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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)

CANCELLATION OF OPTIONS AND REPURCHASE AND CANCELLATION OF RESTRICTED A SHARES AND COMMENCEMENT OF THE FIRST EXERCISE PERIOD IN RESPECT OF OPTIONS AND COMMENCEMENT OF THE FIRST UNLOCK PERIOD IN RESPECT OF RESTRICTED A SHARES

On 6 November 2018, the board (the “**Board**”) of directors (the “**Directors**”) of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) resolved to cancel the options and repurchase and cancel the restricted A shares held by certain participants of the Company’s share option scheme and restricted A share incentive scheme (collectively, the “**Schemes**”), respectively. As a total of 7 participants of the respective Schemes are no longer qualified as participants within the meaning of the respective Schemes due to reasons such as cessation of employment with the Group, the Board intends to cancel a total of 2,041,800 options granted to but not yet exercised by such participants under the share option scheme, and repurchase and cancel a total of 2,041,800 restricted A shares granted to but not yet unlocked by such participants under the restricted A share incentive scheme, in accordance with the respective Schemes (the “**Repurchase and Cancellation**”). Further, the Board intends to cancel a total of 406,440 options held by 55 participants of the share option scheme who obtained a “Fair” grade in their performance assessment and as such, are unable to satisfy the conditions for exercising such options (all such repurchases and cancellations collectively, the “**Repurchase and Cancellation**”).

I. Repurchase and Cancellation

1. Reasons for and the number of options and restrictive A shares to be repurchased and cancelled

As at the date of this announcement, a total of 7 participants of the respective Schemes are no longer qualified as participants within the meaning of the respective Schemes

due to reasons such as cessation of employment with the Group. Accordingly, the Board intends to cancel a total of 2,041,800 options granted to but not yet exercised by such participants under the share option scheme, and repurchase and cancel a total of 2,041,800 restricted A shares granted to but not yet unlocked by such participants under the restricted A share incentive scheme, in accordance with the respective Schemes.

Further, as at the date of the Announcement, a total of 55 participants of the share option scheme obtained a “Fair” grade in their performance assessment and as such, are unable to satisfy the conditions for exercising their respective options. Accordingly, the Board intends to cancel a total of 406,440 options held by such participants in accordance with the share option scheme.

Upon completion of the Repurchase and Cancellation, the total number of options granted under the share option scheme will be adjusted from 166,736,411 options to 164,288,171 options, the number of restricted A shares granted under the restricted A share incentive scheme will be adjusted from 166,736,411 restricted A shares to 164,694,611 restricted A shares, and the number of participants of each Scheme will be adjusted from 1,168 to 1,161.

2. Approvals for the Repurchase and Cancellation

Pursuant to the authorisation granted by the Company’s shareholders at the extraordinary general meeting held on 1 November 2017, the Board resolved to approve the Repurchase and Cancellation. The independent Directors have issued an independent opinion on the Repurchase and Cancellation, and the supervisory committee of the Company resolved to approve the Repurchase and Cancellation.

II. Explanatory notes on the repurchase of restrictive A shares

1. Number of restrictive A shares to be repurchased, repurchase price and the source of funds

(1) Number of restrictive A shares to be repurchased

A total of 2,041,800 restrictive A shares, being ordinary A shares, will be repurchased, representing 1.02% of the restrictive A shares granted under the restrictive A share incentive scheme and 0.03% of the total share capital of the Company.

(2) Repurchase price

According to the terms of the restricted A share incentive scheme, the repurchase price of the restricted A shares shall be the sum of the grant price and the interest accruing to bank deposits for the same period. However, if the Company declares a dividend after a grant of restricted A shares, the repurchase price of the restricted A shares not yet unlocked shall be adjusted accordingly such that the adjusted repurchase price shall be the grant price minus the amount of dividend declared per share.

On 7 November 2017, the Board granted the restricted A shares to the participants at the grant price of RMB2.29 per share. On 24 August 2018, the Company implemented its 2017 equity distribution plan and a cash dividend of RMB2.00 for every 10 shares was paid to shareholders of the Company. Accordingly, the adjusted repurchase price shall be the sum of RMB2.09 (being RMB2.29 minus RMB0.2) per share and the interest accruing to bank deposits for the same period.

(3) *Source of funds*

Payment for the repurchase of the restrictive A shares will be made out of internal funds of the Company.

2. Change in the Company's shareholding

Upon completion of the Repurchase and Cancellation, the total share capital of the Company will be reduced from 7,810,578,433 shares to 7,808,536,633 shares.

3. Effect of the Repurchase and Cancellation

The Repurchase and Cancellation has no material effect on the Company's financial position and operation results, nor will it impact on the diligence and integrity of the Company's management. The Company's management will continue to perform its duties faithfully so as to create value for shareholders.

On 6 November 2018, the Board further resolved to approve the commencement of the first exercise period in respect of options granted under the first grant of options, and commencement of the first unlock period in respect of restricted A Shares granted under the first grant of restricted A shares, pursuant to the respective Schemes. The total number of options granted to and exercisable by 1,161 participants under such first grants of options during the first exercise period is 65,471,398 options, and the total number of restricted A shares granted to and may be unlocked by 1,161 participants

under such first grant of restricted A shares during the first unlock period is 65,838,658 shares. Details are as follows:

I. Satisfaction of the conditions to exercise and unlock

1. Expiry of vesting period/lock-up period

Pursuant to the Schemes, the options granted under the first grant of options have vesting periods of 12 months, 24 months and 36 months commencing from the date of grant. The restricted A shares under the first grant of restricted A shares have lock-up periods of 12 months, 24 months and 36 months commencing from the date of grant.

The date of first grant under the respective Schemes was 7 November 2017. As of the date of this announcement, the first vesting period of the options under first grant of options and the first lock-period of the restricted A shares under the first grant of restricted A shares, respectively, has expired.

2. Satisfaction of conditions to exercise/unlock the options

(A) As of the date of this announcement, there is no occurrence of any of the following on the part of the Company:

- (i) issue of an auditors' report with a qualified opinion or which indicates an inability to give an opinion by a certified public account with respect to the financial report of the Company for its most recent accounting year;
- (ii) issue of an auditors' report with a qualified opinion or which indicates an inability to give an opinion by a certified public account with respect to the financial reporting and internal control of the Company for its most recent accounting year;
- (iii) there is profit allocation contravening laws and regulations, the articles of association of the Company or any undertaking publicly made in the 36 months after listing;
- (iv) no share incentive scheme is allowed under laws and regulations; and
- (v) any other circumstances as determined by the China Securities Regulatory Commission (the "CSRC").

(B) As of the date of this announcement, there is no occurrence of any of the followings on the part of a participant under the first grant of options/restricted A shares:

- (i) he has been held to be an unsuitable candidate by a stock exchange in the last 12 months;

- (ii) he has been held to be an unsuitable candidate by the CSRC or any of its dispatched agencies in the last 12 months;
- (iii) he has been imposed with administrative penalties or measures which prohibit him from entering into the market by the CSRC or any of its dispatched agencies in the last 12 months due to material non-compliance with laws and regulations;
- (iv) he is prohibited from acting as a Director or a member of the senior management of the Company under the Company Law;
- (v) he is not allowed to participate in any share incentive scheme of a listed company under laws and regulations; and
- (vi) there is any other circumstance as determined by the CSRC.

3. According to the Schemes, the performance target condition required of the Company for exercising the options under the first grant of options during the first exercise period or unlocking the restricted A shares under the first grant of restricted A shares during the first unlock period is that “the net profit of the Company for the year 2017 shall be a positive figure, and no less than the mean of net profits of comparable companies in the same industry for the year 2017”.

According to the Audit Report (Tian Zhi Ye Zi no. 6788 of 2018) issued by Baker Tilly China Certified Public Accountants (Special General Partnership), the net profit of the Company attributable to the owners of the parent company amounted to RMB1,331,923,715.27. According to the annual reports of comparable companies in the same industry for the year 2017, the simple arithmetic mean of the net profits of the comparable companies in the same industry, including Sany Group, XCMG Group, LiuGong Machinery Co., Ltd., Xuanhua Construction Machinery Co., Ltd. and Sunward Intelligent Equipment Co., Ltd. amounted to RMB767,811,100. Based on the above, the performance target required of the Company for exercising the options under the first grant of options during the first exercise period and to unlock the restricted A shares under the first grant of restricted A shares during the first unlock period has been met.

4. According to the Schemes, the individual performance targets required of the participants are as follows:

(A) *Options*

| Assessment grade | Definition | Parameter for exercising options |
|-------------------------|--|---|
| Excellent | Annual assessment grade ≥ 90 | 100% |
| Good | $80 \leq$ Annual assessment grade < 90 | 100% |
| Fair | $70 \leq$ Annual assessment grade < 80 | 70% |
| Needs improvement | Annual assessment grade < 70 | 0% |

If the Company meets its performance target in the respective year, the actual number of options exercisable by a participant in that year would be: a parameter x all the options exercisable by such participant during that exercise period.

(B) Restricted A shares

| Assessment grade | Definition | Parameter for unlocking restricted A shares |
|-------------------------|--|--|
| Excellent | Annual assessment grade ≥ 90 | 100% |
| Good | $80 \leq$ Annual assessment grade < 90 | 100% |
| Fair | $70 \leq$ Annual assessment grade < 80 | 100% |
| Needs improvement | Annual assessment grade < 70 | 0% |

If the Company meets its performance target in the respective year, the actual number of restricted A shares of a participant which can be unlocked in that year would be: a parameter x all restricted A shares of such participant which can be unlocked in that unlock period.

According to the results of the assessment conducted by the Board and the remuneration and appraisal committee on the participants, save for 7 individuals who have ceased employment, 402 out of 1,161 participants obtained an “Excellent” grade; 704 obtained a “Good” grade; 55 obtained a “Fair” grade and none obtained a “Needs improvement” grade.

Based on the above, save for 406,440 options held by the 55 participants who obtained a “Fair” grade who failed to satisfy their performance target, the total number of options granted under the first grant of grants and exercisable during the first exercise period of the Share Option Scheme amounted to 65,471,398 options, and the total number of restricted A shares granted under the first grant of restricted A shares that may be unlocked during the first unlock period amounted to 65,877,838 shares. The options held by participants who failed to satisfy their individual performance target shall be cancelled by the Company.

II. The exercise/unlock arrangement in connection with the first exercise/unlock period under the Schemes

1. The source of shares to be issued upon the exercise of the options shall be such ordinary A shares of the Company specifically issued to the participants by the Company.
2. The participants of and the number of options granted under the first grant of the options and exercisable during the first exercise period pursuant to the Share Option Scheme are as follows:

| No. | Name | Position | Number of options granted | Number of options exercisable during the current exercise period | Number of options not yet exercisable |
|-----|-----------------------|--------------------------------------|---------------------------|--|---------------------------------------|
| 1. | Zhan Chunxin | Chairman and Chief Executive Officer | 2,888,520 | 1,155,408 | 1,733,112 |
| 2. | Su Yongjun | Vice President | 2,635,775 | 1,054,310 | 1,581,465 |
| 3. | Xiong Yanming | Vice President | 2,599,668 | 1,039,867 | 1,559,801 |
| 4. | Huang Qun | Vice President | 2,383,029 | 953,211 | 1,429,818 |
| 5. | Liu Jie | Vice President | 2,310,816 | 924,326 | 1,386,490 |
| 6. | Du Yigang | Vice President | 2,310,816 | 924,326 | 1,386,490 |
| 7. | Wang Jinfu | Vice President | 2,274,710 | 909,884 | 1,364,826 |
| 8. | Shen Ke | Company Secretary | 2,238,603 | 895,441 | 1,343,162 |
| 9. | Guo Xuehong | Vice President | 2,202,497 | 880,998 | 1,321,499 |
| 10. | Fu Ling | Chief Engineer | 2,130,284 | 852,113 | 1,278,171 |
| 11. | Sun Changjun | Chief Legal Officer | 2,021,964 | 808,785 | 1,213,179 |
| 12. | He Jianming | Chief Taxation Assets Officer | 2,021,964 | 808,785 | 1,213,179 |
| 13. | Li Jiangtao | Vice President | 1,672,935 | 669,174 | 1,003,761 |
| 14. | Fang Minghua | Vice President | 1,492,402 | 596,960 | 895,442 |
| 15. | Yin Zhengfu | Vice President | 1,179,479 | 471,791 | 707,688 |
| 16. | Key personnel (1,146) | / | 132,331,149 (Note 1) | 52,526,019 | 79,398,690 (Note 2) |
| 17. | Total (1,161) | / | 164,694,611 (Note 1) | 65,471,398 | 98,816,773 (Note 2) |

3. The participants of and the number of restricted A shares granted under the first grant of the restricted A shares that may be unlocked during the first unlock period under the Restricted A Share Incentive Scheme are as follows:

| No. | Name | Position | Number of restricted A shares granted | Number of restricted A shares that may be unlocked during the current exercise period | Number of restricted A shares not yet unlocked |
|-----|-----------------------|--------------------------------------|---------------------------------------|---|--|
| 1. | Zhan Chunxin | Chairman and Chief Executive Officer | 2,888,520 | 1,155,408 | 1,733,112 |
| 2. | Su Yongjun | Vice President | 2,635,775 | 1,054,310 | 1,581,465 |
| 3. | Xiong Yanming | Vice President | 2,599,668 | 1,039,867 | 1,559,801 |
| 4. | Huang Qun | Vice President | 2,383,029 | 953,211 | 1,429,818 |
| 5. | Liu Jie | Vice President | 2,310,816 | 924,326 | 1,386,490 |
| 6. | Du Yigang | Vice President | 2,310,816 | 924,326 | 1,386,490 |
| 7. | Wang Jinfu | Vice President | 2,274,710 | 909,884 | 1,364,826 |
| 8. | Shen Ke | Company Secretary | 2,238,603 | 895,441 | 1,343,162 |
| 9. | Guo Xuehong | Vice President | 2,202,497 | 880,998 | 1,321,499 |
| 10. | Fu Ling | Chief Engineer | 2,130,284 | 852,113 | 1,278,171 |
| 11. | Sun Changjun | Chief Legal Officer | 2,021,964 | 808,785 | 1,213,179 |
| 12. | He Jianming | Chief Taxation Assets Officer | 2,021,964 | 808,785 | 1,213,179 |
| 13. | Li Jiangtao | Vice President | 1,672,935 | 669,174 | 1,003,761 |
| 14. | Fang Minghua | Vice President | 1,492,402 | 596,960 | 895,442 |
| 15. | Yin Zhengfu | Vice President | 1,179,479 | 471,791 | 707,688 |
| 16. | Key personnel (1,146) | / | 132,331,149 (Note 3) | 52,932,459 | 79,398,690 |
| 17. | Total (1,161) | / | 164,694,611 (Note 3) | 65,877,838 | 98,816,773 |

Note: As 7 participants ceased employment and no longer qualified as participants, the Board intends to cancel a total of 2,041,800 options granted to, but yet to be exercised by, such participants, and repurchase and cancel a total of 2,041,800 restricted A shares granted to but yet to be unlocked to such participants, in accordance with the Schemes. As a total of 406,400 options held by the 55 participants obtained a “fair” grade in their assessment did not satisfy the conditions for exercising their options, the Board intends to cancel such options. Therefore, the aggregate number of options/restricted A shares marked with note 1 and note 3 have excluded the number of options and restricted A shares to be cancelled (in each case 2,041,800 options/restricted A shares) and the aggregate number of options marked with note 2 has excluded the options to be cancelled (being the sum of 2,041,800 options and 406,440 options).

4. The exercise price of the options exercisable under the current exercise shall be RMB4.37 per share. However, prior to any exercise of the options by the participants, the Company had conducted certain capitalisation issue, bonus issue, payment of dividend and rights issue events and as such, the exercise price of the options shall be adjusted accordingly.
5. The current exercise period of the options is from 7 November 2018 to 6 November 2019. The exercise date must be a trading day and must not fall within any of the following periods: (1) the period commencing from 30 days prior to the publication of periodic reports of the Company, or in the event of delay in publishing the reports for special reasons, 30 days prior to the original date of publication, and ending one day before the announcement is published; (2) 10 trading days prior to the publication of the Company's announcement on estimated results and preliminary results; (3) the period commencing from the date of occurrence of a material event which may have a substantial impact on the trading prices of the Company's shares and their derivatives or the date on which the relevant decision-making procedures start, and ending on the second trading day following the disclosure of such event or procedures in accordance with laws; (4) other periods as stipulated by the CSRC and Shenzhen Stock Exchange where directors and senior management of listed companies shall not deal in the shares of the Company.
6. The exercise of options under the current exercise is on a voluntary basis.

III. Adjustment to the exercise price of options

The exercise price of the options granted to the participants under the first grant of options by the Company on 7 November 2017 was RMB4.57 per share. On 24 August 2018, the Company implemented its 2017 equity distribution and distributed a final dividend of RMB2 in cash for every 10 shares to all shareholders.

Based on the above, the adjusted exercise price of the options granted under the first grant of options shall be $\text{RMB4.57 per share} - \text{RMB0.2 per share} = \text{RMB4.37 per share}$.

IV. The effect of the exercise of options on the financial condition and operating results of the Company

On the date of grant, the Company adopted the Black-Scholes option pricing model to determine the fair value of the options as at the date of grant. Subsequent to the date of grant, it is unnecessary to revalue the options and as such, the mode of exercise of options will have no effect on the pricing of the options. On each balance sheet date during the vesting period, the Company will update the expected number of restricted A shares and options exercisable based on information subsequently obtained, such as the latest number of participants who are entitled to exercise such options/restricted A shares and the completion status of performance targets, and the services obtained in the current period shall be included in the relevant costs and the capital reserves at the fair value of the options on the date of grant. The mode of exercise will not affect the above accounting treatment and as such, the voluntary exercise of the restricted A shares and options will have no substantial impact on the pricing and accounting treatment of the options.

If all the options exercisable in the first exercise period are fully exercised, the number of shares of the Company shall increase by 65,471,398 shares and shareholder's equity shall increase by RMB286,110,000.

The options and restricted A shares under the current exercise have an amortized cost amounting to RMB226,862,400 during the vesting period, affecting and diluting the earning per share and return on equity of the Company for the year 2018. The actual affected amount shall be based on figures audited by the accountants.

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

Changsha, PRC, 6 November 2018

As at the date of this announcement, the executive Director 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*