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ZOOMLION 中 聯 重 科

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

中聯重科股份有限公司

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

(Stock Code: 1157)

CONNECTED TRANSACTION

TRANSFER OF 40% EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

On 23 December 2016, the Company has entered into the Agreement with CSCEC 5th Bureau, pursuant to which the Company has agreed to transfer 40% equity interest in the Target Company, a 75%-owned subsidiary of the Company, to CSCEC 5th Bureau at a consideration of RMB400 million, subject to the terms and conditions of the Agreement.

LISTING RULES IMPLICATIONS

As CSCEC 5th Bureau is a substantial shareholder of the Target Company, CSCEC 5th Bureau is therefore a connected person of the Company and the transactions contemplated under the Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios of the Transaction is more than 1% but less than 5%, the transactions contemplated under the Agreement are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company wishes to emphasize that as the Transaction is subject to the obtaining of approvals from, and filing of commercial registration with, the competent authorities, the Transaction may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

INTRODUCTION

On 23 December 2016, Zoomlion Heavy Industry Science and Technology Co., Ltd. (the “**Company**”) has entered into an equity transfer agreement (the “**Agreement**”) with China Construction Fifth Engineering Division Corporation Ltd. (中國建築第五工程局有限公司)(the “**CSCEC 5th Bureau**”), pursuant to which the Company has agreed to transfer 40% equity interest in Changsha CSCEC & Zoomlion Machinery Leasing Service Co., Ltd.(長沙中建中聯機械設備租賃服務有限責任公司)(the “**Target Company**”), a 75%-owned subsidiary of the Company, to CSCEC 5th Bureau at a consideration of RMB400 million, subject to the terms and conditions of the Agreement (the “**Transaction**”).

THE AGREEMENT

Date of Agreement

23 December 2016

Parties

- (1) The Company, as the transferor; and
- (2) CSCEC 5th Bureau, as the transferee.

Subject matter

The Company shall transfer 40% equity interest in the Target Company to CSCEC 5th Bureau subject to the terms and conditions of the Agreement.

The 40% equity interest in the Target Company is not subject to any guarantee, mortgage, pledge or other third-party rights, or any material dispute, litigation or arbitration, or any judicial enforcement such as seizure and freezing.

Consideration

The consideration of the Transaction shall be RMB400 million. As agreed by the parties, CSCEC 5th Bureau shall pay the 100% transfer price to the Company in one lump sum within 3 days after the date of the Agreement. The consideration was arrived at arm’s length negotiation between the parties to the Agreement based on the Assessment Report.

Completion

The Company and CSCEC 5th Bureau shall, after obtaining approval from the respective boards of directors of the Company and CSCEC 5th Bureau, submit the relevant applications to the relevant government authorities for the Transaction. Completion of the Agreement shall be subject to and conditional upon the completion of the formalities for all necessary approvals, consents, permissions, registrations and filings, including but not limited to obtaining approvals from, and filing commercial registration with, the competent authorities.

After execution of the Agreement, the parties shall be required to fully perform the provisions thereof. Any failure of any party to perform the provisions thereof or any of its ancillary or supplemental provisions shall be deemed as default against the other party. The other party shall have the rights to claim for default payment and any compensation for the relevant loss from the defaulting party. The default payment under the Agreement shall be 5% of the total consideration of the Transaction; and the loss only and exclusively means the direct and actual loss of a party.

The non-defaulting party may continue to perform or terminate the performance of the Agreement even if it claims for liabilities against the defaulting party.

INFORMATION ON THE PARTIES

The Company

The Company and its subsidiaries are a leading China-based construction machinery manufacturer providing diversified products, including concrete machinery, crane machinery and environmental and sanitation machinery, with a presence in Asia, Europe and other regions.

CSCEC 5th Bureau

(1) Basic information

Name of company: China Construction Fifth Engineering Division Corporation Ltd.

Registered capital: RMB3.018 billion

Legal representative: Zhou Yong (周勇)

Address: 158 Zhongyi 1st Road, Yuhua District, Changsha

Unified social credit code: 91430000183764483Y

Business nature: Limited liability company (sole proprietorship that is not invested or held by a natural person)

Shareholder of business: 100% wholly-owned by China State Construction Engineering Corporation Ltd.

Scope of business: EPC, EPCM and PM for works in the housing, highways, railways, municipal facilities, ports and waterways, and hydraulic and hydroelectric sectors; construction of mechanical and electrical installation works, steel structures, bridges, tunnels, highway subgrade and urban railway transits; Class-A design in construction (architectural engineering): building decoration engineering, curtain walls, light steel structures, intelligent systems, lighting and fire controls; EPC and PM and relevant technical and management services within the permitted scope of the qualification certificate.

(2) History

Incorporated on 8 April 1981, CSCEC 5th Bureau has a registered capital of RMB3.018 billion, and is wholly owned by China State Construction Engineering Corporation Ltd.

(3) Business development of CSCEC 5th Bureau for the past six months and previous year

1. Operating figures for the past six months and previous year (consolidated)

Unit: RMB10,000

| Item | January to June 2016 | 2015 |
|-------------------|---------------------------------|--------------|
| Operating revenue | 4,528,646.24 | 6,348,572.14 |
| Operating profit | 167,889.42 | 223,831.64 |
| Net profit | 141,319.03 | 193,692.70 |

Note: The above figures for 2016 are unaudited.

2. Assets for the past six months and previous year (consolidated)

Unit: RMB10,000

| Item | 30 June 2016 | 31 December 2015 |
|--------------|---------------------|-------------------------|
| Total assets | 5,943,779.38 | 5,647,411.53 |
| Liabilities | 4,737,661.63 | 4,594,527.91 |
| Net assets | 1,206,117.74 | 1,052,883.62 |

Note: The above figures for 2016 are unaudited.

(4) CSCEC 5th Bureau and the top ten shareholders of the Company are not connected in terms of property rights, business, assets, debts and liabilities, or personnel.

(5) CSCEC 5th Bureau has not been subject to any administrative penalty or criminal punishment in the securities market, or involved in any material civil litigation or arbitration on economic disputes in the past five years.

Target Company

(1) Basic Information

Business nature: Limited liability company incorporated in the People's Republic of China

Address: Entire office building at 677 Lugu Avenue, Changsha National High-Tech Industrial Development Zone

Legal representative: He Jianming (何建明)

Registered capital: RMB100 million

The original cost of establishment attributable to the Company: RMB600 million

Unified social credit code: 91430100MA4L7FFLXM

Date of incorporation: 18 November 2016

Shareholders of the Target Company:

Immediately prior to the completion of the Agreement, the Target Company is 75% owned by the Company and 25% owned by CSCEC 5th Bureau

Scope of business: Leasing of machinery; sale of second-hand cars; retailing of machinery parts; repair and maintenance of construction machinery; testing and technical services for construction machinery; storage of goods (excluding dangerous chemicals and controlled goods)(For business requiring approval by law, it can commence operation only with approval from the relevant authority).

(2) Financial position and operating results

Standard unqualified Audit Report (no. 17655 of 2016) issued by Baker Tilly China Certified Public Accountants (Special General Partnership), a company qualified to engage business relating to securities and futures, which provides the following key financial figures:

1. Key figures from the balance sheet

| Item | Unit: RMB10,000 As at 21 December 2016 |
|-------------------|---|
| Total assets | 80,054.85 |
| Total liabilities | 20.66 |
| Net assets | 80,034.19 |

2. Key figures from the income statement

| Item | Unit: RMB10,000 For the period from the date of incorporation to 21 December 2016 |
|-------------------|--|
| Operating revenue | 370.64 |
| Operating profit | 41.89 |
| Total profit | 45.60 |
| Net profit | 34.20 |

3. Key figures from the cash flow statement

| | Unit: RMB10,000 |
|--|--|
| Item | For the period from the date of incorporation to 21 December 2016 |
| Net cash generated from operating activities | -3,249.13 |
| Net cash generated from investing activities | -2,332.14 |
| Net cash generated from financing activities | 20,000.00 |

(3) Contingent issues

As at the date of the balance sheet, there is no contingent issue that is required to be disclosed according to the standard unqualified Audit Report (no. 17655 of 2016) issued by Baker Tilly China Certified Public Accountants (Special General Partnership).

(4) Assets valuation

Zhong Rui International Assets Appraisal (Beijing) Limited, a company qualified to engage in business relating to securities and futures, has conducted an assessment that reflects the market value of the entire interest held by the shareholders of the Target Company as at 21 December 2016 in a fair manner by adopting the necessary assessment procedures in accordance with the relevant laws and regulations and the standards and generally accepted principles for assets valuation, and issued the Assessment Report (no. 120731046 of 2016). The details of assets valuation is as follows:

(i) Purpose of assessment:

The purpose of this assessment is to assess the market value of the entire interest held by the shareholders of the Target Company as at the base date of assets valuation, which shall be served as a reference for determining the value of the equity interest in the Target Company in respect of the proposed transfer.

(ii) Subject of assessment:

The subject of assessment is the value of the entire interest held by the shareholders of the Target Company.

(iii) Scope of assessment:

The scope of assessment covers all assets and the related debts of the Target Company as at the base date of assessment, and the specific details of which is shown in the assets valuation declaration provided by the Target Company.

(iv) Type of value: Market value.

(v) Base date of assessment: 21 December 2016.

(vi) Method of assessment: Asset-based approach.

(vii) Conclusion of assessment: As at 21 December 2016, that is the base date of assessment, the book value of the total assets of the Target Company is RMB832,763,500, the total liabilities is RMB32,387,400 and the net assets is RMB800,376,100; and after assessment by adopting the cost approach, the total assets is RMB834,982,700, total liabilities is RMB32,387,400, net assets is RMB802,595,300 and the increase in value of net assets is RMB2,219,200, representing an increase of 0.28%.

The following table shows the summary of assessment:

Summary of assets valuation results

Unit: in RMB10,000

| Item | | Book value A | Assessed value B | Amount | Rate of |
|---------------------|---|-----------------|---------------------|----------------------------------|----------------------------|
| | | | | increased/ decreased C=B-A | increase (%) D=C/A*100% |
| Current assets | 1 | 19,725.50 | 19,947.42 | 221.92 | 1.14 |
| Non-current assets | 2 | 63,550.85 | 63,550.85 | 0.00 | 0.00 |
| Where: | | | | | |
| Intangible assets | 3 | 63,550.85 | 63,550.85 | 0.00 | 0.00 |
| Total assets | 4 | 83,276.35 | 83,498.27 | 221.92 | 0.28 |
| Current liabilities | 5 | 3,238.74 | 3,238.74 | 0.00 | 0.00 |
| Total liabilities | 6 | 3,238.74 | 3,238.74 | 0.00 | 0.00 |
| Net assets | 7 | 80,037.61 | 80,259.53 | 221.92 | 0.28 |

The effective term for the Assessment Report is 1 year, commencing from 21 December 2016, that is the base date of assessment, to 20 December 2017.

(5) Upon completion of the Transaction, the Target Company shall no longer be consolidated into the financial statements of the Company.

As at 21 December 2016, the Target Company has no non-operating company fund.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Target Company is a joint venture between the Company and CSCEC 5th Bureau that is responsible for the leasing and sale of part of the second hand construction machineries of the Company. To further enhance resources integration and strengthen the development of core business, the Company proposes to transfer the 40% equity interest held by it in the Target Company to CSCEC 5th Bureau. Upon completion of the Transaction, the Company will then hold 35% equity interest in the Target Company, while the financial statements of the Target Company will no longer be consolidated into that of the Company, which will be translated by using equity method instead of cost method.

Upon completion of the Transaction, the financial statements of the Target Company will no longer be consolidated into that of the Company. After calculation, the Transaction is expected to affect the Company by incurring a profit of approximately RMB68 million (unaudited) in the relevant period. The proceedings of the Transaction will be used for supplementing the working capital of the Company.

CSCEC 5th Bureau is a wholly-owned subsidiary of China State Construction Engineering Corporation Ltd., one of the Fortune Global 500 enterprises. After considering the sound operation as well as the recent financial results and operation performance of CSCEC 5th Bureau, the board of directors of the Company (the “**Board**”) is satisfied with the payment ability of CSCEC 5th Bureau. Further, the consideration for the Transaction is RMB400 million, which is higher than its abovementioned assessed value.

Having considered the above, the directors of the Company (including the independent non-executive directors of the Company) consider that the terms of the Agreement, which are on normal commercial terms and determined after arm’s length negotiations, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the directors of the Company was in any way materially interested in the Transaction and therefore none of the directors of the Company had abstained from voting in the board meeting approving the Agreement and the transactions contemplated thereunder.

As it is necessary to complete the relevant formalities for the Transaction, the Board authorizes the chairman of the Company and its authorized representative(s) to deal with the relevant formalities with the relevant government authorities.

LISTING RULES IMPLICATIONS

As CSCEC 5th Bureau is a substantial shareholder of the Target Company, CSCEC 5th Bureau is therefore a connected person of the Company and the transactions contemplated under the Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the annual caps is more than 1% but less than 5%, the transactions contemplated under the Agreement are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company wishes to emphasize that as the Transaction is subject to the obtaining of approvals from, and filing of commercial registration with, the competent authorities, the Transaction may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Changsha, the PRC, 23 December 2016

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

* *For identification purpose only*