront payment ranging from 10% to 30% of the product price is required based on the different terms agreed with the customers.
- Under the installment payment option, our customers are required to make an upfront payment ranging from 30% to 60% of the product price and settle the remaining balance on a monthly equal installment basis within up to 24 months.
- Under the financial guarantee arrangement, our customers are required to make an upfront payment ranging from 20% to 30% of the product price and arrange

bank loans for the remaining balance to finance the purchase of machinery, and we will provide financial guarantees for such customers' bank loans. The terms of these guarantees coincide with the tenure of bank loans that generally range from 2 to 4 years.

- Under the finance lease arrangement, the length of the lease is generally two to four years, although for certain products that have a longer useful life, such as tower cranes, crawler cranes and large-capacity truck cranes, we may extend the length of the lease to five years. Our finance lease services cover all our product lines, including concrete machinery, crane machinery, environmental and sanitation machinery, road construction and pile foundation machinery, earth working machinery, material handling machinery and systems and other types of machinery products. Generally, our products have an estimated average useful life of ten years. However, based on circumstances including working conditions, work load, usage and maintenance, the actual useful life of our products could vary significantly among our end-users. The length of the lease, which ranges from two to four years is typically much shorter than the useful life of the leased equipment. An upfront payment ranging from 5% to 20% of product price is required. Also, we require a security deposit equal to 5% to 10% of the product price from the customers, which will be released upon completion of the lease period and the receipt of final lease payment. At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. Terms of the finance lease services provided are determined based on our relationship with and the credit quality of the customer. We believe finance lease services provide customers with a more flexible payment option that increase the attractiveness of our products, especially overseas, where the typical payment option of choice is a finance lease.

By offering varying payment options, we are exposed to business and credit risks including default risks. Accordingly, individual credit evaluations are performed on all customers requiring credit over a certain amount, customers choosing our installment payment option and financial guarantee arrangement. These evaluations focus on each customer's background and financial strengths, past payment history and current ability to pay, and take into account information specific to each customer as well as the economic environment in which such customer operates.

- Under the credit payment option, we evaluate the creditworthiness of customers to which we grant credit in the normal course of business by performing credit checks. Credit exposure limits are established to avoid concentration risk with any single customer. To reduce our credit risk, we may request certain customers to pay with bank acceptance notes, which are guaranteed by banks with a maturity period ranging from one to six months.

- Under the installment payment option, credit evaluation, exposure limits and debt chasing procedures are in place, and collateral such as properties, machinery or third party guarantees are generally required for customers with lower credit ratings.

We evaluate impairment loss of trade receivables arising from credit and installment payment options quarterly. Impairment losses in respect of trade receivables are recorded using an allowance account, unless we conclude that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The following table sets out the movement in our allowance for doubtful debts for the Track Record Period:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	RMB (in millions)			
Balance as of January 1	(90)	(153)	(255)	(340)
Impairment losses recognized	(65)	(104)	(87)	(247)
Uncollected amounts written off	2	2	2	15
Balance as of December 31/June 30	**(153)**	**(255)**	**(340)**	**(572)**

As of December 31, 2007, 2008, 2009 and June 30, 2010, the allowance for doubtful debts represented 8.4%, 6.5%, 6.3% and 7.0% of our gross accounts receivable as of the respective balance sheet dates.

- Under the financial guarantee arrangement, we require the customers to provide a counter guarantee such that the customers agree to be responsible for the outstanding principal, interest, penalties, legal expenses etc., should the customers default on payments to the bank and if the sales proceeds of repossessed machinery are insufficient to cover the guarantee payments made by us to the banks. In the event of customer default, we are entitled to repossess the machinery collateralizing the bank loans, sell the machinery and retain any net proceeds in excess of the guarantee payments made to the banks. During the Track Record Period, there has been no significant difference between the sales proceeds of the repossessed machinery and the guaranteed payments to banks for defaulted customers. In 2007, 2008, 2009 and the six months ended June 30, 2010, as a result of customer default, we made payments of RMB39 million, RMB101 million, RMB117 million and RMB61 million, respectively to banks under the financial guarantee arrangement, which accounted for 3.9%, 5.2%, 4.3% and 3.6%, of our maximum amounts guaranteed as at the end of the respective preceding periods.
- Under the finance lease arrangement, we implement stringent review procedures to ensure the credit rating of the applicant for finance lease services is satisfactory. In evaluating whether to provide finance lease services to an applicant, individual credit evaluations are performed similar to those of credit and installment sales. Our risk control committee is responsible for the establishment of credit risk management policies, supervision of the implementation of such relevant policies and determination of the key terms of lease contracts. The Company enjoys a stronger protection against customer defaults as compared to other payment options as we continue to hold titles to our products until final payments are made. Furthermore, we actively negotiate with customers who show signs of financial difficulties to ensure timely collection of the lease payments. In addition, we install global positioning tracking devices on our products so that we will be able to track down and repossess such equipment in the event of customer

defaults. In 2007, 2008, 2009 and the six months ended June 30, 2010, the amounts of defaulted receivables under finance lease were RMB3 million, RMB13 million, RMB94 million and RMB313 million, respectively. Defaulted receivables refer to those receivables as to which any payment or part thereof remains unpaid after the relevant payment date, including those receivables that are overdue for only one day. Most of the defaulted receivables were remedied in a timely manner. For other defaulted receivables under finance lease that were not timely remedied, some finance lease customers converted their payment method to installment payment by complying with all the relevant requirements for installment payments after negotiating with the Company, and some defaulted customers' machinery was repossessed. In 2007, 2008, 2009 and the six months ended June 30, 2010, the amounts of defaulted trade receivables under finance lease which were converted to installment payments were nil, nil, RMB36 million and RMB66 million, respectively. Generally, if the customer payment is overdue by more than 90 days and such default is not timely remedied, we will repossess such customers' machinery. We dispose of or recycle such repossessed used equipment after refurbishing or remanufacturing, or in certain cases, sell such used equipment as is. In 2007, 2008, 2009 and the six months ended June 30, 2010, the amount of defaulted receivables under finance lease which resulted in repossession of leased machinery were nil, nil, RMB17 million and RMB3 million, respectively. Cumulatively, we sold such repossessed machinery for aggregate proceeds of RMB19 million and forfeited customer deposits of RMB2 million during the Track Record Period. Therefore, we recorded a gain of RMB1 million as a result of repossessing the defaulted customers' machinery under finance lease services during the Track Record Period.

Our risk control committee is responsible for risk evaluation for each credit investigation report submitted to them, the establishment of credit risk management policies, the supervision on the implementation of such policies, and risk management for finance leases, including determination of the key terms of the lease contracts such as interest rate, lease period and amount of security deposit. The risk control committee members are also responsible for approval of each leasing transaction within their respective authority. Our risk control committee currently consists of 15 members and is chaired by Mr. Wan Jun, who is the general manager of Zoomlion Finance Leasing (China). For a detailed description of Mr. Wan Jun's background, please refer to "Directors, Supervisors, Senior Management and Employees—Directors, Supervisors and Senior Management—Senior Management—Mr. Wan Jun." The risk control committee comprises two other members from Zoomlion Finance Leasing (China) in Changsha and regional managers of Zoomlion Finance Leasing (China) around China. All the 15 members hold bachelor's degrees, two of them also hold master's degrees and three hold MBA or EMBA degrees. The risk control committee members generally have degrees in finance, economics, accounting and law and have had prior working experience in relation to risk control and management. The members of our risk control committee have an average of over five years of experience in areas relating to risk control and management. Our credit review department, legal department, finance department and information technology department are collectively responsible for credit risk management and monitoring of settlement of receivables under finance lease. Our credit risk management procedures with respect to finance lease services include pre-lease

investigation, lease approval, lease payment collection and management, as well as repossession and subsequent sale of machinery and forfeiture of related customer deposits in case of customer default.

Marketing

We place great emphasis on the promotion of end-users' awareness of our brands and products. Our headquarters sets general strategies to promote our brands and approve marketing and promotional activities that are formulated and carried out by our respective business divisions, which vary according to our customer targets for the specific product type. Our marketing and promotional activities include offering extended warranties and participating in or organizing seminars, tradeshows and exhibitions to showcase our products and to seek end-user feedback for our products. Our headquarters also strategically pursues advertising campaigns through various media outlets such as trade publications, outdoor advertising, television and trade-related websites. For the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010, our marketing and advertising expenses amounted to approximately RMB79 million, RMB91 million, RMB148 million and RMB141 million, respectively. As we launched nationwide television advertisement campaigns, participated in engineering machinery exhibitions and organized nationwide marketing roadshows to promote our brand name and products, marketing and advertising expenses in 2009 and six months ended June 30, 2010 increased significantly.

We assist our dealers to establish market demand for our products by providing the necessary marketing support and developing marketing and promotional strategies. We conduct periodic and intensive training and provide technical support seminars to our dealers in order to enable them to proactively educate potential customers as to the features and benefits of our products and adequately address our customers' need for after-sales services and repairs.

RESEARCH AND DEVELOPMENT

Research and Development Platform

We place significant emphasis on the research and development of new products, technology and designs. In 2007, 2008, 2009 and the six months ended June 30, 2010, we recorded research and development expenses of RMB83 million, RMB120 million, RMB194 million and RMB116 million, respectively. Our global research and development platform currently has over 3,000 engineering and technical personnel, including 17 "Leading Experts Stipended by the State Council (享受國務院政府特殊津貼的專家)." Our global research and development efforts are led by a team of senior scientists located in our research and development facilities in China and Italy. These scientists have extensive relevant experience, and many of them have received recognition in their respective fields. Our core research and development team has 25 chief research personnel that have spent an average of more than ten years with our Group. As a result of our global research and development platform, we have access to advanced technologies and a large pool of highly skilled international engineering and technical personnel. Our research and development facilities in China focus on research and development projects across all of our product segments, and our facilities in Italy focus on research and development projects relating to concrete machinery.

Technology and Industry Standards Development

We deploy a customer-oriented approach to research and development. Since 1999, we have completed 69 major research projects, including over 22 PRC national government research and development initiatives. We focus our technology research and development efforts on continuing to upgrade the technology of our products, increase the technology and performance of parts and components used in our products, increase the standardization of key components across our product lines, reduce product complexity and facilitate more efficient product manufacturing and assembly processes. We will also focus on developing new product lines that we believe are commercially feasible and profitable, as well as continue to engage in important government-sponsored research and development initiatives. The primary focuses of our current major technology research and development projects include welding techniques for high-strength steel, structural stability and rigidity of steel, and performance and functionality of hydraulic parts and components.

As recognition of our research and development capabilities, we have won numerous national awards in China, such as the National Scientific and Technological Progress Award in 1998 from the national reward office for Science and Technology Awards, seven Construction Machinery Industry Science and Technology Awards in 2007, 2008, and 2009, from the CCMA, and five Huaxia Construction Science and Technology Prizes in 2007, 2008 and 2009, from the Ministry of Housing and Urban-Rural Development of the PRC.

Furthermore, we have been accredited as a national research and development enterprise center in 2005, and we own the National Key Laboratory on Key Technologies for Construction Machinery, the only national key laboratory in the field of construction machinery; and the National Engineering Technology Research and Development Center for Concrete Machinery, the only national concrete machinery engineering technology research and development center in the field of construction machinery industry. We established a post-doctoral station in China to foster and attract top academic talent to join our company to engage in advanced research and development projects.

We have also carried out research and development projects in collaboration with several domestic institutions. Currently, we maintain the following cooperative relationships in connection with various research and development projects:

- Zhejiang University;
- Shanghai Jiao Tong University;
- Tongji University;
- Beijing University of Aeronautics and Astronautics;
- Hunan University;
- Dalian University of Technology; and
- Dalian Maritime University.

Our cooperation with these domestic institutions relates to the research and development of technologies that are crucial to our product development and enhancement. For specific research and development projects, we typically enter into cooperation agreements that typically require us to pay a fixed amount of service fees to the domestic institutions, and we have the exclusive rights to use the proprietary technology or patent resulting from such research and development projects. We also outsource certain processes in connection with our research and development efforts, including product testing, designing of data analysis systems and software development, to these domestic institutions. In 2007, 2008, 2009 and the six months ended June 30, 2010, the service and subcontracting fees we paid to these domestic institutions, which were included in our research and development expenses, in aggregate, amounted to approximately RMB2 million, RMB2 million, RMB12 million and RMB2 million, respectively. In 2007, 2008, 2009 and the six months ended June 30, 2010, we entered into cooperation or outsourcing arrangements with 3, 6, 8 and 8 domestic institutions, respectively, and all these institutions were independent third parties. The results of the research and development projects are either solely owned by us or co-owned by the domestic institution and us. In certain limited circumstances, we also enter into cooperation agreements which require us to share a specified percentage of our profit from the sales of our products incorporating the technology from the research and development project during a specified period after completion of the project.

Our strength in research and development has allowed us to become a leading institution in the development and establishment of national and industry standards for construction machinery and environmental and sanitation machinery in China. We have participated in and contributed to the establishment of over 180 national or industry standards that are currently in effect, such as the national standard for concrete pumps, the first industry standard for truck-mounted concrete pumps in 2004 and the industry standard for chassis specially designed for mobile cranes. Furthermore, we are currently in the process of authorizing new national and industry standards in China for products such as road surface planers, asphalt mixing equipment and truck-mounted concrete mixers with major industry players, including XCMG (徐工集團), Shaanxi Construction Machinery Co., Ltd. and Tianjin Dingsheng Construction Machinery Co., Ltd., and research and development institutions such as Hanyang Special-Purpose Vehicle Institute and Tianjin Research Institute of Construction Machinery.

As a result of our leading market position and our active involvement in the establishment of national and industry standards, we are also an important member of the CCMA, the official construction machinery industrial organization in China under the SASAC which has over 1,500 members in total. However, given that all the major industry players are members of CCMA, we do not believe we are able to influence the data collection and publication process of CCMA. We believe our active participation in establishing industry standards and our nationally accredited research and development laboratories allow us to focus our research and development efforts on addressing prevailing market trends and develop products with industry-leading technological capabilities.

Product Research and Development

We focus our product research and development on improving product performance, features and controls to satisfy evolving and differentiated customer requirements and fine tune our product models to maximize product performance in varying working environments and conditions. We have developed and launched over 800 different products since the founding of our Group, which included a number of new products and product upgrades that have generated significant turnover, been commercially successful, and both realized a technology breakthrough in China and opened new opportunities, such as:

- truck-mounted concrete pumps with six-joint jibs, which significantly enhanced the maximal concrete placing range;
- QAY180, QAY220 and QAY350 all-terrain truck cranes with the then industry-leading lifting capacity;
- D5200 tower crane, which was the first tower crane with a lifting capacity of over 5,200 ton-meters; and
- QUY1000 crawler crane, the first crawler crane with a lifting capacity of over 1,000 tons.

Our acquisition of CIFA has further bolstered our research and development capabilities. CIFA's research and development capabilities and efforts have led to the introduction of several commercially successful and innovative products on a global basis, such as:

- truck-mounted concrete mixer and pumps;
- concrete spraying machinery; and
- truck-mounted concrete pump with carbon fiber concrete placing boom.

We have selectively applied CIFA's proprietary technologies to the research and development efforts of our Zoomlion line of concrete machinery products including:

- carbon fiber concrete placing booms;
- K-Tronic intelligent electrical control systems;
- boom fatigue test beds;
- pumping unit test beds; and
- finite element calculation.

While most of our products are not tailored to meet specific needs of individual customers, we may, from time to time, enter into arrangements with our customers to design and manufacture products based on their specific needs. The development of such products, while based on requests from our customers, are actually designed by us, and the intellectual

property rights arising from the development of such products are usually owned by us and not by our customers. As part of our arrangements with our customers, our customers generally will arrange for their own technicians and engineers to participate in an appraisal of our new product designs, provide us with industrial testing fields for the testing of our new products, and after using our products, provide us with periodic updates and information so as to assist us in the development of new technology to upgrade the performance of the product. In return, we provide our customers with certain benefits or discounts for them to purchase such products.

INTELLECTUAL PROPERTY RIGHTS

We are committed to the development and protection of our intellectual property portfolio. We rely on a combination of patents, trademarks, copyrights and trade secret laws, employee and third-party non-disclosure/confidentiality and non-competition agreements to protect our intellectual property. We own and have applied for patents to protect the technologies, inventions and improvements that we believe are significant to our business. Under PRC laws, there are three types of patents, namely, the invention patent, the utility patent and the design patent. The "invention patent" refers to any new technical solution relating to a product, a process or an improvement; "utility patent" refers to any new technical solution relating to a product's shape, structure or any combination, which is fit for practical use; and "design patent" refers to any new design of a product's shape, pattern or any combination, as well as the combination of the color and the shape or pattern of a product, which creates an aesthetic feeling and is fit for industrial application. Furthermore, the examination procedure of the three patent applications is different. After the preliminary examination conducted by the PRC patent bureau, only the invention patent application is subject to substantive examination, which is more strict and time-consuming. Usually a granted invention patent has a validity period of twenty years from the date of its application, while a granted utility patent or a granted design patent has a validity period of ten years from the date of its application. As of October 31, 2010, we held 327 patents in China, including 31 invention patents, 275 utility patents and 21 design patents. In addition, as of October 31, 2010, we had six patents held by CIFA in Italy. We also had 174 pending patent applications in China as of October 31, 2010. To the best of our knowledge, we do not foresee any material legal impediments for the granting of rights to our patents under application. We anticipate we will apply for additional patents in the future as we develop new products, technology and designs.

We hold a number of registered trade names, brand names and registered trademarks. As of October 31, 2010, we maintained 575 trademark registrations in China, including nine trademark registrations for our CIFA brand in China, and 507 trademark registrations overseas. Our subsidiary CIFA maintained 24 trademarks registrations in Italy. In addition, as of October 31, 2010, we had 31 trademark applications in China, 148 trademark applications overseas, and we are also applying for trademark registrations in member countries of the Madrid Agreement, the European Union and the African Regional Intellectual Property Organization. Save as otherwise disclosed in Appendix IX—"Statutory and General Information—Further information about our Business—B. Our intellectual property rights" to this prospectus, to the best of our knowledge, we do not foresee any material legal impediments for the registration of our trademarks under application. Two of our trademarks were recognized as "Well-Known Trademarks" nationwide. Our trademark "中联", the Chinese

characters for Zoomlion, was recognized as a "Well-Known Trademark" nationwide by the Trademark Office of the State Administration for Industry and Commerce of the PRC, and our trademark "Zoomlion" was recognized as a "Well-Known Trademark" nationwide by a judgment of the Intermediate People's Court of Zhuzhou, Hunan Province on January 13, 2009, relating to a lawsuit which we initiated to protect our trademark from infringement by a third party. This court decision is final as the defendant did not appeal to a higher court. Under the PRC laws, courts have the authority to recognize a "Well-Known Trademark" in an infringement claim on a case-by-case basis. As our trade names, brand names and trademarks are becoming more recognized in China and overseas, we are devoting additional resources to enhance the enforcement and protection of our trademark rights.

We have also obtained 12 copyrights for our software in China used to control the various electrical components in our products as of October 31, 2010.

With respect to proprietary know-how that is not patentable or for which patents are difficult to enforce, we rely on trade secret protection and non-disclosure/confidentiality and non-competition agreements in order to safeguard our interests. All of our personnel who have access to sensitive and confidential information have entered into non-disclosure/confidentiality and non-competition agreements with us. We also take other precautions, such as internal document controls and network assurance procedures, including the use of a separate dedicated server for technical data.

Please refer to Appendix IX—"Statutory and General Information—Further information about our Business—B. Our intellectual property rights" to this prospectus for additional information.

COMPETITION

The industry in which we operate is highly competitive. We face direct competition both in China and internationally across all product lines and price ranges. In China, our competitors include domestic Chinese companies, such as XCMG Group, Sany Group and other domestic manufacturers that either offer a range of construction machinery and environmental and sanitation machinery or some specific types of competing products, and occasionally, certain multinational companies. In the international market, our major competitors include multinational companies such as Caterpillar Inc, Komatsu Machinery Corporation, Putzmeister Holding GmbH, Schwing Group, Liebherr Group, Terex Corporation and Manitowoc Company Inc, regional manufacturers and certain domestic Chinese companies. Moreover, the industry is becoming increasingly competitive as new foreign entrants are currently seeking to enter the PRC market while more domestic Chinese manufacturers are enhancing their international penetration and competitiveness.

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to extensive national and local environmental laws and regulations where we operate concerning, among other things, emissions to the air, discharges to land, surface water and subsurface water, the generation, handling, storage, transportation, treatment and disposal of waste and other materials, and the remediation of environmental pollution relating to our properties and operations. Our products will need to comply with the applicable safety, exhaust and performance standards adopted by the respective jurisdictions

into which we sell, which may differ depending on their respective characteristics. See "Regulatory Overview" for additional information. However, for certain parts and components used in our products, such as branded chassis, it is the manufacturers of such parts and components who are responsible for ensuring that their parts and components are in compliance with the safety, exhaust and performance standards set forth by the relevant jurisdictions in which we sell our products. In 2007, 2008, 2009 and the six months ended June 30, 2010, our annual cost of compliance with environmental protection rules and regulations was approximately RMB9 million, RMB31 million, RMB78 million and RMB15 million, respectively. The annual environmental compliance cost increased significantly in the years 2008 and 2009 as we constructed new manufacturing facilities such as Guanxi Industrial Park which resulted in additional environmental compliance costs, including the cost of the construction of a sewage treatment plant. We expect our annual cost of compliance with environmental protection rules and regulations in 2010, 2011 and 2012 to be RMB50 million, RMB35 million and RMB35 million, respectively.

The PRC national and local environmental laws and regulations impose fees for the discharge of waste substances above prescribed levels, require the payment of fines for serious violations and provide that the PRC national and local governments may at their own discretion close or suspend the operation of any facility that fails to comply with orders requiring it to cease or remedy operations causing environmental damage. The Italian environmental laws and regulations impose fees for the discharge of waste substances above prescribed levels, require the payment of administrative fines or impose criminal sanctions for serious violations and provide that the governmental or local authorities may require specific actions to be taken to remedy or discontinue any course of action that is causing environmental damage. We have installed various types of anti-pollution equipment in all our facilities to reduce, treat, and where feasible, recycle the wastes generated in our manufacturing process. We have also built appropriate facilities to filter and treat waste water and recycle the water back into our manufacturing process, as well as treat gaseous waste to reduce contaminant levels to below the applicable environmental protection standard before emission. As advised by our PRC legal advisors, Fangda Partners, and our Italian legal advisors, we have obtained all material environmental permits to conduct our manufacturing activities and we complied with the applicable environmental laws and regulations in the PRC and Italy during the Track Record Period. We received ISO 14001 certification, the internationally recognized standards for the design and implementation of effective environmental management systems, covering the manufacturing process for all of our products. During the Track Record Period, we had not received any notifications or warnings, nor had we been subject to any fines or penalties in relation to any breach of any applicable environmental laws or regulations which had materially and adversely affected our financial condition or business operations.

We are subject to the PRC laws and regulations regarding labor, safety and work-related incidents. Our subsidiary CIFA in Italy is subject to Italian health and safety laws and regulations, which impose a number of strict safety standards and regulations that need to be followed within any premises or facilities or areas where work is conducted, so as to prevent accidents to employees and workers. Italian health and safety laws and regulations provide for administrative fines and even criminal sanctions against an employer who does not comply with the health and safety laws. We provide safety protection to our employees working in our manufacturing facilities, which includes providing them with adequate safety

equipment and ensuring that our manufacturing facilities have adequate precautionary measures. In addition, we provide safety-related education to our employees to increase awareness as to safety in the workplace. Relevant warning signs, such as those against smoke and heat emissions are always used at required locations. During the Track Record Period, we had complied with the relevant PRC and Italian workplace safety regulatory requirements in all material respects and have not had any incidents or complaints which had materially and adversely affected our financial condition or business operations.

INSURANCE

We maintain insurance policies on certain of our vehicles that cover losses arising from fire, earthquake, flood and a wide range of other natural disasters. We also maintain insurance policies in respect of transit risks of our products and personal injury insurance for our employees. Our subsidiary CIFA maintained insurance for inventories and production facilities, as well as product liability insurance. We do not maintain insurance on other properties and fixed assets of our other subsidiaries, including our production facilities, equipment and inventory. We also do not maintain product liability insurance, business interruption insurance, key-man life insurance or insurance covering potential liability relating to the release of hazardous materials, which we believe is in line with industry practices in China. During the Track Record Period, we have not experienced any product liability claims. We plan to increase our insurance coverage in the near future to cover losses arising from potential liability of our Company and secure our assets. As advised by our PRC legal advisors, Fangda Partners, and our Italian legal advisors, our insurance policies are in compliance with relevant laws and regulations in the PRC and Italy.

PROPERTIES

Owned Properties in the PRC

Our head office is located at No. 361, South Yin Pen Road, Changsha, Hunan Province, PRC. As of November 11, 2010, we owned, held or occupied land with an aggregate site area of approximately 5,348,482.86 square meters, and our offices, production, residential and other ancillary buildings or units had an aggregate gross floor area of approximately 1,191,791.08 square meters in the PRC. We also had 18 buildings or units under construction with an aggregate gross floor area of approximately 242,346.92 square meters. Please refer to the valuation report prepared by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, in Appendix V — "Property Valuation" to this prospectus for further details on the valuation.

Land use rights

As of November 11, 2010, we held land use right certificates for land with an aggregate site area of approximately 5,289,027.76 square meters. We plan to apply for the land use right certificate for a parcel of land with a site area of approximately 59,455.1 square meters located in Shaanxi Province. This parcel of land is being occupied and used by us but is registered under a third party, who obtained the relevant land use right by way of allocation. In order to be the legal holder of such land use right, such third party and we will need to go through the requisite procedures, in accordance with the applicable PRC laws. However, we may not necessarily obtain the land use right certificate and the timing for obtaining the

certificate is beyond our control. Before we obtain the land use right certificate of such land, our right on such land might not be entirely protected. This parcel of land is mainly used for office and storage purposes and is not crucial to our core business. In addition, we are constructing a new industrial park in the nearby area (the first phase of which will be fully completed by the end of 2010), and relevant assets and business operations on such land are being moved into the new industrial park. Therefore, no material adverse impact will be caused to our business even if we cannot obtain the land use right certificate.

Buildings (excluding buildings under construction)

As of November 11, 2010, among the 560 buildings or units that we owned, held or occupied in the PRC, we have obtained the building ownership certificates or real estate ownership certificates for 494 buildings or units, with an aggregate gross floor area of approximately 1,076,363.81 square meters. We are in the process of obtaining the building ownership certificates for all the 66 buildings or units, with an aggregate gross floor area of approximately 115,427.27 square meters, including buildings for industrial use with a total gross floor area of 69,639.30 square meters, office buildings or units with a total gross floor area of 15,556.8 square meters, residential buildings or units with a total gross floor area of 13,393.94 square meters and buildings or units for other affiliated uses with a total gross floor area of 16,837.23 square meters. Among such 66 buildings without building ownership certificate, 7 buildings with a total gross floor area of 58,431.2 square meters in Shanghai for industrial, office and residential uses were completed in late June 2010. We believe that there is not any significant legal impediment for us to obtain ownership certificates for such 66 buildings or units upon the completion of formal procedures, although the requisite procedures may be complex under the relevant PRC laws, and the timing for obtaining such certificates may be beyond our control, except for one building with a gross floor area of approximately 5,572 square meters, which is located on a parcel of land in Changsha, and for which the land use right is registered under a third party. As advised by our PRC legal advisors, Fangda Partners, it would be difficult for us to obtain the ownership certificate for such building unless the relevant land use right is transferred to us, and our use of such building may subject us to a dispute with the relevant third party. Nevertheless, the building is used as a workers' canteen and is not crucial to our business. For the remaining 65 buildings or units, our PRC legal advisors further advise that our occupation and use of them will not breach the PRC laws upon completion of required procedures and receipt of relevant governmental permits and certificates. Please refer to the notes in Appendix V — "Property Valuation" to this prospectus for details. In addition, none the above 66 buildings and units for which we are in the process of obtaining the building ownership certificates are crucial to our core business. Therefore, no material adverse impact will be caused to our business even if we cannot obtain such ownership certificates.

Buildings under construction

As of November 11, 2010, we had 18 buildings with an aggregate gross floor area of approximately 242,346.92 square meters that were under construction at various stages and expected to be completed by mid-2011, of which 11 buildings with a total gross floor area of 102,944.74 square meters are located in Weinan City, 2 buildings with a total gross floor area of 90,119.73 square meters are located in Hanshou County, Changde City and 5 buildings with a total gross floor area of 49,282.45 square meters are located in Shanghai, Changde

and Changsha. We have already obtained the relevant construction permits and construction planning permits of 17 buildings, with an aggregate gross floor area of approximately 240,725.22 square meters under construction, and we are in the process of obtaining the appropriate construction permit for the remaining building, with a gross floor area of approximately 1,621.7 square meters under construction. Such building is not used for production purposes and no material adverse impact will be caused to our business even if we cannot obtain the relevant permit.

Overseas Owned Properties

As of November 11, 2010, we owned, held and occupied one piece of land of approximately 32,375.0 square meters and one building with a total gross floor area of approximately 3,349.0 square meters in the United States.

Leased Properties in and outside of the PRC

As of November 11, 2010, we leased two parcels of land with a site area of approximately 154,744.00 square meters and 486 buildings with a total gross floor area of approximately 166,484.56 square meters in the PRC, and 57 buildings or units with a total gross floor area of approximately 305,660.44 square meters in Italy, Russia, Iran, Belgium, the United Arab Emirates, Saudi Arabia, South Africa, Angola, Turkey, Australia, Singapore, Vietnam, Indonesia, Libya, India and Mexico, most of which we lease from various independent third parties and use as offices, production and service centers, parts and components depots, storage or for residential purposes. The land and buildings are leased for various terms, expiring from 2010 to 2021, at a total annual rental of approximately RMB82.9 million. Please refer to the valuation report, in Appendix V—"Property Valuation" to this prospectus for further details.

We have obtained all the lease agreements for the leased properties in the PRC, of which relevant certificates and licenses have been obtained for one parcel of leased land (with a site area of approximately 66,700.0 square meters) and 169 leased buildings (with a total gross floor area of approximately 48,784.28 square meters), and are in the process of collecting other relevant certificates or other documents to prove the landlord's ownership or other authority to the leased properties. For the leased properties for which we have not obtained the relevant certificates from the landlords, a parcel of land with a site area of approximately 88,044.0 square meters is for industrial use, 11 buildings with a total gross floor area of 69,661.23 square meters are for industrial use, 157 buildings or units with a total gross floor area of approximately 26,038.41 square meters are for office use, 70 buildings or units with a total gross floor area of approximately 7,273.61 square meters are for residential use and 79 buildings or units with total gross floor area of approximately 14,727.03 square meters are for other affiliated uses.

Due to the lack of the appropriate certificates, licenses and relevant registrations of such leases with relevant government agencies, we would not be able to prove the landlords' ownership to such leased properties, nor can we be certain that the landlord's ownership of these properties is not subject to any dispute or that all requisite governmental approvals have been obtained in connection with the construction of these properties. We have already obtained warranties from lessors for one parcel of leased land (with a site area of approximately 88,044.0 square meters) and 103 leased buildings (with a total gross floor area of approximately 39,488.52 square meters) without relevant certificate or license, stating that

such lessors will indemnify us for losses we will suffer from such leased properties. In addition, only approximately 6% of the properties used for production purposes, whether leased or owned, are leased without building ownership certificates or licenses or lease authorization. Therefore, we are of the view that such leased properties without appropriate building ownership certificates are not crucial to our business operations, and as advised by our PRC legal advisors, Fangda Partners, no penalty will be imposed under the current PRC law due to our leasing of those properties from such landlords without ownership certificates. Besides, even if we are evicted from occupying such properties due to their defective titles, we believe that we will be able to lease replacement properties in nearby locations expeditiously, without substantial cost or loss of profits incurred, and accordingly, it is not expected that any such relocation will have any material adverse impact on the operations and financial position of the Group as a whole.

We are continuing to request the landlords of the above leased properties to provide ownership certificates or warranties as specified above. We are also implementing more strict internal control policies to ensure that all the lease agreements are entered into with eligible landlords.

LEGAL PROCEEDINGS AND COMPLIANCE

Prior to our acquisition of Zoomlion Earth Working, Zoomlion Earth Working provided guarantees for two loans to Xi'an Boai Pharmaceutical Co., Ltd. (西安博愛製藥有限責任公司) ("**Xi'an Boai**"), a pharmaceutical company and an independent third party of the Company, in an aggregate amount of RMB13.48 million. Zoomlion Earth Working provided the guarantee to Xi'an Boai as part of a mutual guarantee arrangement. The mutual guarantee arrangement was entered into between both parties that need to obtain bank loans. As advised by Fangda Partners, our PRC legal advisers, such mutual guarantee arrangement was not in violation of the relevant PRC laws and regulations. Subsequently, Xi'an Boai defaulted on the repayment of the two loans. The lenders instituted legal proceedings in a court against Xi'an Boai and Zoomlion Earth Working and after a series of legal proceedings received favorable final judgments dated February 1, 2007 and November 28, 2008, respectively, ordering Zoomlion Earth Working to perform its obligations under the guarantees and pay the lenders the principal of the loans, the interest thereon and expenses in the amount of approximately RMB17.9 million. The lenders have applied with relevant courts for enforcement of the judgment. As of the Latest Practicable Date, the court has ordered the enforcement of the judgment, and we were in the process of negotiating with the lenders for the repayment. The maximum financial impact to us is approximately RMB17.9 million and such impact has been taken into account when we acquired Zoomlion Earth Working in June 2008, and a full provision has been made in our financial statements.

On December 29, 2008, we entered into an Equity Transfer Agreement with Skyworth Mobile Communication (Shenzhen) Limited (創維移動通信技術（深圳）有限公司) ("**Skyworth Mobile**"), a mobile phone producer and an independent third party of the Company. Pursuant to the Equity Transfer Agreement, we shall transfer 65% of the equity interests in Changsha New High-tech Industrial Development Zone Zhongke Beidou Hangdian Technology Co., Ltd. (長沙高新技術產業開發區中科北斗航電科技有限公司) ("**Zoomlion Beidou**"), which was all of our equity interest in Zoomlion Beidou, to Skyworth Mobile for a purchase price of RMB20.15 million. We have transferred the 65% equity interests to Skyworth Mobile and such equity interests were

registered in the name of Skyworth Mobile on December 30, 2008 with relevant registration authorities in China. After the sale of all of our equity interest in Zoomlion Beidou, we ceased to be a shareholder of Zoomlion Beidou and did not retain any control in this entity. Hence, we have ceased to consolidate this entity since then and did not enter into any shareholders agreements with Skyworth Mobile. The Equity Transfer Agreement provides that RMB10.0 million of the purchase price is due within 60 days of the effective date of the agreement, and RMB6.0 million is payable within 45 days of the completion of the registration with the relevant authority in China. The rest of the purchase price is payable within 45 days after the due date of the RMB6.0 million. However, Skyworth Mobile failed to pay us the purchase price in due course and we filed a case against Skyworth Mobile at a court in Changsha. The court entered into a judgment in our favor on July 24, 2009 ordering Skyworth Mobile to pay us RMB21,070,598.44 for the purchase price, interest accrued thereon and reasonable expenses. Skyworth Mobile appealed to a higher court which dismissed the appeal and upheld the original judgment. On January 15, 2010, we have applied with the relevant court for the enforcement of this judgment. As of the Latest Practicable Date, we were still in the process of enforcing the judgment. Currently, Zoomlion Beidou is controlled by Skyworth Mobile. Having considered the court's favorable judgment, as well as the assets of Skyworth Mobile frozen by the court to secure the settlement of the outstanding receivable balance, we have made a RMB3 million impairment provision against the RMB20.15 million receivable balance, which we believe is adequate.

In March 2010, local tax authorities issued formal tax inspection assessment reports to Cifa Mixers S.r.l., one of our subsidiaries located in Italy. The assessment reports challenged the deductibility of certain costs incurred by this entity for income tax and value added tax purposes for tax years 2003 through 2007. The amount of additional taxes charged by the tax authorities in relation to those tax deductions is approximately EUR10.7 million (approximately RMB99.6 million, based on the exchange rate as of the Latest Practicable Date), before interest and penalties, if any. As of the Latest Practicable Date, this tax case is pending a court hearing. We have sought legal advice to defend the subsidiary's tax position. Based on our tax consultant's advice, we consider that it is more likely than not that the subsidiary's tax position can be substantiated because: (i) the claim as to 2003 was served beyond the deadline prescribed by the relevant statute of limitations and the delay was without justification; (ii) the claim was in breach of the taxpayer's rights; (iii) the fundamental grounds for the claim, which should be a criminal condemnation that the cost is related to illicit activities, do not exist; (iv) the subsidiary's right to defense has been violated, as the subsidiary could not take part to the criminal proceedings which would be the grounds for non-deductibility of the costs; (v) the main prerequisite for the non-deductibility of the costs, which is that the cost was used to carry out illicit activities (i.e. the alleged use of labor of unlawful provenance, following a check conducted by the officers of the Mantua tax squad), cannot be established; and (vi) the evidence against the subsidiary is insufficient. In addition, it is expected that any potential tax payments, interest and penalties, if any, would be sufficiently covered by indemnities and warranties paid or payable by the former shareholders of Cifa Mixers S.r.l. and CIFA. Based on the indemnity and warranty provided by CIFA's former shareholder and a settlement agreement, CIFA's former shareholder paid us EUR5.0 million in exchange of our release of their liabilities in connection with the tax claim. The former shareholders of CIFA Mixers S.r.l. also provided indemnity of up to EUR12.0 million, which is guaranteed by banks. Therefore, no provision is considered necessary.

Other than as disclosed in this prospectus, there are no other litigation or arbitration proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

In addition, our Directors, as advised by our PRC legal advisors, Fangda Partners, confirm that as of October 31, 2010, except as disclosed above, our Group has complied with all relevant PRC laws and regulations in all material respects, including obtaining all required permits and licenses necessary to conduct our business in the PRC. As advised by our Italian legal advisers, Studio Legale Bird & Bird, our Italian operations have complied with all applicable Italian laws, regulations and rules in all material respects and we have obtained all licenses and permits necessary to conduct our business in Italy.