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

中聯重科股份有限公司

(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 2011

FINANCIAL HIGHLIGHTS

- Turnover of the Group for 2011 was RMB46,323 million, representing an increase of RMB14,130 million or 43.9% over 2010.
- Profit attributable to equity shareholders of the Company for 2011 was RMB8,066 million, representing an increase of RMB3,400 million or 72.9% over 2010.
- Earnings per share for 2011 was RMB1.05.
- The Board proposed a final dividend of RMB0.25 per share for the year of 2011.

The board of directors (the "Board") of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (the "Company") hereby announces the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 together with the comparative figures for 2010:

FINANCIAL RESULTS

Financial information extracted from the audited financial statements for 2011 prepared in accordance with International Financial Reporting Standards ("IFRSs"):

Consolidated statement of comprehensive income

	Note	**2011** ***RMB millions***	2010 *RMB millions*
Turnover	*2*	**46,323**	32,193
Cost of sales and services		**(31,316)**	(22,424)
Gross profit		**15,007**	9,769
Other revenues and net income		**14**	54
Sales and marketing expenses		**(3,160)**	(2,146)
General and administrative expenses		**(1,861)**	(1,645)
Research and development expenses		**(398)**	(265)
Profit from operations		**9,602**	5,767
Gain on disposal of an associate		**12**	—
Net finance costs	*3(a)*	**(36)**	(365)
Share of profits less losses of associates		**24**	14
Profit before taxation	*3*	**9,602**	5,416
Income tax	*4*	**(1,429)**	(828)
Profit for the year		**8,173**	4,588
Other comprehensive income for the year (after tax)			
Change in fair value of available-for-sale equity securities		**(1)**	(2)
Others		**—**	11
Exchange differences on translation of financial statements of subsidiaries outside PRC		**(2)**	(74)
Total other comprehensive income for the year		**(3)**	(65)
Total comprehensive income for the year		**8,170**	4,523
Profit attributable to:			
Equity shareholders of the Company		**8,066**	4,666
Non-controlling interests		**107**	(78)
Profit for the year		**8,173**	4,588
Total comprehensive income attributable to:			
Equity shareholders of the Company		**8,050**	4,580
Non-controlling interests		**120**	(57)
Total comprehensive income for the year		**8,170**	4,523
Basic and diluted earnings per share (RMB)	*6*	**1.05**	0.74

Consolidated balance sheet

	Note	**2011** ***RMB millions***	2010 *RMB millions*
Non-current assets			
Property, plant and equipment		**4,886**	4,135
Lease prepayments		**1,390**	1,119
Intangible assets		**1,216**	1,256
Goodwill		**1,793**	1,907
Interests in associates		**103**	86
Other financial assets		**43**	50
Trade and other receivables	*8*	**912**	585
Receivables under finance lease	*9*	**12,780**	9,775
Pledged bank deposits		**261**	185
Deferred tax assets	*11(b)*	**317**	274
Total non-current assets		**23,701**	19,372
Current assets			
Inventories		**9,656**	8,678
Trade and other receivables	*8*	**13,614**	8,260
Receivables under finance lease	*9*	**7,089**	6,397
Pledged bank deposits		**1,481**	1,577
Cash and cash equivalents		**16,002**	18,758
Total current assets		**47,842**	43,670
Total assets		**71,543**	63,042
Current liabilities			
Loans and borrowings		**6,049**	8,107
Trade and other payables	*10*	**19,314**	17,203
Income tax payable	*11(a)*	**1,289**	757
Total current liabilities		**26,652**	26,067
Net current assets		**21,190**	17,603
Total assets less current liabilities		**44,891**	36,975

	Note	**2011**	2010
		RMB millions	*RMB millions*
Non-current liabilities			
Loans and borrowings		**7,089**	7,690
Other non-current liabilities		**1,789**	1,379
Deferred tax liabilities	*11(b)*	**418**	471
Total non-current liabilities		**9,296**	9,540
NET ASSETS		**35,595**	27,435
CAPITAL AND RESERVES			
Share capital	*12*	**7,706**	5,797
Reserves		**27,701**	21,579
Total equity attributable to equity shareholders of the Company		**35,407**	27,376
Non-controlling interests		**188**	59
TOTAL EQUITY		**35,595**	27,435

Consolidated statement of changes in equity

	Attributable to equity shareholders of the Company								
	Share capital *(Note 12)*	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 2010	**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 interests	—	(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**
Appropriation	—	—	751	—	—	(751)	—	—	—
Over-allotment of H Shares in Global Offering	131	1,376	—	—	—	—	1,507	—	1,507
Cash dividends	—	—	—	—	—	(1,541)	(1,541)	—	(1,541)
Bonus shares	1,778	(1,778)	—	—	—	—	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	34	34
Contributions from non-controlling interests	—	—	—	—	—	—	—	2	2
Acquisition of non-controlling interests	—	15	—	—	—	—	15	(15)	—
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(12)	(12)
Total comprehensive income for the year	—	—	—	(15)	(1)	8,066	8,050	120	8,170
Balance at 31 December 2011	**7,706**	**14,676**	**1,963**	**(81)**	**(2)**	**11,145**	**35,407**	**188**	**35,595**

Consolidated cash flow statement

	2011 *RMB millions*	2010 *RMB millions*
Operating activities		
Profit before taxation	**9,602**	5,416
Adjustments for:		
Depreciation of property, plant and equipment	**369**	327
Amortisation of lease prepayments	**27**	24
Amortisation of intangible assets	**60**	64
Share of profits less losses of associates	**(24)**	(14)
Interest income	**(214)**	(96)
Interest expense	**695**	740
Loss on disposal of property, plant and equipment, and intangible assets	**6**	37
Gain on disposal of an associate	**(12)**	—
Gain on remeasurement of derivate financial instruments at fair value	**(19)**	—
Impairment loss on property, plant and equipment	**8**	5
	10,498	6,503
Increase in inventories	**(965)**	(2,416)
Increase in trade and other receivables	**(5,670)**	(2,371)
Increase in receivables under finance lease	**(3,697)**	(7,829)
Increase in trade and other payables	**2,689**	7,083
Cash generated from operations	**2,855**	970
Income tax paid	**(975)**	(519)
Net cash generated from operating activities	**1,880**	451

	2011 *RMB millions*	2010 *RMB millions*
Investing activities		
Payment for the purchase of property, plant and equipment	**(1,210)**	(910)
Lease prepayments	**(260)**	(236)
Payment for purchase of intangible assets	**(112)**	(27)
Dividends received from associates	**—**	6
Payment for acquisition of investments in associates and equity investments	**(7)**	(44)
Proceeds from disposal of property, plant and equipment and intangible assets	**37**	55
Cash acquired in step acquisition	**31**	—
Interest received	**214**	96
Decrease/(increase) in pledged bank deposits	**20**	(773)
Net cash used in investing activities	**(1,287)**	(1,833)
Financing activities		
Proceeds from loans and borrowings	**9,454**	10,840
Repayments of loans and borrowings	**(11,847)**	(8,906)
Interest paid	**(695)**	(743)
Dividends paid to equity shareholders	**(1,657)**	(711)
Dividends paid by subsidiaries to non-controlling interests	**(12)**	—
Contribution from non-controlling interests	**2**	—
Prepayment for acquisition of non-controlling interests	**(27)**	—
Net proceeds from issuance of A Shares in Non-public Offering	**—**	5,479
Net proceeds from issuance of H Shares in Global offering	**—**	10,796
Net proceeds from over-allotment of H Shares in Global Offering	**1,507**	—
Net cash (used in)/generated from financing activities	**(3,275)**	16,755
Net (decrease)/increase in cash and cash equivalents	**(2,682)**	15,373
Cash and cash equivalents at beginning of year	**18,758**	3,439
Effect of foreign exchange rate changes	**(74)**	(54)
Cash and cash equivalents at end of year	**16,002**	18,758

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:

	2011	2010
	RMB millions	*RMB millions*
Sales of:		
Concrete machinery	**21,212**	14,085
Crane machinery	**15,618**	11,077
Environmental and sanitation machinery	**2,978**	1,874
Road construction and pile foundation machinery	**1,737**	1,246
Earth working machinery	**1,048**	772
Material handling machinery and systems	**504**	422
Other machinery products	**1,643**	1,674
Finance income under finance lease	**1,583**	1,043
	46,323	32,193

3 Profit before taxation

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

(a) Net finance costs:

	2011	2010
	RMB millions	*RMB millions*
Finance income:		
Interest income on bank deposits	**(214)**	(96)
Gain on remeasurement of derivative financial instruments at fair value	**(19)**	—
	(233)	(96)
Finance costs:		
Interest on loans and borrowings	**513**	403
Net exchange (gains)/losses	**(244)**	58
	269	461
	36	365

(b) Staff costs:

	2011	2010
	RMB millions	*RMB millions*
Salaries, wages and other benefits	**2,898**	2,127
Contributions to retirement schemes	**178**	122
	3,076	2,249

(c) Other items:

	2011	2010
	RMB millions	*RMB millions*
Cost of inventories	**31,109**	22,070
Depreciation of property, plant and equipment	**369**	327
Amortisation of lease prepayments	**27**	24
Amortisation of intangible assets	**60**	64
Operating lease charges	**128**	74
Auditors' remuneration — audit services	**11**	12
Product warranty costs	**154**	135
Impairment losses:		
— trade receivables	**(3)**	258
— receivables under finance lease	**140**	—
— inventories	**81**	24
— property, plant and equipment	**8**	5

4 Income tax

Income tax in the consolidated statements of comprehensive income represents:

	2011	2010
	RMB millions	*RMB millions*
Current tax — PRC income tax		
Provision for the year	**1,504**	988
Current tax — Income tax in other tax jurisdictions		
Provision for the year	**2**	5
Deferred taxation		
Origination and reversal of temporary differences	**(77)**	(165)
	1,429	828

Reconciliation between actual income tax expense and notional tax on profit before taxation is as follows:

	2011	2010
	RMB millions	*RMB millions*
Profit before taxation	**9,602**	5,416
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned *(Note (a))*	**2,401**	1,354
Tax effect of non-deductible expenses	**36**	33
Tax effect of non-taxable income	**(35)**	(20)
Tax effect of tax concessions *(Note (b))*	**(862)**	(472)
Additional deduction for qualified research and development expenses *(Note (c))*	**(111)**	(67)
Actual income tax expense	**1,429**	828

Notes:

(a) The PRC statutory income tax rate is 25% (2010: 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% (2010: 27.5% to 31.4%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2010: 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%. The Company and certain of its subsidiaries obtained the renewal approval of high-technology enterprises in 2011 and accordingly were subject to income tax at 15% for the years from 2011 to 2013. In 2009, a subsidiary of the Company was recognised as a high-technology enterprise for 2009 to 2011.

(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 annual general meeting held on 3 June 2011, a final cash dividend of RMB0.26 per share based on 5,928 million ordinary shares totalling RMB1,541 million in respect of the year ended 31 December 2010 was declared, and was fully paid by the end of 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 in June 2010.

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 totalling RMB335 million was declared, of which RMB234 million was paid in the second half of 2010, and the remaining balance was paid in 2011.

(b) Dividends proposed after the balance sheet date

Pursuant to a resolution passed at the directors' meeting on 15 March 2012, a final dividend in respect of the year ended 31 December 2011 of RMB0.25 per share totalling RMB1,927 million was proposed for shareholders' approval at the annual general meeting. 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 for 2010, 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 July 2011 as if it had occurred at the beginning of the earliest period presented and such shares had been outstanding for the year.

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB8,066 million (2010: RMB4,666 million), and the weighted average number of shares of 7,700 million in issue during the year (2010: 6,341 million shares after adjusting for the stock split mentioned in the above paragraph).

There were no dilutive potential ordinary shares in issue as at 31 December 2011 (31 December 2010: 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 years ended 31 December 2011 and 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 2011 is set out below:

	2011 *RMB millions*	2010 *RMB millions*
Reportable segment revenue:		
Concrete machinery	**21,212**	14,085
Crane machinery	**15,618**	11,077
Environmental and sanitation machinery	**2,978**	1,874
Road construction and pile foundation machinery	**1,737**	1,246
Earth working machinery	**1,048**	772
Material handling machinery and systems	**504**	422
Finance lease services	**1,583**	1,043
Total reportable segment revenue	**44,680**	30,519
Revenue from all other segments	**1,643**	1,674
Total	**46,323**	32,193
Reportable segment profit:		
Concrete machinery	**7,544**	4,510
Crane machinery	**4,023**	3,082
Environmental and sanitation machinery	**917**	592
Road construction and pile foundation machinery	**665**	481
Earth working machinery	**214**	165
Material handling machinery and systems	**51**	32
Finance lease services	**1,376**	689
Total reportable segment profit	**14,790**	9,551
Profit from all other segments	**217**	218
Total	**15,007**	9,769

(b) ***Reconciliation of segment profit***

	2011	2010
	RMB millions	*RMB millions*
Total segment profit	**15,007**	9,769
Other revenues and net income	**14**	54
Sales and marketing expenses	**(3,160)**	(2,146)
General and administrative expenses	**(1,861)**	(1,645)
Research and development expenses	**(398)**	(265)
Gain on disposal of an associate	**12**	—
Net finance costs	**(36)**	(365)
Share of profits less losses of associates	**24**	14
Consolidated profit before taxation	**9,602**	5,416

(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.

	2011	2010
	RMB millions	*RMB millions*
Revenue from external customers		
— Mainland PRC	**44,085**	30,663
— Outside PRC	**2,238**	1,530
Total	**46,323**	32,193

	2011	2010
	RMB millions	*RMB millions*
Specified non-current assets		
— Mainland PRC	**6,088**	5,014
— Outside PRC, primarily in Italy	**188**	240
Total	**6,276**	5,254

8 Trade and other receivables

	2011	2010
	RMB millions	*RMB millions*
Trade receivables	**12,096**	7,504
Less: provision for impairment	**(533)**	(557)
	11,563	6,947
Less: trade receivables due after one year	**(912)**	(585)
	10,651	6,362
Bills receivable	**1,138**	627
	11,789	6,989
Amounts due from related parties	**99**	27
Prepayments for purchase of raw materials	**508**	388
Prepaid expenses	**310**	178
VAT recoverable	**247**	179
Others	**661**	499
	13,614	8,260

All of the trade and other receivables (including amounts due from subsidiaries), 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 36 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 2011, the weighted average discount rate was approximately 6.65% (2010: 5.85%) per annum. As at 31 December 2011, trade receivables due after one year of RMB912 million (31 December 2010: RMB585 million) were presented net of unearned interest of RMB80 million (31 December 2010: RMB38 million).

During the year ended 31 December 2011, trade receivables of RMB1,000 million (2010: Nil) were factored to banks without recourse, and were therefore derecognised.

Ageing analysis of trade receivables (net of provision for impairment) as of the end of the year is as follows:

	2011	2010
	RMB millions	*RMB millions*
Within 1 month	**4,547**	2,642
Over 1 month but less than 3 months	**2,362**	921
Over 3 months but less than 1 year	**3,401**	2,403
Over 1 year but less than 2 years	**932**	772
Over 2 years but less than 3 years	**249**	174
Over 3 years but less than 5 years	**72**	35
	11,563	6,947

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 Receivables under finance lease

	2011	2010
	RMB millions	*RMB millions*
Gross investment	**22,135**	17,841
Unearned finance income	**(2,126)**	(1,669)
	20,009	16,172
Less: provision for impairment	**(140)**	—
	19,869	16,172
Less: receivables under finance lease due after one year	**(12,780)**	(9,775)
Receivables under finance lease due within one year	**7,089**	6,397

The Group provides equipment finance lease services to customers purchasing machinery products of the Group or other vendors through its leasing subsidiaries. Under the finance lease arrangement, the collectability of the minimum lease payments is reasonably predictable, there is no significant uncertainty surrounding the amount of un-reimbursable cost yet to be incurred by the Group under the lease arrangement. The finance lease contracts entered into by the Group typically are for a period of 2 to 4 years. At the end of the lease term, the lessee has an option to purchase the leased machinery at nominal value and the ownership of the leased machinery is then transferred to the lessee. The leases do not provide any guarantee of residual values.

As at 31 December 2011, receivables under finance lease of RMB586 million (31 December 2010: RMB4,125 million) were factored to banks with recourse.

During the year ended 31 December 2011, receivables under finance lease of RMB12,258 million (2010: RMB714 million) were factored to banks without recourse, and were therefore derecognised.

Ageing analysis of receivables under finance lease

The minimum lease payments receivable as of the end of the year are as follows:

	2011	2010
	RMB millions	*RMB millions*
Present value of the minimum lease payments		
Within 1 year	**7,139**	6,397
Over 1 year but less than 2 years	**6,300**	5,655
Over 2 years but less than 3 years	**4,178**	3,154
Over 3 years	**2,392**	966
	20,009	16,172
Unearned finance income		
Within 1 year	**1,024**	941
Over 1 year but less than 2 years	**671**	513
Over 2 years but less than 3 years	**318**	177
Over 3 years	**113**	38
	2,126	1,669
Gross investment		
Within 1 year	**8,163**	7,338
Over 1 year but less than 2 years	**6,971**	6,168
Over 2 years but less than 3 years	**4,496**	3,331
Over 3 years	**2,505**	1,004
	22,135	17,841

The Group monitors the credit risk arising from finance lease arrangement through various control measures. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, finance income under finance lease is recognised in accordance with the accounting policies.

10 Trade and other payables

	2011 *RMB* *millions*	2010 *RMB* *millions*
Trade creditors	**7,136**	6,841
Bills payable	**4,967**	5,441
Trade creditors and bills payable	**12,103**	12,282
Amounts due to related parties	**13**	12
Receipts in advance	**1,166**	1,021
Payable for acquisition of property, plant and equipment	**403**	375
Accrued staff costs	**940**	642
VAT payable	**1,224**	722
Security deposits	**864**	608
Product warranty provision	**131**	113
Sundry taxes payable	**546**	325
Dividend payable	**—**	116
Payables for factoring discount	**687**	53
Others	**1,237**	934
	19,314	17,203

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

	2011 *RMB* *millions*	2010 *RMB* *millions*
Due within 1 month or on demand	**4,974**	4,640
Due after 1 month but within 3 months	**3,938**	3,567
Due after 3 months but within 6 months	**2,496**	3,067
Due after 6 months but less than 12 months	**695**	1,008
	12,103	12,282

11 Income tax in the balance sheets

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

	2011 *RMB* *millions*	2010 *RMB* *millions*
Provision for PRC income tax	**1,286**	756
Provision for income tax in other tax jurisdictions	**3**	1
	1,289	757

(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 2011

	Balance at 1 January 2011	**Credited/ (charged) to profit or loss**	**Effect of exchange rate**	**Balance at 31 December 2011**
	RMB millions	***RMB millions***	***RMB millions***	***RMB millions***
Deferred tax assets arising from:				
Receivables	**82**	**28**	**(1)**	**109**
Inventories	**40**	**(4)**	**(1)**	**35**
Accrued expenses	**52**	**8**	**(2)**	**58**
Tax losses	**67**	**11**	**(5)**	**73**
Others	**33**	**11**	**(2)**	**42**
Total	**274**	**54**	**(11)**	**317**
Deferred tax liabilities arising from:				
Property, plant and equipment	**(9)**	**—**	**—**	**(9)**
Intangible assets	**(393)**	**15**	**29**	**(349)**
Lease prepayments	**(48)**	**2**	**—**	**(46)**
Others	**(21)**	**6**	**1**	**(14)**
Total	**(471)**	**23**	**30**	**(418)**

Year ended 31 December 2010

	Balance at 1 January 2010	Credited 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:				
Receivables	49	34	(1)	82
Inventories	28	14	(2)	40
Accrued expenses	46	8	(2)	52
Tax losses	17	55	(5)	67
Others	8	25	—	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)

12 Share capital

	2011	2010
	RMB millions	*RMB millions*
Registered capital		
6,275,925,164 A Shares of RMB1.00 each 1,430,028,886 H Shares of RMB1.00 each (2010: 4,840,678,482 A Shares of RMB1.00 each 956,541,080 H Shares of RMB1.00 each)	**7,706**	5,797
Ordinary shares issued and fully paid:		
At 1 January	**5,797**	1,673
Over-allotment of H Shares in Global Offering	**131**	—
Issuance of A Shares in Non-public Offering	**—**	298
Bonus shares issued	**1,778**	2,957
Issuance of H Shares in Global Offering	**—**	869
At 31 December	**7,706**	5,797

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 were 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 RMB1 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 were 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.

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 RMB1 per share were additionally issued by the Company at a price of HKD14.98 per share, which raised gross proceeds of approximately HKD1,954 million (RMB equivalent 1,659 million). Direct transaction costs of RMB152 million were offset against the gross proceeds, giving rise to net proceeds of RMB1,507 million. The amount of net proceeds in excess of the par value of the new shares issued was RMB1,376 million and recorded in the capital reserve.

13 Reconciliation of financial information prepared under PRC GAAP to IFRSs

(a) Reconciliation of total equity of the Group

	2011	2010
	RMB millions	*RMB millions*
Total equity reported under PRC GAAP	**35,635**	27,475
Acquisition-related costs incurred on prior year business combination	**(40)**	(40)
Total equity reported under IFRSs	**35,595**	27,435

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Results of operations

Turnover

Our turnover increased by 43.9% from RMB32,193 million for the year ended 31 December 2010 to RMB46,323 million for the year ended 31 December 2011. The increase was primarily driven by strong market demand, particularly in the second and third-tier cities in China, for construction machinery and sales from our new products. In particular, turnover from sales of concrete machinery increased by 50.6%, from RMB14,085 million in 2010 to RMB21,212 million in 2011. This was mainly due to a significant increase in the sales volume of our advanced truck-mounted concrete pumps with longer concrete placing boom in 2011. Turnover from sales of crane machinery increased by 41.0% from RMB11,077 million in 2010 to RMB15,618 million in 2011. In particular, sales of crawler cranes and small-capacity tower cranes increased significantly as the number of infrastructure projects increased.

Cost of sales and services

Our cost of sales and services increased by 39.7% from RMB22,424 million for the year ended 31 December 2010 to RMB31,316 million for the year ended 31 December 2011 as a result of our continued growth and expansion, which was in line with the increase in our sales and production volume.

Gross profit

As a result of the foregoing, our gross profit increased by 53.6% from RMB9,769 million for the year ended 31 December 2010 to RMB15,007 million for the year ended 31 December 2011, and our gross margin increased from 30.3% for the year ended 31 December 2010 to 32.4% for the year ended 31 December 2011 as a result of the change in our product mix and improvement in our manufacturing efficiency. In particular, the gross margin for concrete machinery, which represented 45.8% of our consolidated turnover in 2011, increased to 35.6% from 32.0% in 2010, primarily due to the sales of our advanced truck-mounted concrete pumps with longer concrete placing boom, which carries a higher selling price and higher profit margins, increased as a percentage of our total sales of concrete machinery.

Other revenues and net income

Our other revenues and net income decreased significantly from RMB54 million for the year ended 31 December 2010 to RMB14 million for the year ended 31 December 2011.

Sales and marketing expenses

Our sales and marketing expenses increased by 47.3% from RMB2,146 million for the year ended 31 December 2010 to RMB3,160 million for the year ended 31 December 2011. This increase was primarily due to the fact that we expanded our distribution network and strengthened our sales and marketing efforts, which resulted in increases in salaries and benefits to our sales and marketing personnel and expenses related to advertisement and promotion. Sales and marketing expenses as a percentage of our consolidated turnover increased from 6.6% for the year ended 31 December 2010 to 6.8% for the year ended 31 December 2011.

General and administrative expenses

Our general and administrative expenses increased by 13.1% from RMB1,645 million for the year ended 31 December 2010 to RMB1,861 million for the year ended 31 December 2011, as we continued to expand our business, which in turn resulted in increases in salaries and benefits to staff and associated office expenses. General and administrative expenses as a percentage of our consolidated turnover decreased from 5.1% for the year ended 31 December 2010 to 4.0% for the year ended 31 December 2011.

Research and development expenses

Our research and development expenses increased by 50.2% from RMB265 million for the year ended 31 December 2010 to RMB398 million for the year ended 31 December 2011. This increase was primarily due to our continued efforts in strengthening our research and development capability, which resulted in an increase in salaries and related expenses for our research and development personnel and an increase in design and testing expenses of our products.

Profit from operations

As a result of the foregoing, profit from operations increased by 66.5% from RMB5,767 million for the year ended 31 December 2010 to RMB9,602 million for the year ended 31 December 2011. Our operating margin increased from 17.9% for the year ended 31 December 2010 to 20.7% for the year ended 31 December 2011.

Net finance costs

Net finance costs decreased significantly from RMB365 million for the year ended 31 December 2010 to RMB36 million for the year ended 31 December 2011 primarily due to an increase in interest income from the unutilized portion of the proceeds from our non-public offering of A Shares and the global offering of our H Shares and the exchange gains resulting from the appreciation of the Renminbi, partially offset by an increase in interests on our loans and borrowings.

Income tax expenses

Our income tax expenses increased by 72.6% from RMB828 million for the year ended 31 December 2010 to RMB1,429 million for the year ended 31 December 2011 primarily as a result of the increase in our taxable income. Our effective income tax rate decreased from 15.3% for the year ended 31 December 2010 to 14.9% for the year ended 31 December 2011.

Profit for the year

As a result of the above factors, our profit for the year increased by 78.1% from RMB4,588 million for the year ended 31 December 2010 to RMB8,173 million for the year ended 31 December 2011. Our net margin increased from 14.3% for the year ended 31 December 2010 to 17.6% for the year ended 31 December 2011.

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 72.9% from RMB4,666 million in 2010 to RMB8,066 million in 2011.

Cash flow

During 2011, we financed our operations primarily through cash proceeds from our operations, proceeds from loans and borrowings, including bank borrowings and factoring of our receivables, proceeds from the non-public offering of our A Shares in the PRC and the global offering of our H Shares. As of 31 December 2011, we had RMB16,002 million in cash and cash equivalents, most of which were denominated in Renminbi. Our cash and cash equivalents primarily consist of cash and demand deposits.

Operating activities

Net cash generated from operating activities in 2011 was RMB1,880 million, derived primarily by deducting from the profit before taxation of RMB9,602 million, adjusted to reflect the interest expense of RMB695 million and depreciation and amortization of RMB456 million, the following items: (i) an increase in trade and other receivables of RMB5,670 million; (ii) an increase in inventories of RMB965 million; (iii) an increase in receivables under finance lease of RMB3,697 million; and (iv) income tax payment of RMB975 million and then adding back an increase in trade and other payables of RMB2,689 million.

Investing activities

Net cash used in investing activities in 2011 was RMB1,287 million, consisting primarily of payments for the purchase of property, plant and equipment of RMB1,210 million and lease prepayments for land of RMB260 million, offset by interest on bank deposits of RMB214 million. Payments for the purchase of property, plant and equipment and lease prepayments were related to our industrial parks construction and manufacturing facility upgrades and renovation projects in 2011.

Financing activities

Net cash used in financing activities in 2011 was RMB3,275 million, consisting primarily of repayments of loans and borrowings of RMB11,847 million and dividends paid to our shareholders of RMB1,657 million, partially offset by proceeds from loans and borrowings of RMB9,454 million and net proceeds from the over-allotment of our H Shares of RMB1,507 million.

Capital Expenditures

We incurred capital expenditures of RMB1,542 million in the year ended 31 December 2011, for purchase of property, plant and equipment, intangible assets and lease prepayments.

Commitments and Contingent Liabilities

As of 31 December 2011, our commitments consisted of capital commitments that have been authorized and contracted for in the amount of RMB616 million and capital commitments that have been authorized but not contracted for in the amount of RMB2,183 million, and operating lease commitments of RMB189 million, of which RMB95 million was payable within one year.

As of 31 December 2011, we had contingent liabilities of RMB9,092 million in connection with our financial guarantees provided for bank loans that certain of our customers used to finance their purchases of our products. Under the guarantee arrangements, the products purchased by our customers are held as collateral, and we are entitled to repossess the collateral in the event of customer default. In the years ended 31 December 2010 and 2011, we made payments of RMB102 million and RMB190 million, respectively, to banks under the guarantee arrangements. When called upon to fulfill our guarantee obligations, we have historically been able to sell the repossessed machinery at a price not significantly different from the guarantee payments we made to the banks.

Starting from October 2010, certain of our 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, we provide guarantees to the third-party leasing company that in the event of customer default, we are required make payment to the leasing company for its share of the outstanding lease payments due from the customer. As of 31 December 2011, the maximum exposure to such guarantees was RMB1,634 million. Up to the date of this announcement, there was no customer default which required us to make guarantee payments to the leasing company.

Working capital and indebtedness

Our net current assets increased from RMB17,603 million as of 31 December 2010 to RMB21,190 million as of 31 December 2011, primarily due to an increase in our trade and other receivables, inventories and receivables under finance lease. Our trade and other receivables, receivables under finance lease and trade and other payables continued to increase as we continued to expand our operations and our business continued to grow.

As of 31 December 2011, our outstanding short-term loans and borrowings, including the current portion of long-term loans and borrowings, amounted to RMB6,049 million.

As of 31 December 2011, our RMB and US dollar denominated unsecured long-term loan with an aggregate outstanding principal amount of RMB230 million and RMB964 million, respectively, subject us to certain financial covenants. In 2011 and as of the date of this announcement, we were in compliance with those financial covenants.

In 2011, our available credit line from various financial institutions amounted to RMB116.1 billion. As of 31 December 2011, approximately RMB68,030 million of our credit lines from 28 domestic and foreign financial institutions remained unused. In addition, six domestic financial institutions have granted us an aggregate of RMB11,266 million of credit lines under the non-recourse factoring arrangements.

BUSINESS REVIEW AND OUTLOOK

Review of 2011

1. **Further growth in operating results**

   In 2011, the Company recorded a turnover of approximately RMB46,323 million, a year-on-year growth of 43.9%, and a gross profit of approximately RMB15,007 million, a year-on-year increase of 53.6%. Net profit attributable to equity holders of the parent company was RMB8,066 million, a year-on-year growth of 72.9%. As at 31 December 2011, the total assets of the Company were approximately RMB71,543 million and the net assets were approximately RMB35,595 million.

2. **Successful strategies**

   - Human resources: The human resources of the Company were further strengthened by the joining of overseas professional and mid and high level management and technical staff;

   - Research and development: The Company has introduced a number of new high technology products to the international market, including 3,200 tons track cranes and truck-mounted concrete pumps with 80-meter carbon fibre arms;

   - Business structure: Hanshou Industrial Park and Weinan Industrial Park were put into production and the establishment of Jiangyin, Deshan and Xiangyin Industrial Parks will speed up. The supply of major parts and components was further secured and the tower crane production bases in China were further improved.

3. **Significant progress in development of overseas markets**

   - Overseas sales increased by 46.24% when compared with last year due to the synergy effect from the cooperation with CIFA, which has strong presence in the international market. The growth rate of overseas sales exceeded that of the major businesses of the Company;

- The sales of major products (tower cranes and track cranes) in key markets (Southern Asia, Middle East and CIS Region) exceeded the industry average;

- The Company received a bulk order from a developed country: Zoomlion entered into an export sale contract with a customer in Japan in September 2011 for the sale of 30 mobile pumps. It was the first mass sale of construction machinery from China to Japan;

- Further expansion of overseas sales network: Our sales and service network covers 40 countries in six continents which are the major overseas markets of construction machinery of China;

- The Company acquired the exclusive rights of the flat top tower crane technology from JOST of Germany which uplift the technology of tower crane of the Company to international standards.

4. Breakthrough in research and development

In 2011, the Company was recognized as a Model Enterprise of Technology Innovation in 2011 (2011年國家技術創新示範企業) by the Ministry of Industry and Information Technology and the Ministry of Finance of the PRC. The Company actively developed new technology to enhance the competitiveness of its products and had the following major breakthroughs:

(1) Introduction of major products of advanced international standards

- Based on the latest technology of CIFA, the Company had developed the truck-mounted pumps with 80-meter carbon fibre arms, which is the longest 7-fold arms and 6-axle truck-mounted pumps in the world. The product has entered into the Guinness World Records, marking the leading position of Zoomlion in the international market of truck-mounted pumps.

- The Company introduced ZCC3200NP, a track crane with the highest lifting power ever made in China. The Company is the first manufacturer of super capacity track crane in China.

- The Company successfully developed the largest uplifting, revolving and self-propelling tower crane (D5200-240) in the world. The product is recognized as a major breakthrough of construction equipment technology in China and a milestone for the development of tower crane technology in the world.

- Based on the light weight technology of CIFA, the Company has developed a dual-brand 63-meter truck-mounted carbon fibre pumps, the longest truck-mounted crane arm with 5-axle chassis in the world. The Company also introduced a 50-meter truck-mounted carbon fibre pumps, the longest truck-mounted crane arm with 3-axles chassis.

(2) Successful development of technology for general application

- The electric-magnetic technology and cold bending formation of ultra-strength steel arms technology of the Company were selected as the China National Basic Research Program (國家重點基礎研究發展計劃) (973) for 2 consecutive years. The Company is commissioned by the government to conduct five research and development projects;

- The results of the research on the fatigue of high-strength steel welding joints and moment regulator are being applied by the Company in production.

(3) Successful patent applications

In 2011, the Company has applied for 1,600 patents, including 230 international patents and about 800 patents for invention. The number of applications for patents of the Company for the year ranked first in Hunan Province and was among the top ten in China. The Company has won the National Outstanding Patent Award.

5. Further enhancement of internal management

The Company streamlined the working procedures of major departments to improve efficiency and standardization;

- In order to improve risk management, the Company reorganized its internal control system to identify major risks in its operation and defects in its internal control and implement remedial measures. In particular, the Company had completed a review on the creditability of customers to further enhanced the risk management of sales channels;

- The Company strengthened its budget control through cash flow control by using information system. Preventive measures were taken to have better control of the budget rather to take remedial measures to make good shortfalls;

- The Company revised its appraisal system to take into account the implementation of business strategies and medium to long term competitiveness of the Company so as to encourage the performance of staff of all business segments;

- The Company improved its management system by upgrading its information system. The management of research and development, sales and services is centralized in an information system. Our overseas business is also supported by an international information platform.

6. Improvement in brand image

The "lenient, sharing and responsible" image of Zoomlion received positive comments from the community, resulting a stronger brand image.

In 2011, the rankings and major achievements of the Company were as follows:

- The Company ranked the eighth of the Top 50 Construction Machinery Manufacturers of the World in 2011 published by China Mechanical Engineering magazine, advancement from the tenth in last year;

- The Company ranked 115 of the Fortune China 500 in 2011. Last year, the Company ranked 126;

- According to The 500 most valuable brand of China in 2011 published by World Brand Lab, the Company ranked 79 with a brand value of RMB12,369 million;

- According to The Most Competitive Chinese Companies in the World in 2011 jointly organized by Roland Berger Strategy Consultants and Global Entrepreneur magazine, the Company ranked eighth and was the only construction machinery company in China;

- The Company was named the "Best Enterprise in After-service in China（全國售後服務功勛企業獎）" in the 5th Election of After-service in China（第五屆全國售後服務評價活動）jointly organized by the China General Chamber of Commerce and China Foundation of Consumer Protection, and was the only enterprise in the engineering machinery industry to receive this title;

- The Board was selected as the Most Outstanding Board of Directors during the seventh Golden Roundtable Award campaign for the fourth time, more than any other listed companies in Shenzhen and Shanghai;

- "The acquisition of CIFA of Italy by Zoomlion, Hony Capital and others" was selected as Top 5 Overseas Acquisition by China Enterprises（首屆中國海外投資五大經典案例）, and we were the only equipment manufacturer to receive this honour;

- Dr. Zhan Chunxin, the Chairman and Chief Executive Officer of the Company, was awarded the 2011 CCTV Chinese Economic Annual Figure for his leadership in leading the Company to achieve remarkable results in international acquisitions.

Outlook for 2012

Industry development and market outlook

1. International market

In the midst of European debt crisis, the major economies of the world are losing recovery momentum and the emerging markets are facing inflation pressures. Despite the enormous real and potential market demands in the developing countries including South America, CIS Region, South-east Asia, Middle East and Africa, the export of engineering machinery remains highly uncertain. The global engineering machinery industry will see changes where the market shares of core products will be redistributed. Engineering machinery manufacturers from developing countries will attract more international customers for their higher price-performance ratio and fast and excellent services.

2. Domestic market

The PRC government has placed emphasis on projects under construction and extension projects to ensure smooth implementation of approved projects on water resources, electricity, railway and infrastructures, which will boost the demands in engineering machinery market. Besides, the rapid urbanization progress and the implementation of affordable housing policy have provided new opportunities to the real estate industry. The overall engineering machinery market will continue to expand but at a slower pace. Certain segments of the engineering machinery market will encounter problems such as excessive production capacities, intensifying competitions, rising production costs and inadequate short-term domestic demands. Market opportunities will be available for well-prepared enterprises.

Major business objectives and action initiatives in 2012

Management reform and global expansion are the two major goals of the Company in 2012. Targeting at the market and capitalizing on its talents and technologies, the Company will implement the three-dimensional matrix management model and push forward the management reform in line with the changes in market. The Company will also reorganize its business structure and management model to facilitate the development of international market.

1. Reform of management

The Company will adopt the market-oriented approach to conduct an overhaul of our business structure and management system. A three-dimensional matrix management model will be adopted. On the other hand, the Company will streamline its business processes and establish an efficient operating system to facilitate the rapid development of the Company.

2. Reform of research and development system

Firstly, the Company will reform the research and development system and adopt IPD project management system to change the accountability of the project team from "the results of R&D" to "the successful commercialization of R&D".

Secondly, the Company will modify its incentive system for R&D teams to align their remuneration package with the sales of products.

Thirdly, the Company will formulate a long term technology development plan to determine the development objectives of the Company and formulate a roadmap for product technology development to eliminate weaknesses and leverage on advantages so as to enhance the overall capability in research and development.

Fourthly, the Company will establish a technology development platform for all business segments through innovative R&D system, improvement in R&D capability, resources integration and utilization as well as breakthroughs in key technologies.

3. Marketing reform

The Company will promote mass sales and establish a more customer-oriented marketing system. A marketing company will be establish to centralize the management of sales and closely monitor the development of markets. It will also create an unique brand image and improve the after-sale services.

4. Brand building in international markets

The Company will strengthen the implementation of its brand strategy and adopt innovative promotion methods to boost the brand image in international markets. It is intended that brand image will be a driver of the global expansion of the Company.

5. Speed up global expansion

The Company will accelerate the expansion of its global sales network and optimize its distribution channels and product offerings to overseas markets. The Company will facilitate market expansion by brand communication and establishment of overseas offices. The Company focuses on the development of emerging markets such as Africa, Asia and South America by setting up local offices. It will speed up the establishment of overseas manufacturing bases in Brazil and India. Research and development bases will be established in Europe and North America where R&D talents are readily available.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

Pursuant to a resolution passed at the directors' meeting on 15 March 2012, a final dividend in respect of the year ended 31 December 2011 of RMB0.25 per share totaling RMB1,927 million was proposed for shareholders' approval 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 year ended 31 December 2011, 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 year ended 31 December 2011. 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 year ended 31 December 2011, 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 judgments 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 2010 and its interim results for the year 2011. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2011 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
Zoomlion Heavy Industry
Science and Technology Co., Ltd.*
Zhan Chunxin
Chairman

Changsha, the PRC, 16 March 2012

As at the date of this announcement, the executive directors of the Company are Dr. Zhan Chunxin and Mr. Liu Quan; the non-executive 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*