
CONNECTED TRANSACTIONS

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During the Track Record Period, our Company had transactions with certain parties who will become Connected Persons of our Company upon completion of the Listing under the Listing Rules. Certain of these transactions are expected to continue on an on-going basis after the Listing.

Further, as our A Shares are listed on the SZSE, we will continue to be subject to and regulated by the SZSE Listing Rules and other applicable laws and regulations in the PRC as long as the A Shares remain listed. However, the requirements of the Listing Rules in relation to connected transactions differ from those of the SZSE. In particular, the definition of Connected Persons pursuant to the Listing Rules is different from the definition of related parties pursuant to the SZSE Listing Rules. Therefore, a connected transaction pursuant to the Listing Rules may not constitute a related party transaction pursuant to the SZSE Listing Rules, and vice versa.

We set out below details of our connected transactions.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Framework Sales Agreement with Dongfeng Motor

Dongfeng Motor holds 15.1% of the equity interest in Zoomlion Axle which is a subsidiary of our Company. Dongfeng Motor is therefore a substantial shareholder of Zoomlion Axle and thus a Connected Person of our Company.

Dongfeng Motor was established in 1969 and is currently one of the top three auto makers in China. Its main businesses include production and sales of passenger vehicles, commercial vehicles, engine, auto parts and components, and equipment in the PRC. Our Group has been supplying axles to, and purchasing steel springs as raw materials from, Dongfeng Motor and its subsidiaries (the “**Dongfeng Group**”) from time to time throughout the Track Record Period and our Company expects that such transactions will continue after the Listing.

To regulate the supply arrangement between our Group and the Dongfeng Group after the Listing, our Company has entered into a framework sales agreement (the “**Dongfeng Framework Sales Agreement**”) dated December 6, 2010 with Dongfeng Motor. The Dongfeng Framework Sales Agreement shall take effect from the Listing Date and has a term of three years. Pursuant to the Dongfeng Framework Sales Agreement, the Dongfeng Group will purchase axles and other auto components produced by our Group from time to time. The terms of the Dongfeng Framework Sales Agreement were negotiated on an arm’s length basis and on normal commercial terms in the parties’ ordinary course of business. The pricing or consideration of the transaction between the parties will be determined on the following basis in order of priority:

- the price prescribed by the State (including any price prescribed by any relevant local authorities), if applicable;
- the price recommended under State pricing guidelines, when no State-prescribed price is available;

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- the market price of similar transactions to be determined on a fair and reasonable basis, when neither the State-prescribed price nor State recommended price is available; or
- the competitive price to be determined on a fair and reasonable basis which is no more favorable and no less favorable than those offered to other purchasers of the Group for similar products, when none of the above is available or applicable.

In addition, Dongfeng Motor also agreed to allow our Company to have access to its financial records related to such connected transactions for the purpose of reporting on the connected transactions as required under the Listing Rules.

Historical Amounts and Proposed Annual Caps

Our Group has only started to supply products to the Dongfeng Group since the establishment of Zoomlion Axle on July 1, 2008. For the two years ended December 31, 2008 and 2009, the aggregate purchase of products by the Dongfeng Group from our Group amounted to approximately RMB168.1 million and RMB442.6 million (excluding Value-added Tax “VAT”), respectively, which accounted for approximately 1.2% and 2.1% of our consolidated turnover for the same period, respectively. For the six months ended June 30, 2010, the aggregate purchase of products by the Dongfeng Group from our Group amounted to RMB318.0 million (excluding VAT), which accounted for approximately 1.98% of our consolidated turnover for the same period.

Our Directors estimate that our sales to the Dongfeng Group will grow gradually in the coming years due to the projected gradual growth in the operation of the Dongfeng Group based on the anticipated demand for domestic auto markets in the PRC and our Group’s future expansion plan. Our projected sales to the Dongfeng Group will not exceed the annual caps of RMB650 million, RMB750 million and RMB850 million (excluding VAT) for 2010, 2011 and 2012, respectively. When arriving at these annual caps, our Company has considered (i) our Group’s actual sales to the Dongfeng Group during the Track Record Period; (ii) our Group’s current production capacity; (iii) the recent macroeconomic policies of the central government and the future development of the motor manufacture industry; (iv) the projected increase in the orders that our Group will receive from the Dongfeng Group in the next three years; and (v) the potential fluctuation of the price of our Group’s products.

As the actual sales to the Dongfeng Group for the six months ended June 30, 2010 amounted to RMB318.0 million (excluding VAT), it is estimated that the total sales to the Dongfeng Group for the financial year ending December 31, 2010 would be approximately RMB650.0 million (excluding VAT), representing an approximate 46.9% increase from the actual sales to the Dongfeng Group for the financial year ended December 31, 2009 of RMB442.6 million (excluding VAT). The significant sales increase to the Dongfeng Group in 2010 is mainly due to the large sales increase of medium and light transport vehicles of the Dongfeng Group since they adopted new marketing strategy in 2010. The estimated annual cap for the financial year ending December 31, 2011 is expected to be RMB750 million (excluding VAT), which represents an approximate 15.4% increase from the estimated sales to the Dongfeng Group in 2010 of RMB650 million (excluding VAT) as the Company expects that the rate of such sales growth to the Dongfeng Group will gradually decrease over time due to the maturity of products. Accordingly the estimated annual cap for the financial year

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ending December 31, 2012 is therefore expected to be RMB850 million (excluding VAT), representing an approximate 13.3% increase from the annual cap for 2011.

Listing Rules Implications

Given that each of the applicable percentage ratios (other than the profits ratio) for the transactions under the Dongfeng Framework Sales Agreement for each of the three years ending December 31, 2010, 2011 and 2012 is expected to be less than 5%, the transactions under the Dongfeng Framework Sales Agreement, which constitute continuing connected transactions after the Listing, will be exempted from the independent shareholders' approval requirements but will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

2. Framework Sales Agreement with Nanjun Automobile

Nanjun Automobile holds 49% of the equity interests in Zoomlion Ziyang which is a subsidiary of our Company, and is therefore a Substantial Shareholder of Zoomlion Ziyang and a Connected Person of our Company. Nanjun Automobile is mainly engaged in production and sales of load automobile. Our Group has been supplying axles and other auto components to Nanjun Automobile from time to time throughout the Track Record Period and our Company expects that such transactions will continue after the Listing.

To regulate the supply arrangement between our Group and Nanjun Automobile after the Listing, our Company has entered into a framework sales agreement (the "**Nanjun Framework Sales Agreement**") dated December 4, 2010 with Nanjun Automobile. The Nanjun Framework Sales Agreement shall take effect from the Listing Date and has a term of three years. Pursuant to the Nanjun Framework Sales Agreement, Nanjun Automobile will purchase axles and other auto components produced by our Group from time to time. The terms of the Nanjun Framework Sales Agreement were negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business. The pricing or consideration of the transaction between the parties will be determined on the following basis in order of priority:

- the price prescribed by State (including any price prescribed by any relevant local authorities), if applicable;
- the price recommended under State pricing guidelines, when no State-prescribed price is available;
- the market price of similar transactions to be determined on fair and reasonable basis, when neither the State-prescribed price nor State recommended price is available; or
- the competitive price to be determined on fair and reasonable basis which is no more favorable and no less favorable than those offered to other purchasers of the Group for similar products, when none of the above is available or applicable.

In addition, Nanjun Automobile also agreed to allow our Company to have access to its financial records related to such connected transactions for the purpose of reporting on the connected transactions as required under the Listing Rules.

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Historical Amounts and Proposed Annual Caps

Our Group has only started to supply products to Nanjun Automobile since July 2008. For the two years ended December 31, 2008 and 2009, the aggregate purchase of products by Nanjun Automobile from our Group amounted to approximately RMB87.6 million and RMB228.2 million (excluding VAT), respectively, which accounted for approximately 0.7% and 1.1% of our consolidated turnover for the same period, respectively. The significant sales increase to Nanjun Automobile in 2009 was mainly due to the large demand for the light and medium transport vehicles produced by Nanjun Automobile for the reconstruction of the areas affected by the Sichuan earthquake in May 2008. For the six months ended June 30, 2010, the aggregate purchase of products by Nanjun Automobile from our Group amounted to RMB113.0 million (excluding VAT), which accounted for approximately 0.7% of our consolidated turnover for the same period.

Our Directors estimate that our sales to the Nanjun Automobile will grow gradually in the coming years due to the projected gradual growth in the operation of Nanjun Automobile based on the anticipated demand for domestic auto markets in the PRC and our Group's future expansion plan. Our projected sales to Nanjun Automobile will not exceed the annual caps of RMB233.0 million, RMB300.0 million and RMB360.0 million (excluding VAT) for 2010, 2011 and 2012, respectively. When arriving at these annual caps, our Company has considered (i) our Group's actual sales to Nanjun Automobile during the Track Record Period; (ii) our Group's current production capacity; (iii) the recent macroeconomic policies of the central government and the future development of the motor manufacture industry; (iv) the projected increase in the orders that our Group will receive from Nanjun Automobile in the next three years; and (v) the potential fluctuation of the price of the products.

In light of the actual amount of orders from Nanjun Automobile and the expected business growth trend, the sales to Nanjun Automobile during the second half year of 2010 is estimated to be RMB120.0 million (excluding VAT), representing an approximate 6.2% increase from the actual sales to the Nanjun Automobile in the first half year of 2010. It is therefore expected that the total sales to Nanjun Automobile for the financial year ending December 31, 2010 would be approximately RMB233.0 million (excluding VAT), representing an approximate 2.1% increase from the actual sales to Nanjun Automobile for financial year ended December 31, 2009 of RMB228.2 million (excluding VAT). As the construction of light vehicle manufacturing base of Nanjun Automobile is expected to be completed in early 2011, according to the Nanjun Automobile's 2011 production plan, it is expected that its production output of transportation vehicles in 2011 would be approximately 150,000 vehicles, representing an approximate 50% increase from its production output in 2010. To fulfill the anticipated substantial increase of demand from Nanjun Automobile, our Zoomlion Ziyang has been conducting a technical reform which will upgrade our annual axle's production capacity to 200,000 axles per year. Such technical reform is expected to be completed in 2011. We intend to supply approximately 50% of Zoomlion Ziyang's products to Nanjun Automobile in 2011. Accordingly, it is expected that the estimated annual cap for the financial year ending December 31, 2011 is expected to be RMB300.0 million, which represents an approximate 28.8% increase from the annual cap for 2010. Our Company expects that the rate of such sales growth to Nanjun Automobile will gradually decrease over time due to the maturity of the product, the estimated annual cap for the financial year ending December 31, 2012 is

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therefore expected to be RMB360.0 million (excluding VAT), representing an approximate 20.0% increase from the annual cap for 2011.

Listing Rules Implications

Given that each of the applicable percentage ratios (other than the profits ratio) for the transactions under the Nanjun Framework Sales Agreement for each of the three years ending December 31, 2010, 2011 and 2012 is expected to be less than 5%, the transactions under the Nanjun Framework Sales Agreement, which constitute continuing connected transactions after the Listing, will be exempted from the independent shareholders' approval requirements but will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

Application for Waivers

As the transactions described above are entered into in the ordinary course of business on a continuing basis, our Directors are of the view that compliance with announcement requirements would impose unnecessary administrative costs to us and would hence be impracticable. Our Company has accordingly applied for and the Hong Kong Stock Exchange has granted to us a waiver from strict compliance with the announcement requirements under Rule 14A.47 of the Listing Rules in connection with each of the Dongfeng Framework Sales Agreement and Nanjun Framework Sales Agreement for a period of three years provided that the annual value of the transactions does not exceed the caps for the relevant period as set out above.

Our Company will comply with the requirements set out in Chapter 14A of the Listing Rules, including Listing Rules 14A.35(1), 14A.35(2), 14A.36 to 14A.40 and 14A.45 as amended from time to time governing such continuing connected transactions.

Confirmations from our Directors and the Joint Sponsors

Our Directors (including our independent non-executive Directors) and the Joint Sponsors confirm that (i) each of the Dongfeng Framework Sales Agreement and the Nanjun Framework Sales Agreement was entered into in the ordinary and usual course of business and on normal commercial terms; (ii) the terms of each of the Dongfeng Framework Sales Agreement and the Nanjun Framework Sales Agreement are fair and reasonable and in the interests of our Shareholders as a whole; and (iii) the proposed annual caps for the continuing connected transactions described above are fair and reasonable and in the interest of the Shareholders as a whole.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Framework Purchase Agreement with Dongfeng Motor

To regulate the purchase arrangement between our Group and the Dongfeng Group after the Listing, our Company has entered into a framework purchase agreement (the "**Dongfeng Framework Purchase Agreement**") dated December 6, 2010 with Dongfeng Motor. The Dongfeng Framework Purchase Agreement shall take effect from the Listing Date and has a term of three years. Pursuant to the Dongfeng Framework Purchase Agreement,

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our Group will purchase steel springs, chassis, engines and other auto components, which will be used as raw materials for the manufacture of our various products, from the Dongfeng Group from time to time. The terms of the Dongfeng Framework Purchase Agreement were negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business. The pricing or consideration of the transaction between the parties will be determined on the following basis:

- the price prescribed by State (including any price prescribed by any relevant local authorities), if applicable;
- the price recommended under State pricing guidelines, when no State-prescribed price is available;
- the market price of similar transactions to be determined on fair and reasonable basis, when neither the State-prescribed price nor State recommended price is available; and
- the competitive prices to be determined on fair and reasonable basis which is no less favorable to our Group than those available from independent third parties.

Our Group has only started to purchase raw materials from the Dongfeng Group for the manufacture of our products since the establishment of Zoomlion Axle on July 1, 2008. For each of the two years ended December 31, 2008 and 2009, the total purchases by our Group from the Dongfeng Group amounted to approximately RMB16.1 million and RMB43.7 million (excluding VAT), respectively, which accounted for approximately 0.15% and 0.26% of our total purchases during the same period, respectively. For the six months ended June 30, 2010, the aggregate purchase of products by our Group from the Dongfeng Group amounted to RMB2.8 million (excluding VAT), which accounted for approximately 0.03% of our total purchases during the same period. The main reason for the substantial decrease in purchases of raw materials from the Dongfeng Group from RMB43.7 million for the year ended December 31, 2009 to RMB2.8 million for the six months ended June 30, 2010 is that we have been able to source similar raw materials at a lower unit price from other independent suppliers and we have therefore reduced our relevant purchases from the Dongfeng Group to steel springs as supplied by one of its group members only for the six months ended June 30, 2010.

Our Directors estimate that our purchases from the Dongfeng Group under the Dongfeng Framework Purchase Agreement will grow gradually in the coming years due to the projected gradual growth and future expansion plan of our Group's business. Our projected purchases from the Dongfeng Group will not exceed the annual caps of RMB32.0 million, RMB36.0 million and RMB50.0 million (excluding VAT) for each of the three years ending December 31, 2010, 2011 and 2012, respectively. When arriving at these annual caps, our Company has considered (i) our Group's actual purchases from the Dongfeng Group during the Track Record Period; (ii) our production plan of concrete machinery products in the next three years; and (iii) the stable purchase plans for the auto components.

Listing Rules Implications

Given that Dongfeng Motor is a Connected Person of the Company purely by virtue of it being a Substantial Shareholder of Zoomlion Axle, and each of the applicable percentage

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ratios (other than profits ratio) for such transactions under the Dongfeng Framework Purchase Agreement for each of the three years ending December 31, 2010, 2011 and 2012 is expected to be less than 1%, the transactions under the Dongfeng Framework Purchase Agreement, which constitute continuing connected transactions after the Listing, will be exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

2. Tenancy Agreement with Nanjun Automobile

A property tenancy agreement (the “**Tenancy Agreement**”) dated January 1, 2010 was entered into between Zoomlion Ziyang, a subsidiary of our Company, as the lessee and Nanjun Automobile as the lessor. The Tenancy Agreement has taken effect since January 1, 2010 and has a term of one year. Pursuant to the Tenancy Agreement, Nanjun Automobile agreed to lease a total gross floor area of approximately 6,658.4 square meters in buildings situated at Nanjun Automobile Industrial Park to Zoomlion Ziyang for office and production uses at an annual rental of RMB750,000, including machinery rental, management fee and relevant tax.

Jones Lang LaSalle Sallmanns Limited, the independent property valuer of our Company, has reviewed the rental payable pursuant to the Tenancy Agreement and confirmed that the rental payable by Zoomlion Ziyang to Nanjun Automobile is no higher than the prevailing market rates of comparable properties.

Listing Rules Implications

Given the annual transaction amount under the Tenancy Agreement is expected to be RMB750,000 and each of the applicable percentage ratios (other than the profits ratio) for the transaction for the year ending December 31, 2010 is expected to be less than 0.1%, the transaction under the Tenancy Agreement, which constitutes a continuing connected transaction after the Listing, will be exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.