ZOOMLION

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

長沙中聯重工科技發展股份有限公司

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

(Stock Code: 1157)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

- Turnover of the Group in 2010 was RMB32,193 million, representing an increase of RMB11,431 million or 55.1% over 2009.
- Profit attributable to equity shareholders of the Company in 2010 was RMB4,666 million, representing an increase of RMB2,219 million or 90.7% over 2009.
- Earnings per share in 2010 were RMB0.96.
- The Board proposed a final dividend of RMB0.26 per share and a bonus share on the basis of 0.3 share for every outstanding share for the year of 2010.

The board of directors (the "Board") of Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd.* (the "Company") hereby announces the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with the comparative figures for 2009:

FINANCIAL RESULTS

Financial information extracted from the audited financial statements in 2010 prepared in accordance with International Financial Reporting Standards ("IFRSs"):

Consolidated statement of comprehensive income

	Note	**2010** ***RMB millions***	2009 *RMB millions*
Turnover	*2*	**32,193**	20,762
Cost of sales and services		**(22,424)**	(15,422)
Gross profit		**9,769**	5,340
Other revenues and net income		**54**	105
Sales and marketing expenses		**(2,146)**	(1,250)
General and administrative expenses		**(1,645)**	(878)
Research and development expenses		**(265)**	(194)
Profit from operations		**5,767**	3,123
Loss on disposal of associates		**—**	(6)
Net finance costs	*3(a)*	**(365)**	(295)
Share of profits less losses of associates		**14**	6
Profit before taxation	*3*	**5,416**	2,828
Income tax	*4*	**(828)**	(409)
Profit for the year		**4,588**	2,419
Other comprehensive income for the year (after tax)			
Change in fair value of available-for-sale equity securities		**(2)**	3
Others		**11**	—
Exchange differences on translation of financial statements of subsidiaries outside PRC		**(74)**	44
Total other comprehensive income for the year		**(65)**	47
Total comprehensive income for the year		**4,523**	2,466
Profit attributable to:			
Equity shareholders of the Company		**4,666**	2,447
Non-controlling interests		**(78)**	(28)
Profit for the year		**4,588**	2,419
Total comprehensive income attributable to:			
Equity shareholders of the Company		**4,580**	2,497
Non-controlling interests		**(57)**	(31)
Total comprehensive income for the year		**4,523**	2,466
Basic and diluted earnings per share (RMB)	*6*	**0.96**	0.59

Consolidated balance sheet

	Note	**2010** **RMB** ***millions***	2009 RMB *millions*
Non-current assets			
Property, plant and equipment		**4,135**	3,683
Lease prepayments		**1,119**	907
Intangible assets		**1,256**	1,432
Goodwill		**1,907**	2,082
Interests in associates		**86**	71
Other financial assets		**50**	15
Trade and other receivables	*8*	**585**	229
Receivables under finance lease		**9,775**	5,060
Pledged bank deposits		**185**	234
Deferred tax assets	*10(b)*	**274**	148
Total non-current assets		**19,372**	13,861
Current assets			
Inventories		**8,678**	6,272
Trade and other receivables	*8*	**8,260**	6,265
Receivables under finance lease		**6,397**	3,283
Pledged bank deposits		**1,577**	755
Cash and cash equivalents		**18,758**	3,439
Total current assets		**43,670**	20,014
Total assets		**63,042**	33,875
Current liabilities			
Loans and borrowings		**8,107**	8,553
Trade and other payables	*9*	**17,203**	10,632
Income tax payable	*10(a)*	**757**	283
Total current liabilities		**26,067**	19,468
Net current assets		**17,603**	546
Total assets less current liabilities		**36,975**	14,407

	Note	**2010**	2009
		RMB millions	*RMB millions*
Non-current liabilities			
Loans and borrowings		**7,690**	5,621
Other non-current liabilities		**1,379**	684
Deferred tax liabilities	*10(b)*	**471**	550
Total non-current liabilities		**9,540**	6,855
NET ASSETS		**27,435**	7,552
CAPITAL AND RESERVES			
Share capital	*11*	**5,797**	1,673
Reserves		**21,579**	5,755
Total equity attributable to equity shareholders of the Company		**27,376**	7,428
Non-controlling interests		**59**	124
TOTAL EQUITY		**27,435**	7,552

Consolidated statement of changes in equity

	Attributable to equity shareholders of the Company								
	Share capital *(Note 11)*	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB millions	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*
Balance at 1 January 2009	**1,521**	**12**	**529**	**(18)**	**(2)**	**3,029**	**5,071**	**140**	**5,211**
Appropriation	—	—	240	—	—	(240)	—	—	—
Cash dividends	—	—	—	—	—	(152)	(152)	—	(152)
Bonus shares	152	—	—	—	—	(152)	—	—	—
Acquisition of non-controlling interest	—	10	—	—	—	—	10	(25)	(15)
Acquisition of subsidiaries	—	—	—	—	—	—	—	11	11
Contributions from non-controlling interests	—	2	—	—	—	—	2	29	31
Total comprehensive income for the year	—	—	—	47	3	2,447	2,497	(31)	2,466
Balance at 31 December 2009	**1,673**	**24**	**769**	**29**	**1**	**4,932**	**7,428**	**124**	**7,552**
Appropriation	—	—	443	—	—	(443)	—	—	—
Issuance of A Shares in Non-public Offering	298	5,181	—	—	—	—	5,479	—	5,479
Cash dividends	—	—	—	—	—	(827)	(827)	—	(827)
Bonus shares	2,957	—	—	—	—	(2,957)	—	—	—
Acquisition of non-controlling interest	—	(2)	—	—	—	—	(2)	2	—
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(10)	(10)
Issuance of H Shares in Global Offering	869	9,849	—	—	—	—	10,718	—	10,718
Total comprehensive income for the year	—	11	—	(95)	(2)	4,666	4,580	(57)	4,523
Balance at 31 December 2010	**5,797**	**15,063**	**1,212**	**(66)**	**(1)**	**5,371**	**27,376**	**59**	**27,435**

Consolidated cash flow statement

	2010	2009
	RMB millions	*RMB millions*
Operating activities		
Profit before taxation	**5,416**	2,828
Adjustments for:		
Depreciation of property, plant and equipment	**327**	245
Amortisation of lease prepayments	**24**	21
Amortisation of intangible assets	**64**	63
Share of profits less losses of associates	**(14)**	(6)
Interest income	**(96)**	(34)
Interest expense	**740**	438
Loss on disposal of property, plant and equipment	**37**	10
Loss on disposal of associates	**—**	6
Impairment loss on property, plant and equipment	**5**	5
	6,503	3,576
Increase in inventories	**(2,416)**	(1,093)
Increase in trade and other receivables	**(2,371)**	(1,703)
Increase in receivables under finance lease	**(7,829)**	(6,096)
Increase in trade and other payables	**7,083**	4,206
Cash generated from/ (used in) operations	**970**	(1,110)
Income tax paid	**(519)**	(256)
Net cash generated from/ (used in) operating activities	**451**	(1,366)

	Note	2010 *RMB millions*	2009 *RMB millions*
Investing activities			
Payment for the purchase of property, plant and equipment		**(910)**	(829)
Lease prepayments		**(236)**	(3)
Payment for purchase of intangible assets		**(27)**	(70)
Dividends received from associates		**6**	—
Payment for acquisition of investments in associates and equity investments		**(44)**	(15)
Proceeds from disposal of investments in associates		**—**	7
Proceeds from disposal of property, plant and equipment and intangible assets		**55**	79
Payment for acquisitions of subsidiaries, net of cash acquired		**—**	(28)
Interest received	*13*	**96**	34
Increase in pledged bank deposits		**(773)**	(535)
Net cash used in investing activities		**(1,833)**	(1,360)
Financing activities			
Proceeds from loans and borrowings		**10,840**	11,581
Repayments of loans and borrowings		**(8,906)**	(7,712)
Interest paid	*13*	**(743)**	(498)
Dividends paid		**(711)**	(152)
Contribution from non-controlling shareholders		**—**	31
Net proceeds from issuance of A Shares in Non-public Offering		**5,479**	—
Net proceeds received from issuance of H Shares in Global Offering		**10,796**	—
Net cash generated from financing activities		**16,755**	3,250
Net increase in cash and cash equivalents		**15,373**	524
Cash and cash equivalents at beginning of year		**3,439**	2,913
Effect of foreign exchange rate changes		**(54)**	2
Cash and cash equivalents at end of year		**18,758**	3,439

Notes to the financial information

1 Basis of preparation

The Company's financial statements have been prepared in accordance with all applicable IFRSs as issued by the International Accounting Standards Board. IFRSs include all individual International Financial Reporting Standards, International Accounting Standards and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 Turnover

The principal activities of the Group are research, development, manufacturing and sale and leasing of concrete machinery, crane machinery, environmental and sanitation machinery, road construction and pile foundation machinery and other related heavy machinery and capital equipment in the People's Republic of China (the "PRC") and manufacturing and sale of concrete machinery in Italy.

Turnover represents revenue from sales and lease of the Group's machinery products, net of value-added tax and is after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in turnover are as follows:

	2010	2009
	RMB millions	*RMB millions*
Sales of:		
Concrete machinery	**14,085**	7,157
Crane machinery	**11,077**	8,298
Environmental and sanitation machinery	**1,874**	1,230
Road construction and pile foundation machinery	**1,246**	787
Earth working machinery	**772**	445
Material handling machinery and systems	**422**	873
Other machinery products	**1,674**	1,575
Finance income under finance lease	**1,043**	397
	32,193	20,762

3 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs:

	2010 *RMB millions*	2009 *RMB millions*
Finance income:		
Interest income on bank deposits	**(96)**	(34)
Finance costs:		
Interest on loans and borrowings	**403**	372
Less: Interest expense capitalised*	**—**	(35)
Net interest expense	**403**	337
Net exchange losses/(gains)	**58**	(8)
	461	329
	365	295
* Interest rates per annum at which borrowing costs have been capitalised for construction in progress	**—**	1.0% to 7.2%

(b) Staff costs:

	2010 *RMB millions*	2009 *RMB millions*
Salaries, wages and other benefits	**2,127**	1,279
Contributions to defined contribution retirement schemes	**122**	104
	2,249	1,383

(c) Other items:

	2010 *RMB millions*	2009 *RMB millions*
Cost of inventories	**22,070**	15,307
Depreciation of property, plant and equipment	**327**	245
Amortisation of lease prepayments	**24**	21
Amortisation of intangible assets	**64**	63
Operating lease charges	**74**	58
Auditors' remuneration — audit services	**12**	6
Product warranty costs	**135**	87
Impairment losses:		
— trade receivables	**258**	87
— property, plant and equipment	**5**	5

4 Income tax

Income tax in the consolidated statements of comprehensive income represents:

	2010	2009
	RMB millions	*RMB millions*
Current tax — PRC income tax		
Provision for the year	**988**	459
Current tax — Income tax in other tax jurisdictions		
Provision for the year	**5**	9
Deferred taxation		
Origination and reversal of temporary differences	**(165)**	(41)
Effect on deferred tax balances resulting from a change in tax rate/ tax status	**—**	(18)
	828	409

Reconciliation between actual income tax expenses and profit before taxation is as follows:

	2010	2009
	RMB millions	*RMB millions*
Profit before taxation	**5,416**	2,828
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned *(Note (a))*	**1,354**	705
Tax effect of non-deductible expenses	**33**	52
Tax effect of non-taxable income	**(20)**	(5)
Tax effect of tax concessions *(Note (b))*	**(472)**	(251)
Additional deduction for qualified research and development expenses *(Note (c))*	**(67)**	(73)
Effect of change in tax rate / tax status *(Note (b))*	**—**	(18)
Tax credit for PRC equipment purchased	**—**	(1)
Actual income tax expense	**828**	409

Notes:

(a) The PRC statutory income tax rate is 25% (2009: 25%).

The Company's subsidiaries in Italy, CIFA and its subsidiaries, are subject to income tax at rates ranging from 27.5% to 31.4% (2009: 27.5% to 31.4%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2009:16.5%). No income tax provision was made for certain Hong Kong subsidiaries, as these subsidiaries either derived no income subject to Hong Kong Profits Tax or sustained tax losses for Hong Kong Profits Tax purposes.

(b) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. In 2008, the Company and certain of its subsidiaries were recognised as high-technology enterprises and accordingly were subject to income tax at 15% for the years from 2008 to 2010. In 2009, another subsidiary of the Company was recognised as a high-technology enterprise for 2009 to 2011.

The 15% preferential tax rate applicable to high-technology enterprises is subject to renewal approval jointly by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations.

(c) Under the income tax law and its relevant regulations, a 50% additional tax deduction is allowed for qualified research and development expenses.

5 Dividends

(a) Dividends paid during the year

Pursuant to the shareholders' approval at the Extraordinary General Meeting held on 22 July 2010, a cash dividend of RMB0.17 per share based on 1,971 million ordinary shares totaling RMB335 million was declared, and among which RMB234 million was paid in the second half of the year 2010, and the remaining balance is expected to be paid in 2011.

Pursuant to the shareholders' approval at the Annual General Meeting held on 25 May 2010, a final cash dividend of RMB0.25 per share based on 1,971 million ordinary shares totalling RMB492 million in respect of the year ended 31 December 2009 was declared, and was paid on 18 June 2010.

Pursuant to the shareholders' approval at the Annual General Meeting held on 21 May 2009, a final cash dividend of RMB0.10 per share based on 1,521 million ordinary shares totalling RMB152 million in respect of the year ended 31 December 2008 was declared, and was paid on 10 July 2009.

(b) Dividends proposed after the balance sheet date

Pursuant to a resolution passed at the directors' meeting on 28 March 2011, a final dividend in respect of the year ended 31 December 2010 of RMB0.26 (2009: RMB0.25) per share totaling RMB1,541 million (2009: RMB492 million) was proposed for shareholders' approval at the Annual General Meeting. In addition, a stock split in the form of bonus shares on the basis of 0.3 share for every outstanding ordinary share as at 28 March 2011 was proposed for shareholders' approval. The total number of shares to be issued is 1,778 million. The par value of new ordinary shares to be issued of RMB1,778 million will be charged to capital reserve in accordance with the Board of Directors' resolution. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

6 Basic and diluted earnings per share

For the purpose of calculating earnings per share, the number of ordinary shares used in the calculation has been retrospectively adjusted to reflect the stock split in the form of bonus shares issued in May 2009 and July 2010 as if it had occurred at the beginning of the earliest period presented and such shares had been outstanding for all years.

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB4,666 million (2009: RMB2,447 million), and a weighted average of 4,878 million shares (2009: 4,183 million shares after adjusting for capitalisation issue in 2009 and 2010) in issue during the year.

There were no dilutive potential ordinary shares in issue as at 31 December 2010 (2009: Nil).

7 Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Concrete machinery segment: this segment primarily researches, develops, manufactures and sells various concrete machineries, including truck-mounted concrete pumps, trailer-mounted concrete pumps, concrete placing booms, concrete mixing plants, truck-mounted concrete mixers, truck-mounted line concrete pumps and self-propelled boom concrete pumps.

(ii) Crane machinery segment: this segment primarily researches, develops, manufactures and sells a variety of cranes, including truck cranes, all-terrain truck cranes, crawler cranes and various types of tower cranes.

(iii) Environmental and sanitation machinery segment: this segment primarily researches, develops, manufactures and sells a wide range of environmental and sanitation machineries, including road sweepers, washing vehicles and waste treatment equipment.

(iv) Road construction and pile foundation machinery segment: this segment primarily researches, develops, manufactures and sells different types of road construction and pile foundation machineries, including road surface heaters, motor graders, road rollers, pavers, road surface cold planners, asphalt mixing equipment and rotary drilling rigs.

(v) Earth working machinery: this segment primarily researches, develops, manufactures and sells a variety of earth working machineries, including loaders, bulldozers and excavators.

(vi) Material handling machinery and systems segment: this segment primarily researches, develops, manufactures and sells different types of machineries and systems for handling huge materials, including stackers and reclaimers, pipe conveyors, port loading/unloading equipment and portal cranes.

(vii) Finance lease segment: this segment primarily provides finance lease services to customers for purchasing machinery products of the Group and from other vendors.

Other operating segments of the Group include research, development, manufacturing and sale of other machinery products, including specialised vehicles and vehicle axles. None of these segments met any of the quantitative thresholds for determining reportable segments for the year ended 31 December 2010.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

The measure used for reporting segment profit is turnover less cost of sales and services.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2010 is set out below:

	2010	2009
	RMB millions	*RMB millions*
Reportable segment revenue:		
Concrete machinery	**14,085**	7,157
Crane machinery	**11,077**	8,298
Environmental and sanitation machinery	**1,874**	1,230
Road construction and pile foundation machinery	**1,246**	787
Earth working machinery	**772**	445
Material handling machinery and systems	**422**	873
Finance lease services	**1,043**	397
Total reportable segment revenue	**30,519**	19,187
Revenue from all other segments	**1,674**	1,575
Total	**32,193**	20,762
Reportable segment profit:		
Concrete machinery	**4,510**	2,042
Crane machinery	**3,082**	1,963
Environmental and sanitation equipment	**592**	406
Road construction and pile foundation machinery	**481**	260
Earth working machinery	**165**	72
Material handling machinery and systems	**32**	86
Finance lease services	**689**	232
Total reportable segment profit	**9,551**	5,061
Profit from all other segments	**218**	279
Total	**9,769**	5,340

(b) Reconciliation of segment profit

	2010	2009
	RMB millions	*RMB millions*
Total segment profit	**9,769**	5,340
Other revenues and net income	**54**	105
Sales and marketing expenses	**(2,146)**	(1,250)
General and administrative expenses	**(1,645)**	(878)
Research and development expenses	**(265)**	(194)
Loss on disposal of associates	**—**	(6)
Net finance costs	**(365)**	(295)
Share of profits less losses of associates	**14**	6
Consolidated profit before taxation	**5,416**	2,828

(c) *Geographic information*

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, and lease prepayments ("specified non-current assets"). The geographical location of revenue is based on the selling location. The geographical location of specified non-current assets is based on the physical location of the asset. No geographic information is presented for trademarks, technical know-how and goodwill as these assets are commonly used by the Group both in and outside PRC. All other non-current assets are physically located in the PRC, except for customer relationships acquired through business combination of CIFA, which are determined to be outside PRC.

	2010	2009
	RMB millions	*RMB millions*
Revenue from external customers		
— Mainland PRC	**30,663**	18,993
— Outside PRC, primarily from Italy	**1,530**	1,769
Total	**32,193**	20,762

	2010	2009
	RMB millions	*RMB millions*
Specified non-current assets		
— Mainland PRC	**5,014**	4,287
— Outside PRC, primarily in Italy	**240**	303
Total	**5,254**	4,590

8 Trade and other receivables

	2010	2009
	RMB millions	*RMB millions*
Trade receivables	**7,504**	5,401
Less: allowance for doubtful debts	**(557)**	(340)
	6,947	5,061
Less: trade receivables due after one year	**(585)**	(229)
	6,362	4,832
Bills receivable	**627**	491
	6,989	5,323
Amounts due from related parties	**27**	29
Prepayments for purchase of raw materials	**388**	394
Prepaid expenses	**178**	113
VAT recoverable	**179**	81
Others	**499**	325
	8,260	6,265

All of the trade and other receivables, except those described below, are expected to be recovered or recognised as expense within one year.

The Group allows certain customers with appropriate credit standing to make payments in equal monthly instalments over a maximum period of 24 months ("instalment payment method"). Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the year ended 31 December 2010, the weighted average discount rate was approximately 5.85% (2009: 5.3%) per annum. As at 31 December 2010, trade receivables due after one year of RMB585 million (2009: RMB229 million) were presented net of unearned interest of RMB38 million (2009: RMB14 million).

Ageing analysis of trade receivables (net of allowance for doubtful debts) as of the end of the reporting year is as follows:

	2010	2009
	RMB millions	*RMB millions*
Within 1 month	**2,642**	2,133
Over 1 month but less than 3 months	**921**	382
Over 3 months but less than 1 year	**2,403**	1,427
Over 1 year but less than 2 years	**772**	931
Over 2 years but less than 3 years	**174**	161
Over 3 years but less than 5 years	**35**	27
	6,947	5,061

As part of the Group's ongoing control procedures, management monitors the creditworthiness of customers to which it grants credit in the normal course of business. Credit terms normally range from 1 to 3 months from the date of billing, except that for certain products, customers are allowed to withhold retention money amounting to 5%–10% of the invoice amount until the product's warranty period expires. Credit exposure limits are established to avoid concentration risk with respect to any single customer.

9 Trade and other payables

	2010	2009
	RMB millions	*RMB millions*
Trade creditors	**6,841**	4,369
Bills payable	**5,441**	3,843
Trade creditors and bills payable	**12,282**	8,212
Amounts due to related parties	**12**	—
Receipts in advance	**1,021**	446
Payable for acquisition of property, plant and equipment	**375**	386
Accrued staff costs	**642**	402
VAT payable	**722**	265
Security deposits	**608**	270
Product warranty provision	**113**	87
Sundry taxes payable	**325**	63
Dividend payable	**116**	—
Other accrued expenses	**987**	501
	17,203	10,632

Ageing analysis of trade creditors and bills payable as of the end of the year is as follows:

	2010	2009
	RMB millions	*RMB millions*
Due within 1 month or on demand	**4,640**	1,901
Due after 1 month but within 3 months	**3,567**	2,105
Due after 3 months but within 6 months	**3,067**	2,238
Due after 6 months but less than 12 months	**1,008**	1,968
	12,282	8,212

10 Income tax in the balance sheets

(a) Income tax payable in the balance sheets represents:

	2010	2009
	RMB millions	*RMB millions*
Provision for PRC income tax	**756**	281
Provision for income tax in other tax jurisdictions	**1**	2
	757	283

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheets and the movements during the year are presented as follows:

Year ended 31 December 2010

	Balance at 1 January 2010	**Credited/ (charged) to profit or loss**	**Effect of exchange rate**	**Balance at 31 December 2010**
	RMB millions	***RMB millions***	***RMB millions***	***RMB millions***
Deferred tax assets arising from:				
Trade and other receivables	**49**	**34**	**(1)**	**82**
Inventories	**28**	**14**	**(2)**	**40**
Accrued expenses	**46**	**8**	**(2)**	**52**
Available-for-sale equity securities	**1**	**(1)**	**—**	**—**
Tax losses	**17**	**55**	**(5)**	**67**
Others	**7**	**26**	**—**	**33**
Total	**148**	**136**	**(10)**	**274**
Deferred tax liabilities arising from:				
Property, plant and equipment	**(12)**	**2**	**1**	**(9)**
Intangible assets	**(460)**	**21**	**46**	**(393)**
Lease prepayments	**(49)**	**1**	**—**	**(48)**
Others	**(29)**	**5**	**3**	**(21)**
Total	**(550)**	**29**	**50**	**(471)**

Year ended 31 December 2009

	Balance at 1 January 2009	Credited/ (charged) to profit or loss	Acquired through business combinations	Effect of exchange rate	Balance at 31 December 2009
	RMB millions	*RMB millions*	*RMB millions*	*RMB millions*	*RMB millions*
Deferred tax assets arising from:					
Trade and other receivables	36	10	—	3	49
Inventories	29	(1)	—	—	28
Accrued expenses	44	(3)	—	5	46
Available-for-sale equity securities	1	—	—	—	1
Tax losses	—	17	—	—	17
Others	14	(7)	—	—	7
Total	124	16	—	8	148
Deferred tax liabilities arising from:					
Property, plant and equipment	(37)	26	—	(1)	(12)
Intangible assets	(465)	17	—	(12)	(460)
Lease prepayments	(52)	4	(1)	—	(49)
Others	(18)	(4)	—	(7)	(29)
Total	(572)	43	(1)	(20)	(550)

11 Share capital

	2010	2009
	RMB millions	*RMB millions*
Registered capital		
4,840,678,482 A Shares of RMB 1.00 each 956,541,080 H Shares of RMB 1.00 each (2009: 1,673,100,000 A Shares of RMB 1.00 each)	**5,797**	1,673
Ordinary shares issued and fully paid:		
At 1 January	**1,673**	1,521
Issuance of A Shares in Non-public Offering	**298**	—
Bonus shares issued	**2,957**	152
Issuance of H Shares in Global Offering	**869**	—
At 31 December	**5,797**	1,673

On 5 February 2010, the Company completed a Non-public Offering of 297,954,705 A Shares to nine institutional investors at RMB18.70 per share, which raised gross proceeds of approximately RMB5,572 million. Direct transaction costs of RMB93 million have been offset against the gross proceeds, giving rise to net proceeds of RMB5,479 million. The amount of net proceeds in excess of the par value of the new shares issued was RMB5,181 million and recorded in the capital reserve.

On 23 December 2010, the Company completed a Global Offering of 869,582,800 H Shares with a par value of RMB 1 per share to institutional and public investors at a price of HKD14.98 per share, which raised gross proceeds of approximately HKD13,026 million (RMB equivalent 11,131 million). Direct transaction costs of RMB413 million have been offset against the gross proceeds, giving rise to net proceeds of RMB10,718 million. The amount of net proceeds in excess of the par value of the new shares issued was RMB9,849 million and recorded in the capital reserve.

12 Post balance sheet events

On 5 January 2011, the underwriters of the Global Offering exercised the over-allotment option in full. As a result, 130,437,400 H Shares with a par value of RMB 1 per share were issued at a price of HKD14.98 per share, which raised gross proceeds of approximately HKD1,954 million (RMB equivalent 1,659 million) and net proceeds of RMB1,507 million. In this connection, Hunan SASAC and Hunan Development Group transferred a total of additional 13,043,740 A Shares to the NSSF, which were converted into H Shares on a one-for-one basis. Upon completion of the issuance of new H Shares and conversion of A Shares into H Shares, the share capital of the Company was increased to approximately RMB5,927 million, comprising 4,827,634,742 A Shares and 1,100,022,220 H Shares.

On 18 February 2011, the Company's Board of Directors approved an investment of RMB100 million to jointly establish a Hunan-based insurance company with other third-party investors. The registered capital of the insurance company will be RMB1,150 million.

13 Comparative figures

In the consolidated cash flow statement for the year ended 31 December 2010, interest paid and interest received by the Group was presented as financing cash flows and investing cash flows respectively, representing costs of obtaining financial resources or returns on investments. As a result, related comparative figures in the consolidated cash flow statement have been reclassified to conform with the current year's presentation.

14 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	2010 *RMB millions*	2009 *RMB millions*
Total equity reported under PRC GAAP	**27,475**	7,592
Acquisition-related costs incurred on prior year business combination	**(40)**	(40)
Total equity reported under IFRSs	**27,435**	7,552

(b) There is no material difference between total comprehensive income and consolidated cash flow of the Group reported under PRC GAAP to IFRSs.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis is based on financial information under IFRSs.

Results of operations

Turnover

Turnover increased by 55.1% from RMB20,762 million in 2009 to RMB32,193 million in 2010. The increase was mainly due to the fact that the Company seized the opportunity of strong market demand for construction machinery, continuously extended marketing channels and developed new products. The Company derived the majority of consolidated turnover from sales of concrete machinery and crane machinery, the sales volume of which increased continuously in 2010. Turnover from sales of concrete machinery increased by 96.8%, from RMB7,157 million in 2009 to RMB14,085 million in 2010, which was mainly attributed to increased sales volume of truck-mounted concrete pumps and concrete mixing plants. Turnover from sales of crane machinery increased by 33.5% from RMB8,298 million in 2009 to RMB11,077 million in 2010.

Sales of environmental and sanitation machinery and earth working machinery had also increased significantly in 2010 as a result of strong market demand.

Cost of sales and services

Cost of sales and services as a percentage of consolidated turnover decreased from 74.3% in 2009 to 69.7% in 2010. The fluctuation of such ratios for concrete machinery and crane machinery was primarily driven by changes in product mix and fluctuation in selling prices. In 2010, cost of sales and services as a percentage of turnover from the sales of concrete machinery decreased from 71.5% to 68.0%, and the ratio for crane machinery decreased from 76.3% to 72.2%, which was mainly due to increased sales volume of certain models of truck-mounted concrete pumps, which were technologically advanced with higher profit margins, and increased sales generated from high value-added products such as heavy-duty cranes, which pushed up the gross margin.

Gross profit

Gross profit increased by 82.9% from RMB5,340 million in 2009 to RMB9,769 million in 2010, and the gross margin increased from 25.7% to 30.3%, as the Company continued to optimise product mix and improve manufacturing efficiency. In particular, the gross margin for concrete machinery segment and crane machinery segment, which in aggregate represented 78.2% of consolidated turnover in 2010, increased to 32.0% and 27.8%, respectively, for 2010 from 28.5% and 23.7%, respectively, for 2009.

Other revenues and net income

Other revenues and net income includes government grants and other income. Government grants mainly include operating subsidies and other grants received from the PRC government. In 2010, the Company recognised government grants in the amount of RMB70 million (2009: RMB74 million). Other revenues and net income decreased by 48.6% from RMB105 million in 2009 to RMB54 million in 2010, primarily due to a decrease in other income and an increase in loss on disposal of property, plant and equipment.

Sales and marketing expenses

Sales and marketing expenses increased by 71.7% from RMB1,250 million in 2009 to RMB2,146 million in 2010. This increase was primarily due to the fact that the Company expanded distribution network and strengthened sales and marketing efforts, which resulted in increases in salaries and benefits to the sales and marketing personnel and expenses related to advertisement and promotion.

General and administrative expenses

General and administrative expenses increased by 87.4% from RMB878 million in 2009 to RMB1,645 million in 2010. This increase was primarily due to the fact that the Company expanded the business which resulted in increases in salaries and benefits to staff. The increase in general and administrative expenses was also attributable to impairment loss recognised in the amount of RMB258 million, which consisted primarily of provision for doubtful debts because of the increased trade receivables balance and certain debtors that were individually determined to be impairment during the year. General and administrative expenses as a percentage of consolidated turnover increased from 4.2% for 2009 to 5.1% for 2010.

Research and development expenses

Research and development expenses increased by 36.6% from RMB194 million in 2009 to RMB265 million in 2010. This increase was primarily due to the Company's continuous investment to improve its research and development capability.

Profit from operations

As a result of the foregoing, income from operations increased by 84.7% from RMB3,123 million in 2009 to RMB5,767 million in 2010. Operating margin increased from 15.1% in 2009 to 17.9% in 2010.

Net finance costs

Net finance costs increased by 23.7% from RMB295 million in 2009 to RMB365 million in 2010 primarily due to increases in interest expenses on long-term loans and exchange losses resulting from depreciation of foreign currencies.

Income tax expense

Income tax expense increased by 102.4% from RMB409 million in 2009 to RMB828 million in 2010, primarily as a result of an increase in taxable income. The effective income tax rate increased from 14.5% in 2009 to 15.3% in 2010.

Profit for the year

As a result of the above factors, profit in 2010 increased by 89.7% from RMB2,419 million in 2009 to RMB4,588 million in 2010. Net margin increased from 11.7% in 2009 to 14.3% in 2010.

Profit attributable to equity shareholders of the Company

As a result of the above factors, profit attributable to equity shareholders of the Company increased by 90.7% from RMB2,447 million in 2009 to RMB4,666 million in 2010.

Cash flow and capital expenditure

During 2010, the Company has financed its operations primarily through cash proceeds from the operations, proceeds from loans and borrowings, including bank borrowings and factoring of its receivables under finance lease and proceeds from the non-public offering of A Shares in the PRC and issuance of H Shares in Global Offering. As of 31 December 2010, the Company had RMB18,758 million in cash and cash equivalents, 67.2% and 28.6% of which were denominated in Renminbi and Hong Kong Dollar respectively. Cash and cash equivalents primarily consist of cash and demand deposits.

Operating activities

Net cash generated from operating activities in 2010 was RMB451 million, derived primarily by deducting from the profit before taxation of RMB5,416 million the following items: (i) an increase in receivables under finance lease of RMB7,829 million; (ii) an increase in trade and other receivables of RMB2,371 million; (iii) an increase in inventories of RMB2,416 million; and (iv) income tax paid of RMB519 million and then adding back (v) depreciation and amortisation of RMB415 million; and (vi) an increase in trade and other payables of RMB7,083 million.

Investing activities

Net cash used in investing activities in 2010 was RMB1,833 million, consisting primarily of payments for the purchase of property, plant and equipment of RMB910 million, an increase in pledged bank deposits of RMB773 million and lease prepayments of RMB236 million.

Financing activities

Net cash generated from financing activities in 2010 was RMB16,755 million, consisting primarily of proceeds from loans and borrowings of RMB10,840 million, net proceeds from the non-public offering of new shares of RMB5,479 million and net proceeds from issuance of H Shares in Global Offering of RMB10,796 million, partially offset by repayments of loans and borrowings of RMB8,906 million, interest paid of RMB743 million and dividends paid in the amount of RMB711 million. In 2010, the Company continued to use factoring to provide additional funding for the operations with an amount of RMB3,954 million. In addition, in June 2010, the Company repaid Euro-denominated bank loans of RMB2,475 million the Company incurred in connection with the acquisition of CIFA.

Capital Expenditures

The Company incurred capital expenditures of RMB1,166 million in 2010 (2009: RMB1,056 million), for purchase of property, plant and equipment, intangible assets and lease prepayments. A number of industrial parks construction and manufacturing facility upgrade and renovation projects were completed in 2010. The Company planned to fund the capital expenditures primarily with proceeds from the non-public offering of A Shares and proceeds from issuance of H Shares in Global Offering. There were no significant asset disposals or business acquisition in 2010.

Commitments and Contingent Liabilities

As of 31 December 2010, commitments consisted of capital commitments of RMB562 million and operating lease commitments of RMB156 million, of which RMB73 million was payable within one year.

Certain customers of the Company from time to time may finance their purchase of the Company's machinery products through bank loans. The Company provided guarantees to the banks for the amount drawn by the customers. As of 31 December 2010, the maximum exposure to such guarantees was RMB5,950 million. Under the guarantee arrangement, in the event of customer default, the Company is required to repossess the machinery collateralising the bank loans. In 2010, the Company made payments of RMB102 million (2009: RMB117 million) to banks under the guarantee arrangements as a result of customer defaults. When called upon to fulfill the guarantee obligations, the Company has historically been able to sell the repossessed machinery at a price not significantly different from the guarantee payments the Company made to the banks.

Starting from October 2010, certain of the Company's finance lease contracts with end-user customers are jointly provided by the leasing subsidiaries and a third-party leasing company. Under the joint leasing arrangement, the Company provides guarantee to the third-party leasing company that in the event of customer default, the Company is required make payment to the leasing company for its share of the outstanding lease payments due from the customer. As of 31 December 2010, the maximum exposure to such guarantees was RMB1,334 million (2009: Nil). Up to now, there was no customer default which required the Company to make guarantee payments to the leasing company.

In March 2010, Italian tax authorities issued formal tax inspection assessment reports to Cifa Mixers S.r.l., a 59.32% owned subsidiary of the Company. The tax authorities have challenged the deductibility of certain costs incurred by this entity for income tax and value added tax purposes for tax years 2003 to 2007 and have sought for additional taxes of approximately EUR10.7 million before interest and penalties, if any. In January 2011, the court ruled in favour of Cifa Mixers S.r.l. at the first degree of judgment and dismissed the claim for additional taxes from the tax authorities. Nonetheless, the Company believes that there is a risk that the tax authorities may appeal to the second degree of judgment. Based on tax consultant's advice, it is more likely than not that the subsidiary's tax position can be substantiated. In addition, it is expected that any potential tax payments, interest and penalties, if any, will be sufficiently covered by indemnities and warranties provided by the former shareholders of Cifa Mixer S.r.l. and CIFA S.p.A.. Accordingly, no provision is made for the contingency as at 31 December 2010.

Other than the commitments and contingent liabilities set forth above, the Company does not have any other significant contingent liabilities or commitments.

Working capital and indebtedness

Net current assets significantly increased from RMB546 million as of 31 December 2009 to RMB17,603 million as of 31 December 2010, primarily due to an increase in cash and cash equivalents, receivables under finance lease, inventories and trade and other receivables, and a decrease in loans and borrowings as the Company replaced short-term Euro-denominated loans in connection with the acquisition of CIFA with three-year long-term loans, partially offset by an increase in trade and other payables and income tax payable. The increase in cash and cash equivalents was due to net proceeds from the non-public offering of A Shares in the PRC and issuance of H Shares in Global Offering. Trade and other receivables, receivables under finance lease, inventories and trade and other payables also increased as the Company continued to expand operations and its business continued to grow.

As of 31 December 2010, the Company's JPY, EUR and USD denominated unsecured short-term loans of RMB214 million, RMB44 million and RMB1,192 million, respectively, RMB denominated unsecured long-term bank loans of RMB230 million and USD denominated unsecured long-term bank loans of RMB1,319 million are subject to the fulfilment of certain financial covenants. As of 31 December 2010, the Company was in compliance with these financial covenants.

Management regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Management monitors its capital structure on the basis of adjusted debt-to-equity ratio. As of 31 December 2010, the adjusted debt-to-equity ratio was 29%.

BUSINESS REVIEW AND OUTLOOK

Review of 2010

1. Constant rapid growth in operating results

In 2010, the Company recorded turnover of RMB32,193 million (2009: RMB20,762 million), a year-on-year growth of 55.1%. Profit attributable to equity shareholders of the Company was RMB4,666 million (2009: RMB2,447 million), a year-on-year growth of 90.7%.

2. Significant progress in going global

The Company has implemented various measures and proactively recruited international talents in order to adopt international practices. In June 2010, more than 150 sales and marketing talents joined the Company from different parts of the world, which accelerated the strategic development of our overseas sales and marketing network. As a result, we established more overseas branches including, 5 overseas subsidiaries, 10 representative offices and 23 overseas' distributors to extend the coverage of our overseas services network. Our plan on becoming an international research and development centre and production base was assisted by leveraging on the synergy effects between CIFA and our Group. Meanwhile, the successful listing of the Company's H Shares also propelled our strategy in going global and substantially extended the Company's global outreach in terms of sales and marketing, production, research and development. Accordingly, the Company achieved another important milestone this year and has entered into a new phase of rapid growth and development.

3. Conspicuous innovations in technologies

The Company is in a position to formulate industrial standards for the engineering machinery industry in the PRC. It is also a Participating Member of the International Organisation for Standardisation (ISO). In 2010, the Company participated in the formulation and revision of 16 nation-wide and industry-wide standards. The Company is the only corporate enterprise in the PRC which possesses a National Key Laboratory on Key Technologies for Construction Machinery, which has established laboratories specialising in various experiments which are structural, transmission, intelligent control and hydraulic in nature. The Company is in a leading position among its peers in terms of its innovative technologies and research capabilities. The Company has attained fruitful results through its continuous effort on proprietary technological innovations. Our projects in "Research and Industrialisation of Key Technology for Series Track Hoisting Crane" ("系列履帶式起重機關鍵技術研究與產業化") and "Set Equipment for Hyper-Compression Concrete Pump and Installation Technology" ("超高壓泵送混凝土成套設備及施工技術") were awarded Hunan Provincial Technological Progress Award (First Class) and China Construction Machinery Industry Science and Technology Award (First Class), respectively.

We have also attained noticeable achievements in the development of new products.

— For concrete machinery, we have successfully launched equipments in sets comprising dry mortar mixing plant, mortar mixer and so on, making the Company the sole supplier of dry mortar mixing equipment in sets in the PRC. We have also launched our proprietary Zoomlion-CIFA series of host mixers and a number of improvement plants and engineering plants. During the year, the Company developed the only X-legged and 6-section truck-mounted concrete bump (over 60m in height) in the PRC, launched new truck-mounted concrete pumps equipped with carbon fibre arms, which earned the reputation as "a groundbreaking masterpiece in the research of fundamental technologies for engineering machinery in the world".

— For construction hoisting machinery, the Company successfully developed the largest uplifting, revolving and self-propelling tower crane (D5200) in the world. In this connection, we have achieved a new record for construction of tower cranes in the world.

— For road construction machinery, the newly developed SUPER130 roller-paver has placed the Company in a leading position of the industry in terms of industrial technologies. In terms of its functionality and quality, this domestically manufactured new product of road surface rolling-paving equipment has completely outperformed its imported brand-name counterparts and was instrumental of the development of road surface rolling-paving technology. It is awarded the "2010 Award of Top 50 Applications Contributing to the Construction Machinery in China (Gold)" ("2010中國工程機械年度產品TOP50應用貢獻金獎").

4. Substantially enhanced brand image

The Company is a leading construction machinery manufacturer in the PRC and enjoys high brand recognition. In 2010, Dr. Zhan Chunxin, chairman of the Board, received the "Yuan Baohua Gold Award", which is the most distinguished award for corporate management executives in China and the "International Leonardo Award 2010" of Italy (so far only 8 persons in the world have received this award). In addition, the Board was also selected the "Most Outstanding Board of Directors" during the "Golden Roundtable Award" campaign of the Sixth Session of the Board of Directors of Listed Companies in the PRC. According to the ranking by "China Mechanical Engineering", an authoritative publication in the industry, the Company is amongst the top 10 construction machinery manufacturers in the world. In the massive earthquake which stricken Yushu district, Qinghai province, as well as in the Wenchuan earthquake, our rescue team once again was the first rescue team equipped with premium class and large-scale rescue machinery to arrive at the affected areas in the nation. In addition, the Company donated RMB10 million to the disaster devastated area, as a result our brand image was further enhanced.

5. Steady improvements on production capabilities of core parts and components

Through measures such as accelerated development of new products and extensive input in technological improvements, the Company has significantly improved its production capacity of core parts and components including hydraulic vaults, tanks, axles, electronic control systems, proprietary chassises, and so on. The increasingly high rate of internal completion of set equipment further strengthens the core competitiveness of the Company.

6. Substantial achievement in specialised management

The Company saw substantial achievements in consolidating its comprehensive budget control, internal control, information technology development system and so on. Our budgeting system operated effectively with significantly increased efficiency. The Company has also introduced a specialised production and zero-error management system to reduce inventory level while increasing production efficiency and minimising losses resulting from product defects. Further improvements on internal control system were seen and hence achieved better synergy. Our information technology development has obtained key progresses, we have successfully commenced the operation of ERP pilot schemes and established financial leasing IT systems, all of these in turn helped various business plans to put into practices. In 2010, the gross profit margin of the Company increased 4.6%; both turnover days for trade receivables and inventory decreased, and the inspection passing ratio of new machines increased 3%.

7. High performance in risk control

The Company has established a comprehensive risk management system including credit risk management, legal risk management, crisis risk management and so on and developed it to be a more systematic, dynamic and specialised of risk control system. To effectively minimise risk and keep the overall risk level under control, the Company has adopted a credit ranking policy on its customers, implemented remote controls over its products, strengthened its property protection and liquidation teams, and introduced a guarantees provision system by third parties.

Outlook for 2011

1. Economic trends and industry developments

In 2011, we believe the recovery of the global economy will remain slow. International demands for construction and engineering machinery will surge due to quick economic recoveries in the America and developed countries in Europe, as well as the fact some developing countries are still in rapid growing stage, in particular the emerging economies. During the "12th Five-year Plan" period in the PRC, it is expected that macroeconomic environment in the PRC will remain postive, China's urbanisation will provide sustainable growth for the real estate development and related industries, growth in investment in construction projects of transportation infrastructure and energy facilities will promote steady and rapid growth of the construction machinery industry in the PRC, upgrading of industrial structure will enhance the competitiveness of the high-end equipment manufacturing industry and high-end products of construction machinery, for example intelligent control equipments will highly likely to benefit from all the aspects mentioned above.

2. Opportunities and challenges in the development of the Company in 2011

In 2011, it is believed that the construction machinery industry in the PRC will enjoy a relatively broader room for development as a result of the state's adjustments to economic structure, an increased investment volume in the region and the accelerated urbanisation process. The improvements in global economies will be beneficial to the Company in obtaining rapid growth in overseas sales. By exposing to a positive macroeconomic environment, the Company will see significant business opportunities. At the same time, the Company will face challenges due to the increased costs of raw materials, the appreciation of Renminbi, intensified competition in the market and so on.

3. Major business directions and action initiatives in 2011

In 2011, the Company will continue to follow its principles of achieving "reform and innovation; smooth operation; unit breakthrough; and overall improvement". It will promote the vision of, and develop itself into, a learning organisation to enhance innovation and execution capabilities. With an aim to become a renowned brand in the construction machinery industry, the Company strives to strengthen its strategic services, implement business strategies and improve management quality.

(1) Strengthen strategy management to augment its growth

With an aim to become a hundred billion dollar worth player in the market, the Company will need to sustain its robust sales and profit growth, enlarge market shares and enhance customer satisfaction by better implementing its overall strategies.

(2) Accelerate global expansion through H Shares listing

The Company will take advantage of its H Shares listing to accelerate the process of its global expansion. It will form strategic alliances, accelerate construction of research and development and manufacturing facilities and improve overseas sales and service network to enhance its global competitiveness and footprints in overseas market.

(3) Establish leading brand and deliver full-range product

The Company will promote its "full brand awareness" and aim to establish a leading brand name. In addition to leverage on its well-established and leading products, the Company will improve products with competitive strength and develop new products with promising market potentials so as to gradually deliver high quality full-range product to the market and build global renowned brand in the construction machinery industry.

(4) Enhance research and development efforts to sustain leading position in technology

The Company will from time to time improve its incentive scheme for research and development personnel in order to enhance innovation capabilities of the Company. The Company will seek and recruit high-calibre talent to improve its research capabilities. In order to become an industry leader, the Company will need to focus on, and accelerate application of, the most advanced technologies, such as intelligence technology, energy saving and environmental friendly technology and light weight technology in its products. The Company also aims to become an icon for leading technology and increase its influences on global market through research and development and trial production of innovative construction machinery. Apart from efforts to expand environment and sanitation machinery line, more resources will be allocated to research and development of core parts and components, which can strengthen internal assembly capabilities of the Company.

(5) Strengthen internal control and enhance management quality

In line with its strategy of global expansion, the Company will take initiatives to modify operating procedures of its functional departments. The Company will streamline its work procedures and standardise work requirements such that the Company can tighten internal control, deliver timely services, and achieve better coordination, integration efficiency and synergies among departments. Assessment and accountability system of the Company will be improved to enhance accountability and crisis identification skills of our management and employees. These initiatives can enhance the management quality and achieve sustainable long-term development of the Company.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

Pursuant to a resolution passed at the directors' meeting on 28 March 2011, a final dividend in respect of the year ended 31 December 2010 of RMB0.26 per share totaling RMB1,541 million, and a stock split in the form of bonus shares on the basis of 0.3 share for every outstanding ordinary share as at 28 March 2011 were proposed for shareholders' approval. Such proposal is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company. Information regarding the record date and book close date for the entitlement to the final dividend and attendance of the annual general meeting will be announced in due course.

COMPLIANCE WITH THE CODE PROVISIONS IN THE CODE ON CORPORATE GOVERNANCE PRACTICES SET OUT IN APPENDIX 14 OF THE LISTING RULES

The Board has adopted all code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of the Company. During the period from 23 December 2010 (the "Listing Date") to 31 December 2010, the Company has complied with all the applicable code provisions set out in the Code, save and except the only deviation from code provision A.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Dr. Zhan Chunxin is currently the chairman of the Board and chief executive officer of the Company. The Board is of the view that vesting of these two roles in Dr. Zhan Chunxin can facilitate efficient formulation and implementation of business strategies of the Company, and that through the supervision of the Board and its independent non-executive directors as well as the internal check-and-balance system, the balance of power and authority between the Board and management of the Company will not be affected. The Board believes that this arrangement is in the interests of the Company and its business.

COMPLIANCE OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the rules governing the securities transactions by directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all its directors and supervisors, and all its directors and supervisors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2010. The Company has not identified any non-compliance with the Model Code by any of its directors or supervisors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period from the listing date to 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee of the Company is primarily responsible for making recommendation to the Board on the appointment and removal of the external auditors and their remuneration and terms of engagement; monitoring internal control system of the Company and its implementation; reviewing financial information of the Company and its disclosure, including monitoring the integrity and accuracy of financial statements, annual report and accounts, half-year report and quarterly report, and review significant financial reporting judgements contained therein; reviewing the financial controls, internal control and risk management systems of the Company; and reviewing material connected transactions of the Company.

The Audit Committee comprises three members, including two independent non-executive directors and one non-executive director. It is currently chaired by Dr. Qian Shizheng with Mr. Liu Changkun and Mr. Qiu Zhongwei as members. The Audit Committee satisfies the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee held four meetings during the year considering the annual results of the Company for the year 2009 and its interim results for the year 2010. The Audit Committee has reviewed the audited annual results of the Company for the year ended 31 December 2010 and the accounting principles and practices adopted by the Company and discussed matters relating to internal control and financial reporting.

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

Changsha, the PRC, 28 March 2011

As at the date of this announcement, the executive directors of the Company are Dr. Zhan Chunxin and Mr. Liu Quan; the nonexecutive director is Mr. Qiu Zhongwei; and the independent non-executive directors are Mr. Liu Changkun, Dr. Qian Shizheng, Mr. Wang Zhile and Mr. Lian Weizeng.

* *For identification purpose only*