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ZOOMLION 中 聯 重 科

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

中聯重科股份有限公司

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

(Stock Code: 1157)

ANNOUNCEMENT EXTERNAL INVESTMENTS OF THE COMPANY

On 29 September 2016, the board (the “**Board**”) of directors of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the “**Company**”) has resolved to make external investments through the establishment of 上海綠聯君和產業併購股權投資基金合夥企業 (Shanghai Lulian Junhe Industrial Equity Merger and Acquisition and Investment Fund Partnership*) (a limited partnership) (the “**Fund**”) and a fund management company, 上海綠聯君和股權投資管理中心 (Shanghai Lulian Junhe Equity Investment Management Centre*) (a limited partnership) (the “**Fund Management Company**”). Details of the Fund and the Fund Management Company are as follows:

I. Overview of the external investment

- (I) The Company intends to set up 上海綠聯君和產業併購股權投資基金合夥企業 (Shanghai Lulian Junhe Industrial Equity Merger and Acquisition and Investment Fund Partnership*) (a limited partnership) (the “**Fund**”) and a fund management company, 上海綠聯君和股權投資管理中心 (Shanghai Lulian Junhe Equity Investment Management Centre*) (a limited partnership) (the “**Fund Management Company**”) with the leading industry players, fund management teams and investment companies in the People's Republic of China (“**PRC**”), in order to accelerate the strategic transformation and upgrade of the Company, promote the development of its financial business and strengthen the synergies between and integration of our business sector and the financial sector. The size of the Fund will be RMB3.21 billion, of which the Fund Management Company will subscribe for a capital contribution of RMB10 million.

中聯重科資本有限責任公司 (Zoomlion Capital Company Limited*) (“**Zoomlion Capital**”), a wholly-owned subsidiary of the Company, will contribute, on behalf of the Company, RMB500 million and RMB1 million to the Fund and the Fund Management Company respectively.

(II) According to the requirements of the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company, the amount of this external investment does not exceed the authority of the Board and no approval of the shareholders at a general meeting is required.

II. Subscribers of the Fund

1. The subscribing entity of the Company

Zoomlion Capital will be the entity subscribing for the Fund, and whose particulars are as follows:

Type of enterprise:	Company with limited liability
Registered address:	Unit (43)01, 43/F, No. 5 Building, Dongsanhuan Zhong Road, Chaoyang District, Beijing
Registered capital:	RMB1 billion
Legal representative:	Zhan Chunxin
Principal business:	Project investment, investment management, asset management, non-securities investment management, consultation, equity investment management
Substantial shareholder or actual controller:	the Company

2. Other potential subscribers

(1) *Greenland Financial Holdings Group Co., Ltd* (“*Greenland Financial*”)

Type of enterprise:	Company with limited liability
Registered address:	Room 888, No. 2 Building, No. 1800 Panyuan Road, Chongming, Shanghai
Registered capital:	RMB9 billion
Legal representative:	Geng Jing
Principal business:	Financial asset investment, asset management, investment management, business consultation and services
Substantial shareholder or actual controller:	Greenland Holdings Corporation Limited

(2) **安徽省鐵路發展基金股份有限公司 (Anhui Railway Development Fund Company Limited*) (the “Railway Fund”)**

Type of enterprise: Joint stock company with limited liability
Registered address: 5/F, Auhui Investment Building, No. 46 Wangjiang East Road, Heifei
Registered capital: RMB30 billion
Legal representative: Zhang Chunlei
Principal business: Railway investment, project investment and capital operation, fund investment and management, participation in exploration of mineral resources, business information consulting and services
Substantial shareholder or actual controller: Anhui Investment Group Holdings Co., Ltd.

(3) **Jiangsu New Yangzi Shipbuilding Co., Ltd (“NY Shipbuilding”)**

Type of enterprise: Company with limited liability
Registered address: Jingjiang Industrial Zone, Jiangyin Economic Development Zone
Registered capital: RMB518 million
Legal representative: Ren Yuanlin
Principal business: Shipbuilding, processing and manufacturing of large steel structures, import and export business, investment consultation
Substantial shareholder or actual controller: Jiangsu Yangzijiang Shipbuilding Co., Ltd.

(4) **上海鈺恩環保科技合夥企業 (Shanghai Yu’en Environmental Technology Partnership*) (a limited partnership) (“Shanghai Yu’en”)**

Type of enterprise: Limited partnership
Registered address: Room 1092, Zone Y, 1/F, Block 3, 8 Xiushan Road, Chengqiao Town, Chongming, Shanghai
Principal business: Technical consultation, technical service, technology development and technology transfer within the regime of environmental technology, financial consultation, corporate management consultation
Managing partner: Ge Xijun

(5) 上海長泰投資有限公司 (*Shanghai Changtai Investment Co., Ltd.**) (“*Changtai Investment*”)

Type of enterprise:	Company with limited liability
Registered address:	Room 101, Block 1, No. 599 Hongxing Road, Pudong New District, Shanghai
Registered capital:	RMB30 million
Legal representative:	Zhao Changjia
Principal business:	Industrial investment, investment management, investment consultation
Substantial shareholder or actual controller:	上海長甲實業有限公司 (Shanghai Changjia Industrial Company Ltd.*)

(6) 上海合德永鑫二期股權投資基金合夥企業 (*Shanghai Hede Yongxin II Equity Investment Fund Partnership**) (a limited partnership) (“*Hede Yongxin*”)

Type of enterprise:	Limited partnership
Registered address:	Room 1391, No. 152 Panyuan Road, Changxing Town, Chongming, Shanghai
Principal business:	Equity investment, investment management, asset management
Managing partner:	上海合德永鑫股權投資基金管理合夥企業 (Shanghai Hede Yongxin II Equity Investment Fund Management Partnership*) (a limited partnership)
Representative of the managing partner:	Yu Guo

All of the potential subscribers referred above are not connected with the Company or any of its directors, supervisors and senior management.

III. The Fund proposal

1. Name of the Fund

上海綠聯君和產業併購股權投資基金合夥企業 (Shanghai Lulian Junhe Industrial Equity Merger and Acquisition and Investment Fund Partnership*) (a limited partnership) tentatively, subject to the approval of the industrial and commercial authority.

2. Size of the Fund

RMB3.21 billion

3. Term of the Fund

7 years, amongst which it has an investment period of 4 years and an exit period of 3 years.

4. Investment target

The Fund will mainly invest in industrial merger and acquisition and upgrade, and reform of the state-owned assets and enterprises.

5. Potential subscribers of the Fund (the “Limited Partners of the Fund”)

The Limited Partners of the Fund will contribute an aggregate of RMB3.2 billion, of which each of Zoomlion Capital, the Railway Fund, NY Shipbuilding, Shanghai Yu'en, Changtai Investment and Hede Yongxin intends to contribute RMB500 million and Greenland Financial intends to contribute RMB200 million.

6. The Fund Management Company (a General Partner and the Managing Partner of the Fund)

上海綠聯君和股權投資管理中心 (Shanghai Lulian Junhe Equity Investment Management Centre*) (a limited partnership), tentatively, subject to the approval of the industrial and commercial authority, will be the Fund Management Company. It will be jointly promoted and established by the Limited Partners of the Fund (or any of their affiliates) and the management team of the Fund with a subscribed contribution of RMB10 million, of which, Zoomlion Capital will contribute RMB1 million with a shareholding of 10%. The Fund Management Company will contribute RMB10 million to the Fund.

The daily operation and investment management of the Fund will be fully delegated to the Fund Management Company. The Fund will, in turn, pay the Fund Management Company an annual management fee at 2% of the total subscribed contribution of the Fund during the investment period and at 1.8% per annum during the exit period. The base is calculated based on the amount of the capital contribution made by each partner to the partnership. If the investment project of the partnership is withdrawn, such base will be deducted by its investment costs as the calculation base of management fees from the following year of the withdrawal. If and when the annual return rate of the Fund reaches 8% (i.e. the preferred return), the Fund Management Company may draw down 20% of the return of the Fund as performance bonus.

7. Decision making authority and mechanism of the Fund

The Fund Management Company will establish an investment decision-making committee, which will be the decision making authority of the Fund in relation to material decision such as investments in or exit from projects. The investment decision-making committee will be composed of representatives from the subscribers and the management team of the Fund and operate strictly in accordance with the market practice. Zoomlion Capital is entitled to nominate one member of the investment decision-making committee.

In resolving any matter, each member of the investment decision-making committee shall have one vote. All decisions of the investment decision-making committee must be passed by four-fifths of its members.

8. Distribution mechanism of the Fund

Distributable income upon exit of any project of the Fund can be distributed to the partners in the following order:

- (1) firstly, distributing to all partners until the distribution amount is equal to the entire fully paid contribution;
- (2) then, distributing to all partners until the distribution amount is equal to such sums representing a preferred return at 8% per annum of the entire fully paid contribution (calculated at simple interest rate and the number of days actually lapsed after the payment of the fully paid contribution);
- (3) after that, distributing to the Fund Management Company until such amount of distribution is equal to 20% of the aggregate amounts referred to in (2) and (3) above;
- (4) lastly, distributing the balance after the above distributions to each of the Limited Partners as to 80% and to the Fund Management Company as to 20%.

IV. Objective of and risks relating to the external investment, and its impact on the Company

1. Objective of the external investment and its impact on the Company

Financial business segment will be the focus of development of the Company in the future. Enhanced cooperation with the leading industry players, professional investment companies and management teams can steadily improve the Company's participation in the financial investment sector in a controlled manner, achieve effective integration of resources and provide service support to the core business of the Company, which in turn further promote the synergies between the industry in which the Company operates and the financial business.

The Fund to be established under this cooperation intends to invest in leading players of each sub-sector along the industry chain and capture the opportunities arising from the reform of state-owned assets and enterprises, by capitalizing the chance from the economic transformation and upgrade of the PRC, and leveraging on the resources of the subscribers and the professional expertise of the management team of the Fund.

2. Risking relating to the external investment and countermeasures

The investment may be subject to the following risks: (1) the domestic economy remains sluggish and the industry transformation, upgrade and development is slower than expected; (2) the capital market may experience intense fluctuation, and it is increasingly difficult for investment in or exit from projects; and (3) the reform of such state-owned assets and enterprises that the Fund places focus is lesser and slower than expected.

The countermeasures are as follows: (1) the Fund Management Company will stringently implement risk control requirements, regulate the business flow of the Fund, make prudent investment decision, reasonably arrange for exit mechanism, and enhance post-investment management; (2) the Fund will invest in such industries and regimes with favourable prospects and supported by the state policies; and (3) the Fund will invest in leading and strong enterprises in sub-sectors, and reasonably control investment costs.

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

Changsha, the PRC, 29 September 2016

As at the date of this announcement, the executive director of the Company is Dr. Zhan Chunxin; the non-executive directors are Mr. Hu Xinbao and Mr. Zhao John Huan; and the independent non-executive directors are Mr. Zhao Songzheng, Mr. Lai Kin Keung, Ms. Liu Guiliang and Mr. Yang Changbo.

* *For identification purpose only*