上市

票據已獲新交所原則上批准上市。新交所不必對發售備忘錄內任何陳述、當中發表的任何意見或所載任何報告的正確性承擔任何責任。本公司沒有也不會申請將票據在香港上市。

同意徵求

於2012年4月 日，中聯香港發行400,000,000美元 . 厘票據。中聯香港現正進行同意徵求，以批准對管轄 . 厘票據的契約作出的建議的修訂，以容許其承擔現有 . 厘票據以外的債務。建議的修訂規定，除發售、出售或發行債券及將上述所得款項預先撥歸本公司、本公司的任何子公司或本公司以其他方式控制的其他公司及進行與此有關的活動外，中聯香港不得進行任何其他業務活動。中聯香港將向每一位對建議的修訂根據同意徵求的條款和條件授予有效同意的 . 厘票據持有人，就 . 厘票據的本金額每1,000美元以現金給予2美元同意款項。中聯香港預期，在期滿日前接獲至少過半數所有尚未行使的 . 厘票據本金總額的持有人以單一類別表決授出同意後，中聯香港與本公司(其中包括)將就 . 厘票據盡快簽訂《補充契約》。根據《補充契約》的條款，建議的修訂將在各方簽訂和交付《補充契約》後生效，並在此後對 . 厘票據的每一持有人具約束力；然而，建議的修訂將僅在中聯香港向按照同意徵求的條款及條件對建議的修訂授予同意的持有人給予同意款項後實施。

所得款項用途

如發行票據，本公司擬將所得款項用途淨額用作本集團的境外擴展計劃的資金，包括提升本集團的銷售和服務網絡、建立研究發展中心和生產製造設施。

擔保

票據將由本公司全面、無條件地及不可撤銷地提供擔保。本公司已經就擬由本公司為票據發行提供擔保的事宜取得中國國家外滙管理局的有關批覆。

一般事宜

由於本公司在本公告刊發當日尚未就票據發行訂立任何具約束力的協議，因此票據發行不一定會完成。票據發行能否完成，須視乎市場情況和投資者興趣而定，並以《補充契約》的簽訂和交付及建議的修訂按照《補充契約》的條款實施作為條件。本公司投資者和股東於買賣本公司證券時，務請審慎行事。《購買協議》若得以簽署，本公司將就票據發行的建議另發公告。

前瞻性陳述

本公告包含的前瞻性陳述為《美國證券法》第2　條及《1　4年證券交易法》(經修訂)第21條所界定的前瞻性陳述。本公告所載的陳述如非歷史事實的陳述(包括公司信念及預測的陳述)均為前瞻性陳述。前瞻性陳述包括與可能或假設的未來經營業績有關的資料，包括本公司業務計劃及策略的描述。該等陳述通常包含如「預期」、「預計」、「建議」、「計劃」、「相信」、「有意」、「估計」、「目標」、「預報」、「預測」、「應」、「可以」、「會」、「可能」、「將會」等字眼及其他類似詞彙。

本公司的前瞻性陳述是其按照行業經驗，以及其對歷史走勢、現況、預計未來發展及本公司在該等情況下及在作出該陳述時相信是適當的其他因素的理解，而在目前所作出的預測、計劃及假設為依據。雖然本公司相信該等前瞻性陳述是以合理假設為依據，但　閣下應注意，還有很多因素可能會影響本公司的實際財務業績或經營業績，並且可以令到實際結果與前瞻性陳述所表達的內容有重大分別。

很多因素是本公司無法控制的。本公告所載的前瞻性陳述只對截至本公告日期的情況適用。本公司不必負責公佈該等前瞻性陳述的任何修改結果，以反映本公告日期後的事件或情況，或反映未能預計的事件發生。

定義

在本公告中，除內文另有所指外，下列詞彙具有下列涵義：

「本公司」	指	中聯重科股份有限公司，一家於中國註冊成立的股份有限公司
「同意徵求」	指	由中聯香港進行的同意徵求，以批准對管轄．　厘票據的契約作出的建議的修訂
「期滿日」	指	2012年12月1 日下午十一時(紐約時間)，作為同意徵求的期滿日，除非由中聯香港修訂或延期則例外
「高盛」	指	高盛(亞洲)有限責任公司，擔任票據發行的獨家全球協調人兼賬簿管理人
「本集團」	指	本公司及其不時的子公司
「香港」	指	中國香港特別行政區
「票據發行」	指	擬進行的票據國際發售
「票據」	指	將由中聯香港發行並由本公司擔保的優先票據
「中國」	指	中華人民共和國

「建議的修訂」	指	按《補充契約》的規定對管轄 . 厘票據的契約作出的修訂
「《購買協議》」	指	中聯香港、本公司和高盛將就票據發行簽訂的《購買協議》
「新交所」	指	新加坡證券交易所有限公司
「《補充契約》」	指	將由(其中包括)中聯香港與本公司簽訂的補充契約,以對管轄 . 厘票據的契約作出修訂
「美國」	指	美利堅合眾國、其領土和屬地,以及所有受其司法管轄權約束的地區
「《美國證券法》」	指	《美國1 年證券法》(經修訂版)
「中聯香港」	指	. . ., ,本公司於2011年 月 日在香港註冊成立的全資子公司
「 . 厘票據」	指	由中聯香港於2012年4月 日發行201 年到期的400,000,000美元 . 厘票據

承董事會命
中聯重科股份有限公司
董事長
詹純新

中國長沙
2012年12月12日

於本公告刊發日期,本公司執行董事為詹純新博士及劉權先生;非執行董事為邱中偉先生;以及獨立非執行董事為劉長琨先生、錢世政博士、王志樂先生及連維增先生。

* *僅供識別*

E tract of Operating and Financial Information of Zoomlion Hea Ind str Science and Technolog Co., Ltd.

(As of 12 December 2012)

MANAGEMEN ' DI C ION AND ANAL I OF FINANCIAL CONDI ION AND RE L OF OPERA ION

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as of and for each of the years ended December 31, 2009 2010 and 2011 and as of and for the nine months ended September 30, 2012 and the accompanying notes included elsewhere in the offering memorandum.

FAC OR AFFEC ING O R FINANCIAL CONDI ION AND RE L OF OPERA ION

We believe the most significant factors that directly or indirectly affect our financial performance and results of operations include:

- general economic conditions in China;
- product mix and our ability to offer new products;
- our ability to manage and expand our scale of operation globally;
- our ability to control our production costs; and
- our ability to effectively manage our finance lease services.

General Economic Conditions in China

We derived substantially all of our consolidated turnover from the sales of our products in China during 2009, 2010, 2011 and the nine months ended September 30, 2012. Demand for construction machinery is affected by the general economic conditions in China. Historically, our business expansion and the growth of the construction machinery industry have been driven by the rapid economic growth in China and the associated urbanization and increase in fixed asset investments. In recent years, China has been one of the fastest growing economies in the world. Between 2001 and 2011, China's GDP increased from approximately RMB11.0 trillion to approximately RMB47.2 trillion, representing a CAGR of 15.7%. As a result of the strong economic growth, China has experienced an ongoing urbanization and industrialization process and a significant increase in the general public's spending power in China. The urbanization level in China increased from 35.8% in 2000 to 50.6% in 2011, according to the statistics published by the United Nations. The urbanization level in China is estimated to be 54.2% and 58.9% in 2015 and 2020, respectively, according to Euromonitor International Ltd, a London-based intelligence firm. The urbanization of and the increasing spending power in China have led to increasing demand for infrastructure, industrial, commercial and residential developments. Fixed asset investment in urban areas in China increased from approximately RMB3.0 trillion in 2001 to approximately RMB30.2 trillion in 2011, according to the National Bureau of Statistics, representing a CAGR of 26.0%. Meanwhile, our growth has benefited from China's favorable government policies toward fixed asset investments and the infrastructure sector, including favorable government infrastructure investment policies to expand, modernize and upgrade China's infrastructure system. We expect the urbanization and the increases in infrastructure and fixed asset investment in China to continue as the economy continues to grow, which in turn will drive the growth of the construction machinery industry. In particular, according to China Construction Machinery Association, or the CCMA, the market for construction machinery in China is expected to reach RMB900 billion in 2015. As a leading manufacturer of construction machinery in China, we believe we are well positioned to take advantage of the growth of the construction machinery industry in China. However, in 2012, the economic growth in China slowed down and resulted in a downturn in the construction machinery industry. While we were able to sustain our growth in the nine months ended September 30, 2012, if China's economic growth continues to slow down and the economy deteriorates, the construction machinery industry could suffer further, which may materially and adversely affect our financial condition and results of operations.

Product Mix and Our Ability to Offer New Products

Our turnover is primarily affected by the sales volume and, to a lesser extent, by fluctuations in the selling prices of our products. The profitability of our products varies across our product lines. Changes in product mix have in the past affected, and are expected to continue to affect, our turnover and gross margin. From time to time, we adjust our product mix across product lines and within specific product lines to capitalize on the prevailing market demand and maximize our overall turnover. Meanwhile, our capability to offer new products and improve existing products has been and is expected to be an important driver to increase our turnover and profitability.

We derived the majority of our turnover from sales of concrete machinery and crane machinery, which in aggregate accounted for 74.5%, 78.2%, 79.5%, 79.0% and 80.6% of our consolidated turnover for each year of 2009, 2010, 2011 and the nine months ended September 30, 2011 and 2012, respectively. We expect sales of our concrete machinery and crane machinery to continue to increase in absolute terms and continue to be a major source of our turnover. However, we expect the turnover generated from the sales of concrete machinery and crane machinery to decrease as a percentage of our consolidated turnover in the future with the expansion of our other product lines. Furthermore, in view of China's ongoing urbanization and significant investment in infrastructure projects, we believe there is strong growth potential in the earth working machinery market. As a result, we aim to focus on the growth of this product line to capitalize on prevailing industry trends, we expect sales of our earth working machinery to increase in absolute terms and as a percentage of our consolidated turnover.

We believe that our comprehensive product offerings, including innovative products and the flexibility in adjusting our product mix, allows us to respond to different market conditions in a timely manner and maintain relatively stable and high turnover and profitability.

Our Ability to Manage and Expand our Scale of Operations Globally

In order to capture the market opportunity, we are currently expanding, and will continue to expand, our scale of operations in China and globally by establishing new manufacturing and research and development facilities, expanding our distribution and service network and selectively conducting strategic acquisitions and alliances. By doing so, we may broaden our customer base, expand our product offerings, enhance our research and development capabilities and increase our manufacturing capacity and capabilities. In particular, we intend to expand our global footprint and the overseas sales of our products so as to capitalize on the growing international demand for competitively priced construction machinery manufactured in China. By expanding our distribution and service network overseas, we may strengthen our ability to provide value-added services to our customers in the overseas market and increase our sales in the overseas market. All of the measures mentioned above may increase our turnover or our profitability. An increase in our sales from the overseas market will also diversify the geographic concentration of our sources of turnover, which may help reduce our reliance on the demand for our products within China and limit our exposure to any adverse changes in China's economic conditions and the PRC government's policies which might affect the sales of our construction machinery.

However, expanding our scale of operations globally, including strategic acquisitions and alliances, is associated with high investment costs. If we are unable to balance the costs of establishing additional manufacturing and research and development facilities with the growth in demand for our products or if such investment costs are higher than we expect, we may be unable to generate an adequate return for such investments and may experience an increase in financial obligations and unit manufacturing costs that may negatively affect our results of operations. In order to sell our products in certain jurisdictions, we may need to refine or enhance certain products to meet the applicable regulatory requirements for that jurisdiction, which would increase our aggregate manufacturing costs. Furthermore, the parts depots and after-sales services centers, as well as the additional overseas branch offices and representative offices we plan to establish as part of our distribution and service network expansion plan will also result in an increase in our operating expenses.

Our Ability to Control Our Production Costs

In 2009, 2010, 2011 and the nine months ended September 30, 2011 and 2012, costs of raw materials, parts and components amounted to RMB14,281 million, RMB20,740 million, RMB29,463 million (US$4,688 million), RMB21,127 million and RMB24,286 million (US$3,864 million), respectively, representing 68.8%, 64.5%, 63.7%, 63.6% and 62.1% of our consolidated turnover for the respective periods. The key raw materials, parts and components for our production include steel, branded chassis and hydraulic pumps, valves and cylinders. The production costs of our products are subject to fluctuations in the prices of steel and steel components. In recent years, market demand for steel has been strong. There are a limited number of steel suppliers and it may be difficult for us to find alternative suppliers for steel when demand exceeds supply. Due to strong market demand, supply of certain imported parts and components, including branded chassis and hydraulic pumps, valves and cylinders, may be limited. As a result, we typically keep higher levels of inventories of certain imported parts and components for which the supply may be limited. As we expand our scale of operation and as we gain better access to foreign-based suppliers through the integration of CIFA, we are able to enter into strategic framework agreements with certain suppliers to ensure a sufficient supply of high-quality raw materials, parts and components at relatively lower prices on a sustainable basis. While we have not experienced significant increases in our cost of labor in the past, the competitive environment in which we operate and the continued economic growth in China will continue to increase demand for skilled labor, which we believe may increase our cost of labor in the future. Starting in 2010, we have increased the use of third-party contractors to manufacture and assemble certain of our products. We believe the increase in use of third-party contractors further helps to control our production costs, as we are able to avoid the capital investment and depreciation and amortization associated with the expansion of our in-house production capacity.

We have taken initiatives in recent years to improve our manufacturing efficiency, such as improving our manufacturing technology and equipment and reorganizing our manufacturing activities among different facilities to improve efficiency and manufacturing cycle times and increase the flexibility of our manufacturing processes. However, if we are unable to continue to improve our manufacturing efficiency, thereby controlling our manufacturing costs, we may not be able to maintain or continue to

Our Ability to Effectively Manage Our Finance Lease Services

We started providing finance lease services as a payment option to our customers in 2007. The finance lease contracts are generally for two to four years. For certain products that have longer useful lives, such as tower cranes, crawler cranes and large-capacity truck cranes, we may extend the length of the lease to five years. The length of a finance lease contract is typically much shorter than the useful life of the leased equipment. Terms of the finance lease contracts are determined based on various factors, including our customer relationship and their credit quality. We believe finance lease services provide customers with an additional flexible payment option, which may help attract more customers and increase the sales of our products. Sales of our products under finance lease arrangement increased rapidly and contributed significantly to our turnover growth in 2009, 2010, 2011 and the nine months ended September 30, 2011 and 2012. During the same periods, sales of our products under finance lease arrangement amounted to RMB7,463 million, RMB9,720 million, RMB15,586 million (US$2,480 million), RMB9,589 million and RMB11,925 million (US$1,897 million), respectively, which accounted for 36.6%, 31.2%, 34.8%, 29.9% and 31.5% of the turnover from sales of our products for the respective periods.

We receive the sale proceeds generated through finance lease services in periodic installments. Although our sales of machinery products under finance lease arrangement are recognized as turnover once we deliver the products to our customers, we would not receive the full amount of the sale proceeds in cash until the end of the finance lease contracts. The lease payments we are entitled to but have not yet received under the finance lease contracts are accounted for as receivables under finance lease. As a result, while our turnover and profits from operations continued to grow, we recorded negative net operating cash flow in 2009 and the nine months ended September 30, 2012. In 2009, 2010, 2011 and the nine months ended September 30, 2012, the gross balance of our receivables under finance leases increased by RMB6,096 million, RMB7,829 million, RMB3,837 million (US$611 million) and RMB2,011 million (US$320 million), respectively. From 2008 to 2011, we factored a significant portion of our receivables under finance lease with recourse terms to banks to obtain cash in order to provide additional funding for our operations. As of December 31, 2009, 2010, 2011 and September 30, 2012, the balance of the loans from factoring of receivables under finance lease with recourse terms amounted to RMB4,515 million, RMB3,949 million, RMB560 million (US$89 million) and nil, respectively. Beginning in the fourth quarter of 2010, we increased the use of non-recourse factoring terms that meet the conditions for de-recognition of financial assets to obtain cash. In 2010, 2011 and the nine months ended September 30, 2012, the amounts of factored receivables under finance lease with non-recourse terms were RMB714 million, RMB12,258 million (US$1,950 million) and RMB11,538 million (US$1,836 million), respectively. As a result, the cash proceeds obtained through such non-recourse factoring terms were presented as cash flow from operating activities. Therefore, we recorded net cash inflow from operating activities in 2010 and 2011. However, there can be no assurance that we will be able to successfully factor our receivables under finance lease under a reasonable commercial term, or at all.

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Turnover

We generate turnover primarily from the following operating segments:

- Concrete machinery;
- Crane machinery;
- Environmental and sanitation machinery;
- Road construction and pile foundation machinery;
- Earth working machinery;
- Material handling machinery and systems; and
- Finance lease services.

The following table sets forth the breakdown of our consolidated turnover by our operating segments, and each expressed as a percentage of our consolidated turnover, for the periods indicated:

	E D 31,							N M E 30,				
	2009		2010		2011			2011		2012		
	RMB	%	RMB	%	RMB	$	%	RMB	%	RMB	$	%
					(,)			)				
Concrete machinery	7,157	34.5	14,085	43.8	21,212	3,375	45.8	15,009	45.2	21,185	3,371	54.2
Crane machinery	8,298	40.0	11,077	34.4	15,618	2,485	33.7	11,205	33.8	10,341	1,645	26.4
Environmental and sanitation machinery	1,230	5.9	1,874	5.8	2,978	474	6.4	2,033	6.1	2,040	324	5.2
Road construction and pile foundation machinery	787	3.8	1,246	3.9	1,737	276	3.7	1,304	3.9	1,087	173	2.8
Earth working machinery	445	2.1	772	2.4	1,048	167	2.3	912	2.7	1,748	278	4.5
Material handling machinery and systems	873	4.2	422	1.3	504	80	1.1	403	1.2	269	43	0.7
Finance lease services	397	1.9	1,043	3.2	1,583	252	3.5	1,116	3.4	1,219	194	3.1
	7,009											

Sales of our environmental and sanitation machinery and our earth working machinery have also increased significantly in 2009, 2010 and 2011 as a result of strong market demand driven by China's ongoing urbanization and significant investment in infrastructure projects. Such increase was also due to our strategy to devote more sales and marketing and other resources in these two segments in order

the overseas sales are higher and lower, respectively, for the relevant periods than the amounts and percentages presented in the table above. We believe the geographic classification basis used in the above presentation provides investors with additional information about the turnover from our domestic and overseas end-users.

From 2009 to 2010, sales of our products to overseas end-users decreased by 29.5% in absolute terms and from 12.6% to 5.7% as a percentage of our consolidated turnover. The decrease was primarily due to (i) the decrease in the purchasing power of customers in the overseas markets where our performance has traditionally been strong, such as the Persian Gulf countries, Russia and India, and (ii) a stronger economic recovery and corresponding stronger demand for our products in China, and our strategy to prioritize sales to domestic customers. From 2010 to 2011, sales of our products to overseas end-users increased by 39.3% in absolute terms and remained stable at 5.5% as a percentage of our consolidated turnover. Turnover from the sales of our products to overseas end-users increased by 42.1% in absolute terms for the nine months ended September 30, 2012 compared to the same period in 2011 and increased from 5.6% to 6.7% as a percentage of our consolidated turnover during such period. The growth in our overseas sales both in terms of absolute terms and as a percentage of our consolidated turnover is primarily attributable to growth in the South and Central American, Asia Pacific and African markets.

Our products have been sold to a diversified customer base and for each of the years ended December 31, 2009, 2010, 2011 and the nine months ended September 30, 2012, we did not have a single customer, including sales to our dealers, which accounted for more than 10.0% of our consolidated turnover on an individual basis.

Cost of Sales and Services

Our cost of sales and services primarily consists of:

- raw materials, i.e., costs of raw materials, parts and components, including steel, branded chassis, hydraulic parts and components, engines, tires and electric controls, and a variety of other raw materials and fabricated or manufactured components;

- staff costs, including salaries and benefits for personnel directly involved in manufacturing activities;

- depreciation and amortization of property, plant and equipment used for manufacturing purposes;

- costs of finance lease services, including fees, other surcharges and interest related to factoring of receivables under finance lease; and

- others, including manufacturing overhead, such as maintenance of production equipment and utility costs, including electricity, steam and water and costs associated with waste treatment.

The following table sets forth the major components of our cost of sales and services both in absolute terms and as a percentage of our consolidated turnover for the periods indicated:

	E D 31,							N M E 30,				
	2009		2010		2011			2011		2012		
	RMB	%	RMB	%	RMB	$	%	RMB	%	RMB	$	%
					(,			)				
Raw materials	14,281	68.8	20,740	64.5	29,463	4,688	63.7	21,127	63.6	24,286	3,864	62.1
Staff costs	533	2.6	842	2.6	1,047	167	2.3	777	2.3	902	144	2.3
Depreciation and amortization	150	0.7	239	0.7	253	40	0.5	199	0.6	202	32	0.5
Costs of finance lease services	165	0.8	354	1.1	207	33	0.4	181	0.6	34	5	0.1
Others	293	1.4	249	0.8	346	55	0.7	248	0.8	220	35	0.6
Total cost of sales and services	**15,422**	**74.3**	**22,424**	**69.7**	**31,316**	**4,983**	**67.6**	**22,532**	**67.9**	**25,644**	**4,080**	**65.6**

Costs of raw materials, parts and components account for the majority of our cost of sales and services. As a percentage of our consolidated turnover, costs of raw materials, parts and components as well as our staff costs have been relatively stable in 2009, 2010 and 2011. In the nine months ended September 30, 2012, costs of raw materials decreased as a percentage of our consolidated turnover compared with the same period in 2011 as the prices of steel decreased, which was due to the general economic condition in China in 2012.

The following table sets forth the breakdown of our cost of sales and services by our operating segments, and each expressed as a percentage of our segment turnover, for the periods indicated:

	E D 31,							N M E 30,				
	2009		2010		2011			2011		2012		
	RMB	%	RMB	%	RMB	$	%	RMB	%	RMB	$	%
					(,			)				
Concrete machinery	5,115	71.5	9,575	68.0	13,668	2,175	64.4	9,638	64.2	13,316	2,119	62.9
Crane machinery	6,335	76.3	7,995	72.2	11,595	1,845	74.2	8,351	74.5	7,503	1,194	72.6
Environmental and sanitation machinery	824	67.0	1,282	68.4	2,061	328	69.2	1,392	68.5	1,447	230	70.9
Road construction and pile foundation machinery	527	67.0	765	61.4	1,072	170	61.7	802	61.5	629	100	57.9
Earth working machinery	373	83.8	607	78.6	834	133	79.6	744	81.6	1,375	219	78.7
Material handling machinery and systems	787	90.1	390	92.4	453	72	89.9	363	90.1	237	38	88.1
Finance lease services	165	41.6	354	33.9	207	33	13.1	181	16.2	34	5	2.8
Total cost of sales and services of reportable segments	**14,126**	**73.6**	**20,968**	**68.7**	**29,890**	**4,756**	**66.9**	**21,471**	**67.1**	**24,541**	**3,905**	**64.8**
All other segments	1,296	82.3	1,456	87.0	1,426	227	86.8	1,061	86.6	1,103	175	90.5
Total cost of sales and services	**15,422**	**74.3**	**22,424**	**69.7**	**31,316**	**4,983**	**67.6**	**22,532**	**67.9**	**25,644**	**4,080**	**65.6**

Our cost of sales and services as a percentage of our consolidated turnover decreased from 74.3% in 2009 to 69.7% in 2010 and further decreased to 67.6% in 2011. Our cost of sales and services as a

percentage of our consolidated turnover further decreased to 65.6% for the nine months ended September 30, 2012 from 67.9% for the same period in 2011. The fluctuation of cost of sales and services as a percentage of turnover from the sales of our concrete machinery and crane machinery was primarily driven by the change of product mix and fluctuations in selling prices. For example, in 2009, sales of compact truck cranes, which have lower selling prices and lower profit margins, increased in absolute terms and as a percentage of our total sales of crane machinery, due to the global economic downturn that led to a decrease in the number of large-scale construction projects. The increase in sales volume of concrete machinery that is technologically advanced and enjoys higher profit margins led to decreases in cost of sales and services as a percentage of turnover from the sales of our concrete machinery in 2009, 2010 and 2011. In 2011, cost of sales and services as a percentage of our consolidated turnover from the sales of our concrete machinery decreased from 68.0% to 64.4%, mainly because the sales of our advanced truck-mounted concrete pumps with longer concrete placing booms which have higher profit margins, increased in absolute terms and as a percentage of our total sales of concrete machinery. In the nine months ended September 30, 2012, cost of sales and services as a percentage of our consolidated turnover from the sales of our concrete machinery further decreased to 62.9% from 64.2% for the same period in 2011, primarily due to an increase in sales of our advanced truck-mounted concrete pumps with long carbon fiber concrete placing booms that have higher profit margins and a decrease in prices of raw materials. Meanwhile the cost of sales and services as a percentage of our consolidated turnover from the sales of our crane machinery increased from 72.2% for 2010 to 74.2% for 2011, mainly because the sales of our small-capacity tower cranes, which have lower profit margin, increased in absolute terms and as a percentage of our total sales of crane machinery. In the nine months ended September 30, 2012, cost of sales and services as a percentage of our consolidated turnover from the sales of our crane machinery decreased to 72.6% from 74.5% for the same period in 2011, primarily due to an increase in sales of medium- to large-capacity tower crane as a percentage of our total sales of crane machinery and a decrease in prices of raw materials.

Gross Profit

The following table sets forth the gross profit and gross margin breakdown by operating segments, for the periods indicated:

	E D 31,							N M E 30,				
	2009		2010		2011			2011		2012		
	RMB	%	RMB	%	RMB	$	%	RMB	%	RMB	$	%
					(	,		)				
Concrete machinery	2,042	28.5	4,510	32.0	7,544	1,200	35.6	5,371	35.8	7,869	1,252	37.1
Crane machinery	1,963	23.7	3,082	27.8	4,023	640	25.8	2,854	25.5	2,838	452	27.4
Environmental and sanitation machinery	406	33.0	592	31.6	917	146	30.8	641	31.5	593	94	29.1
Road construction and pile foundation machinery	260	33.0	481	38.6	665	106	38.3	502	38.5	458	73	42.1
Earth working machinery ...	72	16.2	165	21.4	214	34	20.4	168	18.4	373	59	21.3
Material handling machinery and systems	86	9.9	32	7.6	51	8	10.1	40	9.9	32	5	11.9
Finance lease services	232	58.4	689	66.1	1,376	219	86.9	935	83.8	1,185	189	97.2
....	**5,061**	**26.4**	**9,551**	**31.3**	**14,790**	**2,353**	**33.1**	**10,511**	**32.9**	**13,348**	**2,124**	**35.2**
Other non-reportable segments	279	17.7	218	13.0	217	35	13.2	164	13.4	116	18	9.5
.....	**5,340**	**25.7**	**9,769**	**30.3**	**15,007**	**2,388**	**32.4**	**10,675**	**32.1**	**13,464**	**2,142**	**34.4%**

Our overall gross margin increased from 25.7% in 2009 to 30.3% in 2010 and further increased to 32.4% in 2011. In the nine months ended September 30, 2012, our overall gross margin increased to 34.4% from 32.1% for the same period in 2011. The fluctuation of gross margin for each segment is directly related to the changes in cost of sales and services as a percentage of consolidated turnover for the respective segment as discussed above.

Other Revenues and Net Income/(Loss)

Other revenues and net income/(loss) include government grants and other income and expenses. Government grants mainly include value-added tax refunds for enterprises located in certain locations and other grants we receive from the PRC government, which resemble government operating subsidies. In 2009, 2010, 2011 and the nine months ended September 30, 2011 and 2012, we recognized government grants in the amount of RMB74 million, RMB70 million, RMB87 million (US$14 million), RMB72 million and RMB52 million (US$8 million) respectively. This has not been and is not expected to be a steady or significant revenue source for us.

Operating Expenses

Our operating expenses include sales and marketing expenses, general and administrative expenses and research and development expenses.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries and benefits for our sales and marketing personnel, commissions paid to third-party dealers, advertising expenses, sales-related travel expenses, transportation expenses and other sales and marketing expenses.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and benefits for our administrative, finance and human resources personnel, fees and expenses of legal, accounting and other professional services, insurance expenses, general and administrative-related travel expenses, depreciation of

from other financial institutions less interest expenses capitalized during construction in progress. Our net finance costs are primarily affected by the outstanding amount of borrowings and applicable interest rates. The interest expense related to factoring of receivables under finance lease is not included in net finance costs but in the costs of finance lease services because it is considered to be a direct cost of our finance lease services.

CRI ICAL ACCO N ING POLICIE AND E IMA E

The discussion and analysis of our financial position and results of operations are based on our consolidated financial statements prepared in accordance with IFRS. Our financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. The estimates and assumptions are based on historical experience and on other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about matters that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Actual results may differ from those estimates as facts, circumstances and conditions change. We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

Impairment of trade receivables

We review trade receivables that are stated at cost or amortized cost at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to our attention about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in equity instrument below its cost.

If objective evidence of impairment exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. We first assess whether objective evidence of impairment exists for financial assets that are individually significant. The assessment is then made collectively for financial assets carried at amortized cost which are not individually significant but share similar credit risk characteristics, and have not been individually

assessed as impaired. We assess future cash flows of financial assets for impairment collectively based on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs could be higher than expected and could significantly affect the results of future periods.

Warranty provision

We make product warranty provision based on our best estimate of the expected settlement under the sales agreements in respect of products sold which are still within the warranty period. The amount of

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

It is difficult to precisely estimate the selling prices of our long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of revenue, amount of operating costs and applicable discount rate. We use all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

Changes in these estimates could have a significant impact on the carrying values of our assets and could result in additional impairment charges or reversals of impairment in future periods.

Depreciation and amortization

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual value, if any. We review the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on our historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Amortization of intangible assets with finite useful lives is recognized on a straight-line basis over the respective intangible assets' estimated useful lives. We review the estimated useful lives annually in order to estimate the amount of amortization expense to be recorded during any reporting period. The estimated useful lives are based on the estimated periods over which future economic benefits will be received by us and take into account the level of expected future competition, the risk of technological or functional obsolescence of its services, and expected changes in the regulatory and social environment. The amortization expense for future periods is adjusted if there are significant changes from previous estimates.

Intangible assets are not amortized while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

A A ION

In 2009, 2010, 2011 and the nine months ended September 30, 2012, we were primarily subject to taxation in the PRC, Hong Kong and Italy.

Taxation in the PRC

Under the EIT Law and its implementation rules that became effective on January 1, 2008, enterprises are typically subject to a uniform tax rate of 25%.

According to the EIT Law and its implementation rules, several of our subsidiaries qualified as high-tech enterprises under the EIT Law and its implementation rules are entitled to a preferential income tax rate of 15%. In 2011, we and certain of our subsidiaries obtained the renewal approval to be qualified as a high-tech enterprise and were consequently subject to a preferential income tax rate of 15% for 2011, 2012 and 2013. Furthermore, under the EIT Law and its implementation rules, a 50% additional tax deduction is allowed for qualified research and development expenses.

In 2009, one of our subsidiaries was recognized as a high-tech enterprise for 2009, 2010 and 2011, and its income tax rate was reduced from 25% in 2008 to 15% for 2009, 2010 and 2011 as a result. Currently, we are in the process of applying for renewal of the qualification.

Taxation in Hong Kong and Italy

Our subsidiaries in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for 2009, 2010, 2011 and the nine months ended September 30, 2012. No provision for the Hong Kong profits tax was made during 2009, 2010 and 2011, as these subsidiaries either derived no income subject to Hong Kong profits tax or sustained tax losses for Hong Kong profits tax purposes during the periods.

Our subsidiaries in Italy, including CIFA and its respective subsidiaries, were subject to income tax at rates ranging from 27.5% to 31.4% for 2009, 2010, 2011 and the nine months ended September 30, 2012.

RE L OF OPERA ION

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Each item has also been expressed as a percentage of our consolidated turnover. Our historical results presented below are not necessarily indicative of future results.

	E D 31,							N M E 30,				
	2009		2010		2011			2011		2012		
	RMB	%	RMB	%	RMB	$	%	RMB	%	RMB	$	%
					(	,		)				
Turnover	20,762	100.0	32,193	100.0	46,323	7,371	100.0	33,207	100.0	39,108	6,222	100.0
Cost of sales and services	(15,422)	(74.3)	(22,424)	(69.7)	(31,316)	(4,983)	(67.6)	(22,532)	(67.9)	(25,644)	(4,080)	(65.6)
G	**5,340**	**25.7**	**9,769**	**30.3**	**15,007**	**2,388**	**32.4**	**10,675**	**32.1**	**13,464**	**2,142**	**34.4**
Other revenues and net income/ (loss)	105	0.5	54	0.2	14	2	—	73	0.2	(122)	(19)	(0.3)
Sales and marketing expenses	(1,250)	(6.0)	(2,146)	(6.7)	(3,160)	(503)	(6.8)	(1,955)	(5.8)	(2,504)	(398)	(6.4)
General and administrative expenses	(878)	(4.2)	(1,645)	(5.1)	(1,861)	(296)	(4.0)	(1,485)	(4.5)	(1,662)	(265)	(4.3)
Research and development expenses	(194)	(0.9)	(265)	(0.8)	(398)	(63)	(0.9)	(241)	(0.7)	(524)	(83)	(1.3)
P	**3,123**	**15.1**	**5,767**	**17.9**	**9,602**	**1,528**	**20.7**	**7,067**	**21.3**	**8,652**	**1,377**	**22.1**
(Loss)/gain on disposal of subsidiaries and associates	(6)	—	—	—	12	2	—	12	—	—	—	—
Net finance costs	(295)	(1.4)	(365)	(1.1)	(36)	(6)	—	(16)	—	(356)	(57)	(0.9)
Share of profits less losses of associates	6	—	14	—	24	4	—	18	—	6	1	—
P	**2,828**	**13.7**	**5,416**	**16.8**	**9,602**	**1,528**	**20.7**	**7,081**	**21.3**	**8,302**	**1,321**	**21.2**
Income tax expense	(409)	(2.0)	(828)	(2.6)	(1,429)	(228)	(3.1)	(1,089)	(3.3)	(1,175)	(187)	(3.0)
P / ..	**2,419**	**11.7**	**4,588**	**14.2**	**8,173**	**1,300**	**17.6**	**5,992**	**18.0**	**7,127**	**1,134**	**18.2**

Nine months ended September 30, 2012 compared to nine months ended September 30, 2011

Turnover. Our turnover increased by 17.8% from RMB33,207 million for the nine months ended September 30, 2011 to RMB39,108 million (US$6,222 million) for the nine months ended

September 30, 2012. The increase was primarily driven by strong market demand for construction machinery and sales of our new products. In particular, turnover from sales of our concrete machinery increased by 41.1% from RMB15,009 million for the nine months ended September 30, 2011 to RMB21,185 million (US$3,371 million) for the nine months ended September 30, 2012. This was mainly due to a significant increase in the sales volume of our advanced truck-mounted concrete pumps with long carbon fiber concrete placing booms for the nine months ended September 30, 2012. Turnover from sales of our crane machinery decreased by 7.7% from RMB11,205 million for the nine months ended September 30, 2011 to RMB10,341 million (US$1,645 million) for the nine months ended September 30, 2012. The decrease was primarily attributable to weaker market demand for truck cranes, which was due to a slower economic growth in China during such period. The decrease in sales of truck cranes was partially offset by an increase in sales of tower cranes, which was primarily attributable to the increase in our penetration into additional markets, particularly the second- and third-tier cities.

Cost of sales and services. Our cost of sales and services increased by 13.8% from RMB22,532 million for the nine months ended September 30, 2011 to RMB25,644 million (US$4,080 million) for the nine months ended September 30, 2012 due to the increase in our sales, resulting from our continued growth and expansion.

Gross profit. As a result of the foregoing, our gross profit increased by 26.1% from RMB10,675 million for the nine months ended September 30, 2011 to RMB13,464 million (US$2,142 million) for the nine months ended September 30, 2012, and our gross margin increased from 32.1% for the nine months ended September 30, 2011 to 34.4% for the nine months ended September 30, 2012, as we continued to optimize our product mix. In particular, the gross margin for our concrete machinery segment, which represented 54.2% of our consolidated turnover for the nine months ended September 30, 2012, increased to 37.1% for the nine months ended September 30, 2012 from 35.8% for the same period in 2011, primarily due to the increase in sales of our truck-mounted concrete pumps with long carbon fiber concrete placing booms which carry higher selling prices and higher profit margins. Gross margin of our crane machinery segment, which represented 26.4% of our consolidated turnover for the nine months ended September 30, 2012, increased to 27.4% for the nine months ended September 30, 2012 from 25.5% for the same period in 2011, primarily due to the decrease in the prices of our raw materials.

Other revenues and net (loss)/income. We recorded other revenues and net loss of RMB122 million for the nine months ended September 30, 2012, while we recorded other revenues and net income of RMB73 million for the nine months ended September 30, 2011. This was primarily due to the expenses we incurred in connection with the sale of certain of our trade receivables in the nine months ended September 30, 2012.

Sales and marketing expenses. Our sales and marketing expenses increased by 28.1% from RMB1,955 million for the nine months ended September 30, 2011 to RMB2,504 million (US$398 million) for the nine months ended September 30, 2012. This increase was primarily due to increases in salaries and benefits to our sales and marketing personnel and expenses related to advertisement and promotion, as we strengthened our sales and marketing effort both in China and overseas. Sales and marketing expenses as a percentage of our consolidated turnover increased from 5.8% for the nine months ended September 30, 2011 to 6.4% for the nine months ended September 30, 2012.

General and administrative expenses. Our general and administrative expenses increased by 11.9% from RMB1,485 million for the nine months ended September 30, 2011 to RMB1,662 million (US$264 million) for the nine months ended September 30, 2012, 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 4.5% for the nine months ended September 30, 2011 to 4.2% in the nine months ended September 30, 2012.

Research and development expenses. Our research and development expenses increased by 117.4% from RMB241 million for the nine months ended September 30, 2011 to RMB524 million (US$83 million) for the nine months ended September 30, 2012. 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, income from operations increased by 22.4% from RMB7,067 million for the nine months ended September 30, 2011 to RMB8,652 million (US$1,377 million) for the nine months ended September 30, 2012. The operating margin increased from 21.3% for the nine months ended September 30, 2011 to 22.1% for the nine months ended September 30, 2012.

Net finance costs. Our net finance costs increased significantly from RMB16 million for the nine months ended September 30, 2011 to RMB356 million (US$57 million) for the nine months ended September 30, 2012, primarily due to an increase in our interests on our loans and borrowings, which was the result of an increase in our average balance of loans and borrowings in the period and a decrease in our net exchange gain.

Income tax expenses. Our income tax expenses increased by 7.9% from RMB1,089 million for the nine months ended September 30, 2011 to RMB1,175 million (US$187 million) for the nine months ended September 30, 2012, primarily as a result of the increase in our taxable income. Our effective income tax rate decreased from 15.4% for the nine months ended September 30, 2011 to 14.2% for the nine months ended September 30, 2012.

Profit for the period. As a result of the above factors, our profit for the period increased by 18.9% from RMB5,992 million for the nine months ended September 30, 2011 to RMB7,127 million (US$1,134 million) for the nine months ended September 30, 2012. Our net margin increased from 18.0% in the nine months ended September 30, 2011 to 18.2% in the nine months ended September 30, 2012.

Year ended December 31, 2011 compared to year ended December 31, 2010

Turnover. Our turnover increased by 43.9% from RMB32,193 million for the year ended December 31, 2010 to RMB46,323 million (US$7,371 million) for the year ended December 31, 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

(US$3,375 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 booms in 2011. Turnover from sales of crane machinery increased by 41.0% from RMB11,077 million in 2010 to RMB15,618 million (US$2,485 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 December 31, 2010 to RMB31,316 million (US$4,983 million) for the year ended December 31, 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 December 31, 2010 to RMB15,007 million (US$2,388 million) for the year ended December 31, 2011, and our gross margin increased from 30.3% for the year ended December 31, 2010 to 32.4% for the year ended December 31, 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 booms, which carry higher selling prices 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 December 31, 2010 to RMB14 million (US$2 million) for the year ended December 31, 2011.

Sales and marketing expenses. Our sales and marketing expenses increased by 47.3% from RMB2,146 million for the year ended December 31, 2010 to RMB3,160 million (US$503 million) for the year ended December 31, 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 6.7% for the year ended December 31, 2010 to 6.8% for the year ended December 31, 2011.

General and administrative expenses. Our general and administrative expenses increased by 13.1% from RMB1,645 million for the year ended December 31, 2010 to RMB1,861 million (US$296 million) for the year ended December 31, 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 December 31, 2010 to 4.0% for the year ended December 31, 2011.

Research and development expenses. Our research and development expenses increased by 50.2% from RMB265 million for the year ended December 31, 2010 to RMB398 million (US$63 million) for the year ended December 31, 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 December 31, 2010 to RMB9,602 million (US$1,528 million) for the year ended December 31, 2011. Our operating margin increased from 17.9% for the year ended December 31, 2010 to 20.7% for the year ended December 31, 2011.

Net finance costs. Net finance costs decreased significantly from RMB365 million for the year ended December 31, 2010 to RMB36 million (US$6 million) for the year ended December 31, 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 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 December 31, 2010 to RMB1,429 million (US$227 million) for the year ended December 31, 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 December 31, 2010 to 14.9% for the year ended December 31, 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 December 31, 2010 to RMB8,173 million (US$1,300 million) for the year ended December 31, 2011. Our net margin increased from 14.2% for the year ended December 31, 2010 to 17.6% for the year ended December 31, 2011.

Year ended December 31, 2010 compared to year ended December 31, 2009

Turnover. Our turnover increased by 55.1% from RMB20,762 million for the year ended December 31, 2009 to RMB32,193 million for the year ended December 31, 2010, primarily due to strong market demand for construction machinery, continuously extended marketing channels and developed new products. We derived the majority of our consolidated turnover from sales of concrete machinery and crane machinery, and the sales volume of which increased in 2010. Turnover from sales of concrete machinery increased by 96.8%, from RMB7,157 million in 2009 to RMB14,085 million in 2010, which was mainly attributed to increased sales volume of truck-mounted concrete pumps and concrete mixing plants. Turnover from sales of crane machinery increased by 33.5% from RMB8,298 million in 2009 to RMB11,077 million in 2010.

Cost of sales and services. Our cost of sales and services increased by 45.4% from RMB15,422 million for the year ended December 31, 2009 to RMB22,424 million for the year ended December 31, 2010, primarily due to an increase in the cost of raw materials. Our expenditures for raw materials, parts and components, the major components of our cost of sales and services, increased by 45.2% for the year ended December 31, 2010, as our sales and production volume continued to increase. Cost of sales and services as a percentage of our consolidated turnover decreased from 74.3% in 2009 to 69.7% in 2010. The fluctuation of such ratios for concrete machinery and crane machinery was primarily driven by changes in product mix and fluctuation in selling prices. In 2010, cost of sales and services as a percentage of turnover from sales of concrete machinery decreased from 71.5% to 68.0%, and the ratio for crane machinery decreased from 76.3% to 72.2%, which was mainly due to (i) increased sales volume of certain technologically advanced models of truck-mounted concrete pumps, and (ii) increased sales generated from high value-added products such as heavy-duty cranes, which drove the increase in the gross margin.

Gross profit. As a result of the foregoing, our gross profit increased by 82.9% from RMB5,340 million for the year ended December 31, 2009 to RMB9,769 million for the year ended December 31, 2010, and our gross margin increased from 25.7% for the year ended December 31, 2009 to 30.3% for the year ended December 31, 2010 primarily due to our efforts to optimize product mix and improve manufacturing efficiency. In particular, the gross margin for concrete machinery and crane machinery, which in aggregate represented 78.2% of our consolidated turnover in the year ended December 31, 2010, increased to 32.0% and 27.8%, respectively, for the year ended December 31, 2010 from 28.5% and 23.7%, respectively, for the year ended December 31, 2009.

Other revenues and net income. Our other revenues and net income decreased by 48.6% from RMB105 million for the year ended December 31, 2009 to RMB54 million for the year ended December 31, 2010, primarily due to a decrease in other income and an increase in loss on disposal of property, plant and equipment.

Sales and marketing expenses. Our sales and marketing expenses increased by 71.7% from RMB1,250 million for the year ended December 31, 2009 to RMB2,146 million for the year ended December 31, 2010. This increase was primarily due to our increased salaries and benefits paid to the sales and marketing personnel and expenses related to advertisement and promotion, attributable to our expanded distribution network and strengthened sales and marketing efforts. Sales and marketing expenses as a percentage of our consolidated turnover increased from 6.0% for the year ended December 31, 2009 to 6.7% for the year ended December 31, 2010.

General and administrative expenses. Our general and administrative expenses increased by 87.4% from RMB878 million for the year ended December 31, 2009 to RMB1,645 million for the year ended December 31, 2010. This increase was primarily due to the fact that we expanded the business, which resulted in increases in salaries and benefits to staff. The increase in general and administrative expenses was also attributable to an impairment loss of RMB258 million, which consisted primarily of provision for doubtful debts because of the increased trade receivable balance and certain debtors were specifically determined to be impaired during the year. General and administrative expenses as a percentage of our consolidated turnover increased from 4.2% for the year ended December 31, 2009 to 5.1% for the year ended December 31, 2010.

Research and development expenses. Our research and development expenses increased by 36.6% from RMB194 million for the year ended December 31, 2009 to RMB265 million for the year ended December 31, 2010, as we continued to enhance our research and development efforts. Research and development expenses remained stable as a percentage of our consolidated turnover, and accounted for 0.9% and 0.8% of our consolidated turnover for the years ended December 31, 2009 and 2010, respectively.

Profit from operations. As a result of the fored2(f)-12(0.8%)0TDnd 0(lo.f1)0TDpment e 2010.from

Net finance costs. Net finance costs increased by 23.7% from RMB295 million for the year ended December 31, 2009 to RMB365 million for the year ended December 31, 2010, primarily due to increases in interest expenses on long-term loans and exchange losses resulting from depreciation of foreign currencies.

Income tax expenses. Our income tax expenses increased by 102.4% from RMB409 million for the year ended December 31, 2009 to RMB828 million for the year ended December 31, 2010, primarily as a result of an increase in our taxable income. Our effective income tax rate increased from 14.5% for the year ended December 31, 2009 to 15.3% for the year ended December 31, 2010.

Profit for the year. As a result of the above factors, our profit for the year increased by 89.7% from RMB2,419 million for the year ended December 31, 2009 to RMB4,588 million for the year ended December 31, 2010. Our net margin increased from 11.7% for the year ended December 31, 2009 to 14.2% for the year ended December 31, 2010.

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During 2009, 2010, 2011 and the nine months ended September 30, 2012, 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 September 30, 2012, we had RMB16,594 million (US$2,640 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.

The following table sets forth a summary of our consolidated cash flows for the periods indicated:

	E D 31,				N M 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	$	RMB	RMB	$
			( )				
Net cash (used in) / generated from operating activities	(1,366)	451	1,880	299	914	(3)	—
Net cash used in investing activities	(1,360)	(1,833)	(1,287)	(205)	(1,752)	(1,859)	(296)
Net cash generated from / (used in) financing activities	3,250	16,755	(3,275)	(521)	835	2,449	389
Net increase / (decrease) in cash and cash equivalents	524	15,373	(2,682)	(427)	(3)	587	93
Effect of foreign exchange rate changes	2	(54)	(74)	(12)	(98)	5	1
Cash and cash equivalents at the beginning of the year/period	2,913	3,439	18,758	2,985	18,758	16,002	2,546
Cash and cash equivalents at the end of the year/ period	3,439	18,758	16,002	2,546	18,657	16,594	2,640

Operating Activities

Net cash used in operating activities in the nine months ended September 30, 2012 was RMB3 million (US$477 thousand), derived primarily by deducting from the profit before taxation of

RMB8,302 million (US$1,321 million), adjusted to reflect the interest expense of RMB616 million (US$98 million) and depreciation and amortization of RMB306 million (US$49 million), the following items: (i) an increase in trade and other receivables of RMB8,355 million (US$1,329 million); (ii) an increase in inventories of RMB2,431 million (US$387 million); (iii) an increase in receivables under finance lease of RMB1,922 million (US$306 million); and (iv) income tax payment of RMB1,503 million (US$239 million) and then adding back an increase in trade and other payables of RMB5,068 million (US$806 million).

Net cash generated from operating activities in 2011 was RMB1,880 million (US$299 million), derived primarily by deducting from the profit before taxation of RMB9,602 million (US$1,528 million), adjusted to reflect the interest expense of RMB695 million (US$111 million) and depreciation and amortization of RMB456 million (US$73 million), the following items: (i) an increase in trade and other receivables of RMB5,670 million (US$902 million); (ii) an increase in inventories of RMB965 million (US$154 million); (iii) an increase in receivables under finance lease of RMB3,697 million (US$588 million); and (iv) income tax payment of RMB975 million (US$155 million) and then adding back an increase in trade and other payables of RMB2,689 million (US$428 million).

Net cash generated from operating activities in 2010 was RMB451 million, derived primarily by deducting from the profit before taxation of RMB5,416 million, adjusted to reflect the interest expense of RMB740 million depreciation and amortization of RMB415 million, the following items: (i) an increase in receivables under finance lease of RM7,829 million; (ii) an increase in trade and other receivables of RMB2,371 million; (iii) an increase in inventories of RMB2,416 million; and (iv) income tax payment of RMB519 million and then adding back an increase in trade and other payables of RMB7,083 million.

Net cash used in operating activities in 2009 was RMB1,366 million, derived primarily by deducting from profit before taxation of RMB2,828 million, adjusted to reflect the interest expense of RMB438 million noncash depreciation and amortization of RMB329 million, the following items: (i) an increase in receivables under finance lease of RMB6,096 million; (ii) an increase in trade and other receivables of RMB1,703 million; (iii) an increase in inventories of RMB1,093 million; and (iv) income tax payment of RMB256 million; and then adding back an increase in trade and other payables of RMB4,206 million.

Although our turnover and profits from operations were increasing, we recorded negative net operating cash flow in 2009 and the nine months ended September 30, 2012. This is primarily due to the increase in our product sales using the finance lease payment option in 2009 and the increase in the balance of our trade receivables in the nine months ended September 30, 2012, which was primarily attributable to an increase in sales of products with installment payment options, both in absolute terms and as a percentage of our total product sales.

A primary factor affecting our operating cash flows is the timing of customer and vendor payments in the ordinary course of business. Our trade and other receivables and inventories increased during 2009, 2010, 2011 and the nine months ended September 30, 2012 as our sales and production volumes continued to grow. While the increase in balances of trade and other receivables had a negative impact on our operating cash flow, the impact was partially compensated for by the increase in our trade and other payables as our purchase of raw materials, parts and components increased in connection with the

expansion of our sales and production and we managed to obtain longer credit terms from suppliers. In 2009, 2010, 2011 and the nine months ended September 30, 2012, our product sales under finance lease arrangement were RMB7,463 million, RMB9,720 million, RMB15,586 million (US$2,480 million) and RMB11,925 million (US$1,897 million), which accounted for 36.6%, 31.2%, 34.8% and 31.5% of our total product sales in the respective periods. For sales under the finance lease arrangement, proceeds from sales of our products are collected in monthly payments over the lease terms, which generally range from two to four years. Therefore, during the above periods where our finance lease business was in a high growth stage, the balance of our receivables under finance lease increased significantly, and our operating cash flow was negatively impacted. In 2009, 2010, 2011 and the nine months ended September 30, 2012, our product sales with installment payment options were RMB2,666 million, RMB5,090 million, RMB8,839 million (US$1,406 million) and RMB10,355 million (US$1,648 million), which accounted for 13.1%, 16.3%, 19.8% and 27.3% of our total product sales in the respective period. The strong increase in sales of our products with installment payment options in the nine months ended September 30, 2012 both in absolute terms and as a percentage of our total product sales was due to the general economic condition in China. In 2012, the economic growth in China slowed down and resulted in a decrease in the purchasing power of our customers, who in turn preferred to use installment payment options instead of making full payment when purchasing products from us.

In order to obtain cash to fund our operations, we factored a portion of our receivables under finance lease to banks. The cash proceeds we obtained from banks through factoring of receivables under finance lease with recourse terms in 2008, 2009 and the first three quarters of 2010 were presented as cash flow from financing activities as the conditions for de-recognition of the financial assets were not met, because we did not transfer substantially all the risks and rewards of ownership of the receivables under finance lease that were factored to banks with recourse under the terms of the factoring agreements. In 2009 and 2010, we obtained net cash of RMB3,501 million, RMB4,377 million, respectively, through factoring of receivables under finance lease with recourse terms. We did not factor our receivables under finance lease with recourse terms in 2011. Beginning in the fourth quarter of 2010, we have increased the use of non-recourse factoring terms that meet the conditions for de-recognition of financial assets to obtain cash. As a result, the cash proceeds obtained through such non-recourse factoring terms were presented as cash flow from operating activities. In 2010, 2011 and the nine months ended September 30, 2012, we factored RMB714 million, RMB12,258 million (US$1,950 million) and RMB11,538 million (US$1,836 million) of receivables under finance lease to banks without recourse. We plan to continue to factor our receivables under finance lease to banks in the normal course of business, subject to terms offered by banks and our working capital needs. In addition, we aim to take measures to speed up collection of full payment and installment sales accounts receivable such that our operating cash flow will be further improved to fund our operations and future capital commitments. Moreover, we established a collection center at our headquarters and have implemented various measures, including incentive schemes for our personnel responsible for collecting receivables.

Going forward, we plan to prudently manage the growth of our finance lease business, which is expected to be in proportion to the growth of our underlying business. Therefore, we expect sales of our products under finance lease arrangement as a percentage of our consolidated turnover to remain stable in the future. In addition, we will carefully monitor the expansion of our finance lease services as compared to the growth of our underlying business and continue to strictly follow our risk management policy and measures in place (including pre-lease investigation, lease approval procedure, lease payment collection and management as well as repossession and subsequent sale of repossessed

machinery and forfeiture of related customer deposits in case of customer default), which we will continue to update based on stringent risk management principles, performance of our underlying business, relevant laws and regulations and prevailing market conditions. For a detailed description of the regulatory regime of the financial lease industry in China, please see "Regulatory Overview — Regulations as to Finance Lease Industry."

For a discussion of the potential risks associated with our finance lease business and the various payment options we provide with our customers, see "Risk Factors — Risks Related to Our Company — We provide our customers with various payment options, including installment payment options, financial guarantees and finance lease services, which expose us to additional risks and uncertainties." and " — We recorded negative operating cash flow in 2009 and the nine months ended September 30, 2012 and there can be no assurance that we will record positive operating cash flow in the future." To manage the risks associated with our finance leases, we established a risk control committee. In May 2012, in view of the general economic condition in China, we strengthened our risk management and collection efforts. We established a risk management committee at our headquarters to replace the risk control committee for finance lease services. The newly-established risk management committee is chaired by Dr. Sun Changjun and comprises a number of our senior management, including Dr. Su Yongzhuan, Ms. Hong Xiaoming and Mr. Guo Xuehong. We have also appointed an internal control director to oversee and supervise our risk management practices. Meanwhile, we expect that our customers' preference with respect to payment options will continue to be affected by the general economic condition in China. In response to the continued increase in the sales of our products with installment payment options, we have strengthened our collection efforts and tightened our credit policies. Going forward, we will continue to maintain a robust risk management system to minimize our credit risks and enhancing our liquidity.

Investing Activities

Net cash used in investing activities in the nine months ended September 30, 2012 was RMB1,859 million (US$296 million), consisting primarily of payments for the purchase of property, plant and equipment of RMB1,334 million (US$212 million) and an increase in pledged bank deposits of RMB455 million (US$72 million). Payments for the purchase of property, plant and equipment were related to our industrial parks and factories construction and manufacturing facility upgrades and renovation projects in 2012. The value of pledged bank deposits increased as we increased the use of bills to pay our suppliers for raw materials, parts and components and the use of financial guarantees.

Net cash used in investing activities in 2011 was RMB1,287 million (US$205 million), consisting primarily of payments for the purchase of property, plant and equipment of RMB1,210 million (US$193 million) and lease prepayments for land of RMB260 million (US$41 million), offset by interest on bank deposits of RMB214 million (US$34 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.

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

deposits of RMB773 million, and lease prepayments of RMB236 million. Payments for the purchase of property, plant and equipment and lease prepayments were related to our industrial parks construction

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As of September 30, 2012, our commitments consisted of capital commitments that have been authorized and contracted for in the amount of RMB544 million (US$87 million) and capital commitments that have been authorized but not contracted for in the amount of RMB1,976 million (US$314 million), and operating lease commitments of RMB289 million (US$46 million), of which RMB96 million (US$15 million) was payable within one year.

As of September 30, 2012, we had contingent liabilities of RMB11,709 million (US$1,863 million) in

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The table below sets forth the details of our current assets and liabilities at the end of each reporting period:

	A D 31,				A 30,	
	2009	2010	2011		2012	
	RMB	RMB	RMB	$	RMB	$
			( )			
C A						
Inventories	6,272	8,678	9,656	1,536	12,088	1,923
Trade and other receivables	6,265	8,260	13,614	2,166	19,503	3,103
Receivables under finance lease	3,283	6,397	7,089	1,128	7,985	1,271
Pledged bank deposits	755	1,577	1,481	236	1,569	250
Cash and cash equivalents	3,439	18,758	16,002	2,546	16,594	2,640
	20,014	**43,670**	**47,842**	**7,612**	**57,739**	**9,187**
C L						
Trade and other payables	10,632	17,203	19,314	3,073	24,949	3,970
Loans and borrowings	8,553	8,107	6,049	962	9,263	1,474
Income tax payable	283	757	1,289	206	1,000	159
	19,468	**26,067**	**26,652**	**4,241**	**35,212**	**5,603**
N	**546**	**17,603**	**21,190**	**3,371**	**22,527**	**3,584**

Our net current assets increased from RMB21,190 million (US$3,372 million) as of December 31, 2011 to RMB22,527 million (US$3,584 million) as of September 30, 2012, primarily due to an increase in our trade and other receivables, inventories and receivables under finance lease, partially offset by an increase in our trade and other payables and loans and borrowings. 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.

Our net current assets increased from RMB17,603 million as of December 31, 2010 to RMB21,190 million (US$3,372 million) as of December 31, 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.

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

Our future cash requirements will depend on many factors, including our operating income, costs to establish additional sales and service centers, market acceptance of our products and services or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash to repay existing debt obligations or to re-finance our existing debts or due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our shareholders' interests in our Company. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

As of September 30, 2012, our outstanding short-term loans and borrowings, including the current portion of long-term loans and borrowings, amounted to RMB9,263 million (US$1,474 million). The following table is a summary of our short-term and long-term loans and borrowings at the end of each reporting period:

	A D		31,		A	30,
	2009	2010	2011		2012	
	RMB	RMB	RMB	$	RMB	$
			(	)		
C						
Secured short-term bank loans	2,530	23	309	49	32	5
Unsecured short-term bank loans	3,726	4,211	4,490	714	6,046	962
Current portion of long-term bank loans	2,297	3,873	1,250	199	3,185	507
	8,553	**8,107**	**6,049**	**962**	**9,263**	**1,474**
N -						
Secured long-term bank loans	4,515	5,534	2,036	324	1,473	234
Unsecured long-term bank loans	2,313	4,938	5,210	829	6,795	1,081
Unsecured bond	1,090	1,091	1,093	174	1,094	174
Guaranteed senior notes	—	—	—	—	2,483(1)	395
Less: Current portion of long-term bank loans	(2,297)	(3,873)	(1,250)	(199)	(3,185)	(507)
	5,621	**7,690**	**7,089**	**1,128**	**8,660**	**1,378**

(1) Representing the US$400 million of outstanding principal amount of the 2017 Notes, excluding the offering expenses and discounts related to the 2017 Notes of approximately US$8 million that will be amortized (and thereafter reflected as liabilities) over the tenor of the 2017 Notes.

As of September 30, 2012, our US dollar denominated unsecured short-term loans with an aggregate outstanding principal amount of RMB507 million (US$81 million) and our US dollar denominated unsecured long-term loans with an aggregate outstanding principal amount of RMB970 million (US$154 million), subject us to certain financial covenants. See "Description of Other Material Indebtedness." In 2009, 2010, 2011 and the nine months ended September 30, 2012 and as of the date of this offering memorandum, we were in compliance with those financial covenants. If we fail to

comply with such financial covenants and do not obtain a waiver from the lending bank, we could be required to repay the bank loan immediately and our liquidity could be adversely affected.

On April 5, 2012, we issued the 2017 Notes in the principal amount of US$400 million through the Issuer. Interests on the 2017 Notes are payable semi-annually in arrears in April and October of each year. See "Description of Other Material Indebtedness — Guaranteed Senior Notes".

In 2009, 2010, 2011 and the nine months ended September 30, 2012, our credit lines from various financial institutions amounted to RMB29.3 billion, RMB65.1 billion, RMB116.1 billion (US$19 billion and RMB136.7 billion (US$22 billion), respectively. As of September 30, 2012, approximately RMB76.8 billion (US$13 billion) of our credit lines from 40 domestic and foreign financial institutions remained unused. In addition, 11 domestic financial institutions had granted us an aggregate of RMB28.1 billion (US$4 billion) of credit lines under the non-recourse factoring arrangements in the same period, of which RMB7.4 billion (US$1 billion) remained unused as of September 30, 2012.

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Inventory Analysis

Inventories are one of the principal components of our current assets. We typically keep higher levels of inventories of certain imported parts and components for which the supply may become limited. For finished goods, we determine the level of inventories based on our prediction of future market conditions. We believe maintaining appropriate levels of inventories for both raw materials and finished goods can help us manufacture and deliver our products without disruption to meet changes in market demand without straining our liquidity.

The following table is a summary of our balance of the carrying value of our inventories at the end of each reporting period:

	A D 31,				A 30,	
	2009	2010	2011		2012	
	RMB	RMB	RMB	$	RMB	$
			( )			
Raw materials	3,055	3,706	4,762	757	5,570	886
Work in progress	1,620	2,122	1,691	269	2,259	359
Finished goods	1,597	2,850	3,203	510	4,259	678
	6,272	**8,678**	**9,656**	**1,536**	**12,088**	**1,923**

The carrying value of our inventories increased by 38.4% from RMB6,272 million as of December 31, 2009 to RMB8,678 million as of December 31, 2010, by 11.3% to RMB9,656 million (US$1,536 million) as of December 31, 2011 and by 25.2% to RMB12,088 million (US$1,923 million) as of September 30, 2012. The increases in carrying value of our inventories were outpaced by the increases in our turnover for 2010 and 2011 because we were able to sell more machinery products as a result of the strong market demand. As of December 31, 2009, 2010 and 2011 and September 30, 2012, our inventories accounted for approximately 31.3%, 19.9%, 20.2% and 20.9% of our total current assets, respectively.

The following table sets forth our inventory turnover days for the periods indicated:

	E D 31,			N M E 30,
	2009	2010	2011	2012
Inventory turnover days[1]	135	122	107	116

(1) Inventory turnover days equal the average inventory balance divided by cost of sales and services and multiplied by 365 days, or 273 days for the nine months ended September 30, 2012. Average inventory balance is calculated as the simple average of the opening and closing inventory balances as of each reported balance sheet date.

Our inventory turnover days decreased from 135 days for the year ended December 31, 2009 to 122 days for the year ended December 31, 2010 and further decreased to 107 days for the year ended December 31, 2011, primarily due to the stronger market demand for our construction machinery products, our ability to sell more finished goods and our continued efforts to control the level of inventory by implementing an optimized production and procurement plan. For the nine months ended September 30, 2012, our inventory turnover days remate1cs2(r)8(ays)-420i06gnvenei,fJ2-1.37-516.2(ms)-290ate2(pr

As part of our ongoing control procedures, we monitor the creditworthiness of customers to which we grant credit in the normal course of business. Credit terms normally range from one to three months from the date of billing, except that for certain products, customers are allowed to withhold retention money amounting to 5% to 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. We allow certain customers with appropriate credit standing to make payments in installments over a period of up to 36 months. As of December 31, 2009, 2010, 2011 and September 30, 2012, our trade receivables due after one year amounted to RMB229 million, RMB585 million, RMB912 million (US$145 million) and RMB3,405 million (US$542 million), respectively.

Our net trade receivables increased by 37.3% from RMB5,061 million as of December 31, 2009 to RMB6,947 million as of December 31, 2010, by 66.4% to RMB11,563 million (US$1,840 million) as of December 31, 2011, and further increased by 69.0% to RMB19,536 million (US$3,108 million) as of September 30, 2012 as our sales continued to increase. The significant increase in our trade receivables in the nine months ended September 30, 2012 was primarily due to an increase in our sales with installment payment options both in absolute terms and as a percentage of our consolidated turnover. Meanwhile, we typically strengthen our collection efforts during the fourth quarter of a year.

The following table sets forth the turnover days of our trade receivables for the periods indicated:

	E D 31,			N M E 30,
	2009	2010	2011	2012
Trade receivables turnover days[1]	82	73	77	109

(1) Trade receivables turnover days equal the average balance of trade receivables divided by our consolidated turnover and multiplied by 365 days, or 273 days for the nine months ended September 30, 2012. Average balance of trade receivables is calculated as the simple average of the opening and closing trade receivable balances as of each reported balance sheet date.

Our trade receivables turnover days decreased from 82 days for the year ended December 31, 2009 to 73 days for the year ended December 31, 2010 as a result of our enforcement of a more stringent collection policy. Our trade receivables turnover days increased to 77 days for the year ended December 31, 2011, as we extended the credit period for certain customers that have better credit rating and repayment ability. For the nine months ended September 30, 2012, our trade receivable turnover days increased to 109 days as our sales with installment payment options increased both in absolute terms and as a percentage of our consolidated turnover, which in turn resulted in the increase in our trade receivables outpacing the growth of our consolidated turnover. In addition, a portion of our trade receivables at the end of the third quarter is typically collected during the fourth quarter, as we typically strengthen our collection efforts during the fourth quarter.

The following table sets out the aging analysis of our trade receivables (net of allowance for doubtful debts) as of December 31, 2009, 2010 and 2011 and September 30, 2012:

	A D 31,				A 30,	
	2009	2010	2011	2011	2012	
	RMB	RMB	RMB	$	RMB	$
			(	)		
Within 1 month	2,133	2,642	4,547	724	5,617	893
Over 1 month but less than 3 months	382	921	2,362	376	5,215	830
Over 3 months but less than 1 year	1,427	2,403	3,401	541	6,821	1,085
Over 1 year but less than 2 years	931	772	932	148	1,443	230
Over 2 years but less than 3 years	161	174	249	40	313	50
Over 3 years	27	35	72	11	127	20
_	**5,061**	**6,947**	**11,563**	**1,840**	**19,536**	**3,108**

We review trade receivables on a quarterly basis to determine whether there is objective evidence of impairment. Impairment losses in respect of trade receivables are recorded using an allowance account, unless we conclude that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. Subsequent recoveries of amounts previously charged to the allowance account will be reversed. Changes in the allowance account are recognized in profit or loss.

In addition to the trade debtors that were individually determined to be impaired when objective evidence of impairment exists and where a corresponding specific provision was made, collective loss allowances were also made according to management's assessment at the balance sheet date based on risk characteristics of the asset group, aging profile, customer credit-worthiness and historical write-off experience for assets with credit risks similar to the collective asset group. For detailed accounting policies for the impairment loss of trade receivables, see "— Critical Accounting Policies and Estimates".

The following table sets out the movement in our allowance for doubtful debts for the periods indicated:

	A D 31,				A 30,	
	2009	2010	2011	2011	2012	
	RMB	RMB	RMB	$	RMB	$
			(	)		
Balance as of January 1	(255)	(340)	(557)	(88)	(533)	(85)
Impairment losses recognized	(87)	(258)	3	—	(213)	(34)
Uncollected amounts written off	2	41	21	3	7	1
B_ _ _ D 31/ 30	**(340)**	**(557)**	**(533)**	**(85)**	**(739)**	**(118)**

The increase in our allowance for doubtful debts in 2009 and 2010 was due to increases in our trade receivables during the respective years. In 2010, we made additional provision for certain debtors which were specifically determined to be impaired during the year. In 2011, our allowance for doubtful debts decreased as we updated our assessment on provisions for impairment of trade receivables based on more recent financial and operating data. In the nine months ended September 30, 2012, our allowance for doubtful debts increased as the balance of our trade receivables continued to increase.

Receivables under Finance Lease Analysis

The following table sets forth our receivables under finance lease at the end of each reporting period:

	A D 31,				A 30,	
	2009	2010	2011	2011	2012	
	RMB	RMB	RMB	$	RMB	$
			( )			
Gross investment	9,190	17,841	22,135	3,522	24,387	3,880
Unearned finance income	(847)	(1,669)	(2,126)	(338)	(2,367)	(377)
	8,343	16,172	20,009	3,184	22,020	3,503
Less: provision for impairment	—	—	(140)	(23)	(229)	(35)
Less: amounts due after one year	(5,060)	(9,775)	(12,780)	(2,033)	(13,806)	(2,197)
Amounts due within one year	3,283	6,397	7,089	1,128	7,985	1,271

We receive the proceeds from our sales of products under finance lease arrangement through monthly installments. The minimum lease payments to which we are entitled but have not yet received under the finance lease contracts are accounted for as receivables under finance lease. Our receivables under finance lease represent gross investment by us less unearned finance income. The finance lease contracts we enter into are typically for a term of two to four years, with an option to our customers to acquire the leased assets at a nominal price at the end of the lease term. The effective interest rate under our finance lease contracts is affected by the prevailing interest rate in China, and was approximately 8% per annum as of September 30, 2012. The following table sets forth our minimum lease payment receivables under the finance lease contracts of the end of each reporting period:

	A D 31,				A 30,	
	2009	2010	2011	2011	2012	
	RMB	RMB	RMB	$	RMB	$
			( )			
Within 1 year	3,761	7,338	8,163	1,299	9,323	1,484
Over 1 year but less than 2 years	2,917	6,168	6,971	1,109	7,130	1,134
Over 2 years but less than 3 years	1,961	3,331	4,496	715	4,729	752
Over 3 years	551	1,004	2,505	399	3,205	510
	9,190	**17,841**	**22,135**	**3,522**	**24,387**	**3,880**

The carrying value of receivables under finance lease continued to increase in 2009, 2010, 2011 and the nine months ended September 30, 2012, mainly because the sales of our products under finance lease arrangement increased in absolute amount in 2009, 2010, 2011 and the nine months ended September 30, 2012, and the outstanding payments under finance leases continued to accumulate. In addition, the carrying value of receivables under finance lease due within one year increased throughout 2009, 2010, 2011 and the nine months ended September 30, 2012 as a result of the increase in sales of machinery products sold under finance lease arrangement in the previous periods. In the nine months ended September 30, 2012, we factored RMB11,538 million (US$1,836 million) of our receivables under finance lease without recourse terms. As a result, the increase in sales under our finance lease arrangement outpaced the increase in outstanding balance of our receivables under finance lease. As we aim to increase the sales of machinery products through other payment methods, including financial guarantees, we expect the sales of our products under finance arrangement to remain relatively stable as a percentage of our total sales of products.

We monitor credit risk associated with our finance leases through various control measures. We perform individual credit evaluations with respect to each finance lease contract and our risk control committee is responsible for the establishment of credit risk management policies, supervision of the implementation of such policies and determination of the key terms of the finance lease contracts, including interest rate, lease period and percentage of deposit. In the nine months ended September 30, 2012, we made a provision for impairment of RMB229 million (US$36 million) in respect of receivables under finance lease. In 2009, 2010, 2011 and the nine months ended September 30, 2012, the amounts of overdue receivables under finance lease were RMB94 million, RMB422 million, RMB464 million (US$74 million) and RMB1,554 million (US$247 million), respectively. In the nine months ended September 30, 2012, our overdue receivables under finance lease increased significantly primarily due to the slowdown in economic growth in China, which resulted in pressure on the liquidity of our customers. In response to the increase in the overdue receivables under finance lease,

(US$790 million) as of December 31, 2011 to RMB6,975 million (US$1,110 million) as of September 30, 2012. The increase in our bills payable during 2009 and 2010 was the result of an increase in our use of bills as a payment method to our suppliers. Due to the low discount rates of bills and our purchasing power, our suppliers of raw materials, parts and components are willing to receive bills as a payment method and grant us a longer credit period. In 2011, as we increased our receivable collection efforts, we decreased the use of bills as a payment method, which led to a decrease in our bills payable. In the nine months ended September 30, 2012, we increased the use of bills as payment method in response to the prevailing market condition.

The following table sets forth our trade and bill payables turnover days for the periods indicated:

	E D 31,			N M E 30,
	2009	2010	2011	2012
Trade and bills payable turnover days[1]	153	167	142	146

(1) Trade and bills payables turnover days equal the average balance of trade and bill payables divided by cost of sales and services and multiplied by 365 days , or 273 days for the nine months ended September 30, 2012. Average balance of trade and bill payables is calculated as the simple average of the opening and closing trade and bill payable balances as of each reported balance sheet date.

Our trade and bills payable turnover days increased from 153 days for the year ended December 31, 2009 to 167 days for the year ended December 31, 2010, as we increased the use of bills as a payment method, and were granted a longer credit period of up to nine months for the use of bills. Our trade and bills payable turnover days decreased to 142 days for the year ended December 31, 2011 as we shortened the payment periods to our suppliers in order to secure sufficient supply of parts and components. For the nine months ended September 30, 2012, our trade and bills payable turnover days remained relatively stable at 146 days.

The following table sets out the aging analysis of our trade creditors and bills payable at the end of each reporting period:

	A D 31,				N M E 30,	
	2009	2010	2011	2011	2012	
	RMB	RMB	RMB	$	RMB	$
			( )			
Due within 1 month or on demand	1,901	4,640	4,974	791	4,846	771
Due after 1 month but within 3 months	2,105	3,567	3,938	627	5,407	860
Due after 3 months but within 6 months	2,238	3,067	2,496	397	4,418	703
Due more than 6 months	1,968	1,008	695	110	725	116
	8,212	**12,282**	**12,103**	**1,925**	**15,396**	**2,450**

OFF-BALANCE HEE ARRANGEMEN

Other than disclosed in this offering memorandum, we have not entered into any material off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

RELA ED PAR RAN AC ION

The table below sets forth our transactions with related parties during the periods indicated:

	E D 31,				N M 30,		
	2009	2010	2011	2011	2011	2012	
	RMB	RMB	RMB	$	RMB	RMB	$
				( )			
:							
Sales of products	(4)	(4)	(157)	(25)	2	596	95
Lease of properties and equipment	(3)	—	—	—	—	—	—
Purchase of raw materials and finished goods	10	39	148	24	45	454	72

In 2011 and the nine months ended September 30, 2012, as part of our sales and marketing strategy, we invested in several dealers, including newly-established dealers. These dealers were accounted for as our associated companies. All our sales to such dealers were recorded as sales of products to related parties. All purchases by Beijing Zoomlion Leasing in connection with finance lease arrangement with such dealers' down-stream customers were recorded as purchases from related parties.

We are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and in accordance with the agreements governing such transactions which are comparable to normal commercial terms.

The table below sets forth our balances with related parties during the periods indicated:

	A D 31,				A 30,	
	2009	2010	2011	2011	2012	
	RMB	RMB	RMB	$	RMB	$
			( )			
Amounts due from related parties	29	27	99	16	173	28
Amounts due to related parties	—	12	13	2	20	3

Amounts due from/to related parties arise in our normal course of business and are included in the account captions of trade and other receivables and trade and other payables, respectively. These balances bear no interest, are unsecured and are repayable in accordance with the agreements governing such transactions which are comparable to credit periods with third-party customers/ suppliers.

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Credit Risk

Our credit risk is primarily attributable to bank deposits, trade and other receivables, and receivables under finance leases. The maximum exposure to credit risk is represented by the carrying amounts of these financial assets.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's background and financial strength, past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as the economic environment in which the customer operates. Trade receivables under full payment arrangement are normally due within 1 to 3 months from the date of billing, and an upfront payment ranging from 10% to 30% of the product price is normally required from the customers. For sales under the installment payment method that has a maximum installment payment period of 36 months, customers are required to make an upfront payment ranging from 10% to 40% of the product price. Collateral such as property, machinery or third party guarantees is generally required for customers with lower credit ratings. In addition, credit insurance coverage is required for overseas sales. Certain customers are required to pay by letters of credit. Debtors overdue by 3 months or more are handled by our risk management department, which is responsible for recovering debts through legal and other actions.

In respect of receivables under finance lease, individual credit evaluations are performed which are similar to those of credit and installment sales. A risk control committee for finance lease services was established for the establishment of credit risk management policies, supervision of the implementation of such policies and determination of the key terms of the lease contracts, including interest rate, lease period and percentage of deposit. In May 2012, in view of the general economic condition in China, we have strengthened our risk management and collection efforts. We established a risk management committee at our headquarters to replace the risk control committee for finance lease services. The newly established risk management committee is chaired by Dr. Sun Changjun, and comprised of a number of our senior management. We also appointed an internal control director to oversee and supervise our risk management practices. Our credit review department, legal department, finance department and information technology department are collectively responsible for credit risk management and monitoring of settlement of receivables under finance lease. Our credit risk management procedures include pre-lease investigation, lease approval, lease payment collection and management, as well as repossession and subsequent sale of machinery in case of customer default. Moreover, we established a collection center at our headquarters and have implemented various measures, including incentive schemes for our personnel responsible for collecting receivables.

Bank deposits are placed with financial institutions that have high credit ratings. Given their credit ratings, we do not expect any counterparty to fail to meet its obligations.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. The risk of the industry and country in which customers operate also influences credit risk to a lesser extent. As of December 31, 2009, 2010 and 2011 and September 30, 2012, 1.9%, 1.6%, 1.9% and nil of the total trade and bills receivables was due from our largest customer and 7.3%, 2.0%, 5.7% and 1.5% of the total trade and bills receivables was due from our five largest customers, respectively.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

The following table sets out the remaining contractual maturities as the balance sheet dates of our financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current prevailing rates at the respective balance sheet dates) and the earliest date we would be required to repay them:

	A D 31, 2009					
	C A ,	C C F	1 D	M 1 L 2	M 2 , L 5	M 5
			(RMB)			
Loans and borrowings	14,174	15,158	9,015	3,458	1,491	1,194
Trade and other payables	10,632	10,632	10,632	—	—	—
Other non-current liabilities	684	684	—	159	525	—
	25,490	26,474	19,647	3,617	2,016	1,194
Financial guarantee issued						
Maximum amount guaranteed		3,369	3,369	—	—	—

	A D 31, 2010					
	C A ,	C C F	1 D	M 1 L 2	M 2 , L 5	M 5
			(RMB)			
Loans and borrowings	15,797	16,878	8,650	2,520	4,590	1,118
Trade and other payables	17,203	17,203	17,203	—	—	—
Other non-current liabilities	1,379	1,379	—	387	992	—
	34,379	35,460	25,853	2,907	5,582	1,118
Financial guarantee issued						
Maximum amount guaranteed		7,284	7,284	—	—	—

	A D 31, 2011					
	C A ,	C C F	D	M 1 L 2	M 2 L 5	M 5
			(RMB)			
Loans and borrowings	13,138	13,989	6,487	5,226	2,276	—
Trade and other payables	19,314	19,314	19,314	—	—	—
Other non-current liabilities	1,789	1,829	—	710	1,119	—
	34,241	35,132	25,801	5,936	3,395	—
Financial guarantee issued						
Maximum amount guaranteed		10,726	10,726	—	—	—

Interest Rate Risk

Our exposure to interest rate risk primarily arises from bank deposits, receivables under finance lease, short-term and long-term loans and borrowings. Such financial instruments bearing interest at variable rates and at fixed rates expose our Company to cash flow interest rate risk and fair value interest rate risk, respectively. We have not used any derivative financial instruments to hedge our interest risk exposure. The following table sets out the interest rate profile of our bank deposits, receivables under finance lease and loans and borrowings at the end of each reporting period:

	A D 31,						
	2009		2010		2011		
	%	A , RMB	%	A , RMB	%	A , RMB	$
		(,			)		
F :							
Short-term loans and borrowings	3.8	(4,280)	3.3	(1,234)	4.8	(1,090)	(173)
Long-term loans and borrowings	5.7	(3,320)	6.7	(1,091)	6.1	(1,314)	(209)
		(7,600)		(2,325)		(2,404)	(382)
:							
Pledged bank deposits	0.4	989	0.4	1,762	0.5	1,742	277
Bank deposits	0.4	3,439	0.3	18,756	1.0	16,000	2,546
Receivable under finance lease	8.0	8,343	7.8	16,172	8.0	19,869	3,161
Short-term loans and borrowings	3.5	(4,273)	3.4	(6,873)	4.2	(4,959)	(789)
Long-term loans and borrowings	4.8	(2,301)	3.6	(6,599)	3.9	(5,776)	(919)
		6,197		23,218		26,876	4,276
N		(1,403)		20,893		24,472	3,894

Currency Risk

We are exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, loans and borrowings and cash balances that are denominated in a foreign currency, that is, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily the US dollar, the Japanese Yen, the Euro and the Hong Kong dollar. During 2009, 2010, 2011 and the nine months ended September 30, 2012, we did not conduct material foreign exchange hedging transactions.

The following sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year end for a 5% appreciation in RMB against each of the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive (negative) number below indicates an increase (decrease) in profit for the year or period where the RMB strengthens against the relevant foreign currencies. For a 5% weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit after tax and retained profits.

	E D 31,					
	2009		2010		2011	
	E		E		E	
I /		I /		I /		
	%	RMB	%	RMB		

B INE

O ER IE

We 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. We have one of the most diversified and comprehensive product offerings in China's construction machinery industry. We currently offer more than 900 models of machinery and equipment covering 98 different product types across 13 product lines. Our diversified and comprehensive product offerings position us well to take advantage of the future development of the domestic and overseas construction machinery markets. Moreover, we enjoy a leading market position across all of our core product lines in China, including concrete machinery and crane machinery, as well as our environmental and sanitation machinery lines. Our acquisition of CIFA in 2008 also helped to position us to become a global leading concrete machinery manufacturer by strategically combining our leading market position in the large and fast-growing construction machinery market in China with CIFA's overseas operational and technological capabilities and extensive distribution and service network in Europe.

We currently own and operate a total of 13 specialized industrial parks, of which 12 are located in Hunan Province, Shaanxi Province and Shanghai Municipality, China and one located in Senago, Italy, specializing in the manufacture and assembly of different types of construction machinery. We also operate three specialized factories located in Liaoning Province, Sichuan Province and Guangdong Province, China. Furthermore, we plan to establish another specialized industrial park at Jiangyin, Jiangsu Province and a specialized factory in India through a joint venture with ElectroMech, a leading crane machinery manufacturer in India. These specialized industrial parks and factories allow us to manufacture and assemble different products in order to increase efficiency and enhance product quality. In addition, our large-scale operations enable us to achieve cost-effective manufacturing and maintain a reliable and high-quality supply chain. Our stringent quality control system ensures the high quality of our products, which is evidenced by various domestic and international certifications for our product quality, including the China Compulsory Certifications for product quality and safety from the China Quality Certification Center and the CE Certification for product quality from TüV Rheinland and TüV SüD, independent certification institutions based in Germany.

We market our products globally under our "Zoomlion" and "CIFA" brand names, each of which has strong customer recognition and loyalty because of the track-record of high quality and performance of the products sold under those two brands. Two of our trademarks were recognized as "Well-Known Trademarks" nationwide. Similarly, our "CIFA" brand has enjoyed strong brand recognition in Europe and globally through over 80 years of operational history and is associated with the introduction of the first truck-mounted concrete mixer pumps in the world. Both our Zoomlion line and CIFA line of products are sold through an extensive distribution network in China, covering more than 300 cities and all provinces and autonomous regions in China. We also sell our products to over 120 different countries through an established and extensive overseas distribution and service network. Our strong and established overseas distribution and service network also evidences our established presence in the overseas markets.

We have established a global research and development platform with facilities in China and Italy. We are a leading participant in the establishment of national and industry standards for construction

machinery in China. We have contributed to the establishment of over 170 national and industry standards that are currently in effect, including the first industry standard for truck-mounted concrete pumps in China and the industry standard for chassis specially designed for truck cranes. In addition, our technology center has been jointly accredited as a national technology enterprise center by the NDRC, the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation since 2005. We also own and operate the National Key Laboratory on Key Technologies for Construction Machinery, the only national key laboratory in China's construction machinery industry, as well as the National Engineering Technology Research and Development Center for Concrete Machinery, the only national concrete machinery engineering technology research and development center in the construction machinery industry.

We have experienced significant growth benefiting from China's ongoing urbanization. Our consolidated turnover increased from RMB20,762 million in 2009 to RMB46,323 million (US$7,371 million) in 2011, and our profit for the year increased from RMB2,419 million in 2009 to RMB8,173 million (US$1,300 million) in 2011. In the nine months ended September 30, 2012, our consolidated turnover amounted to RMB39,108 million (US$6,222 million) and our profit for the period amounted to RMB7,127 million (US$1,134 million). Our A Shares have been listed on the Shenzhen Stock Exchange since October 12, 2000 and our H Shares have been listed on the Hong Kong Stock Exchange since December 23, 2010, respectively. On December 11, 2012, our market capitalization was approximately US$10.6 billion.

O R COMPE I I E RENG H

We believe that the following competitive strengths have contributed to our success and will continue to enable us to capitalize on future growth opportunities in the global construction machinery industry.

Leading China-based Construction Machinery Manufacturer with an Established Global Presence and Strong Brand Recognition

We are a leading China-based construction machinery manufacturer that has grown rapidly by capitalizing on China's ongoing urbanization and significant growth in the infrastructure sector. We enjoy a leading market position across substantially all of our core product lines in China, including concrete machinery and crane machinery. According to CCMA, we were the second-largest construction machinery manufacturer in China and the eighth largest construction machinery manufacturer in the world in terms of turnover in 2010. According to China Construction Machinery Magazine, we ranked fifth globally as a manufacturer of mobile cranes, including truck cranes, tyre cranes and crawler cranes, in terms of turnover in 2010. Furthermore, according to CCMA, we ranked first as a manufacturer of medium- to large-capacity tower cranes in terms of turnover in 2010, and second as a manufacturer of truck-mounted and trailer-mounted concrete pumps and truck cranes and fourth in crawler cranes in terms of sales volume in 2009, among all China-based construction machinery manufacturers. We believe our leading position will enable us to continue to capitalize on the rapid economic growth in China in the future.

We believe we are among the first China-based construction machinery manufacturers to have established a global operational and research platform and sales and distribution network. Our products

are currently sold to over 120 different countries through our strong overseas distribution and service network which, as of September 30, 2012, consisted of 52 outlets, 73 service centers and 23 parts and components depots owned and operated by us, as well as 120 outlets, 140 service centers and 60 parts and components depots owned and operated by our 62 third-party dealers. We have also established research and development facilities in China and Italy, which grant us access to advanced technologies and a large pool of highly skilled engineering and technical personnel. CIFA, one of our subsidiaries, is a major global concrete machinery manufacturer based in Italy, as evidenced by its 80 years of history, advanced proprietary technology, including its carbon fiber boom technology, and strong research and development capabilities in the concrete machinery sector. The acquisition of CIFA has enabled us to integrate CIFA's extensive distribution and service network in Europe, its strong research and development capabilities and its proprietary technologies, and helped us become a leading concrete machinery manufacturer in the world. In August 2012, we entered into a framework agreement with ElectroMech, a leading crane machinery manufacturer in India, to establish a subsidiary to manufacture tower cranes, in which we own a 70% interest. We believe that the cooperation with ElectroMech and the establishment of the tower crane factory will enable us to combine the strong local presence of ElectroMech and our expertise in crane machinery to capture the expected growth in demand for crane machinery in India.

We have two widely recognized brands, Zoomlion and CIFA. Our leading market position in the construction machinery industry in China, together with the high quality of our products and advanced technology features have rewarded us with strong recognition of our Zoomlion brand in China. We believe our Zoomlion brand is widely regarded by our Chinese customers as representing innovation, reliability and integrity. Two of our trademarks were recognized as "Well-Known Trademarks" in China. Our Zoomlion brand has also received international recognition as evidenced by the sales and export of our products in certain overseas countries and regions and we believe we are among the first few China-based construction machinery manufacturers to have gained such international recognition. As of September 30, 2012, we maintained 407 trademark registrations of our Zoomlion brand overseas. In addition, our CIFA brand has been a well-recognized brand in the global concrete machinery industry, representing advanced design and technology and our CIFA-branded products have enjoyed a leading global market position. This differentiation in perception enables us to employ a dual-branding strategy, with our Zoomlion-branded products targeting the mid-end and mass markets and our CIFA-branded products targeting the high-end market.

We believe our leading market position in China, our established presence in Asia, Europe and other regions and our strong brand recognition in China and overseas provide us with a solid foundation to establish and strengthen our leading market position in the global construction machinery industry.

Comprehensive Product and Service Offerings and Systematic Solutions

We have one of the most diversified and comprehensive product offerings in China. We currently offer more than 900 models of machinery and equipment covering 98 different product types across 13 product lines, which include concrete machinery, crane machinery, environmental and sanitation machinery, road construction and pile foundation machinery, earth working machinery, material handling machinery and systems and other machinery products, including special vehicles and vehicle axles. Our products are widely utilized in various aspects of infrastructure construction activities in

China. In response to the changing market demand and customer needs, we are also committed to designing and producing new and innovative products. Our broad range of product offerings in and across product lines can satisfy various needs of our customers and are complementary to each other in certain cases, which help us to provide complete and systematic solutions for our customers. For example, in our concrete machinery product line, we offer concrete mixing plants, truck-mounted concrete mixers, concrete pumps and concrete placing booms, thereby satisfying our customers' needs that may arise throughout the full concrete production process, including mixing, transportation, pumping and placing. We believe our diversified and comprehensive product offerings position us well to take advantage of the future development of the domestic and overseas construction machinery markets.

Leveraging our broad range of products offerings, we are able to provide our customers with systematic solutions that can satisfy their specific needs, which have helped and will continue to help establish and maintain strong long-term relationships with such customers, thereby increasing the sales of our products to them. In our concrete machinery product line, we offer concrete mixing plants, truck-mounted concrete pumps, trailer-mounted concrete pumps, truck-mounted concrete mixers and concrete placing booms, which help us provide our clients with systematic solutions catering to their specific needs in construction activities. For example, we were engaged by Changsha Haizhong Concrete Co., Ltd., to provide systematic solutions specifically tailored to its needs and became their major supplier. We believe that our ability to provide systematic solutions tailored to our customers' various needs, combined with our diversified and comprehensive product offerings, allows us to generate more recurring revenues.

In addition, we provide our customers with finance lease services as part of our value-added solutions. Based on an official approval issued by the Ministry of Commerce, or MOFCOM, and the State Administration of Taxation on April 21, 2006, we believe we are among the second group of enterprises, but one of the first group of construction machinery manufacturers, in China that have received licenses to provide finance lease services in the equipment leasing market in China. In addition, we have started extending finance lease services to overseas markets. Our finance lease services provide our customers with more flexible payment options and have helped generate strong customer recognition and loyalty for our products and boost our overall product sales. We believe that we will enjoy a competitive advantage as an early market mover in this field to capture future growth in the promising equipment leasing market in China.

Leading Developer and Setter of Industry Standards in China with Innovation Capabilities

We are the leading institution in developing and setting national and industry standards for construction machinery in China. We have participated in and contributed to the setting of over 170 national and industry standards that are currently in effect, including the first industry standard for truck-mounted concrete pumps in China and the industry standard for chassis specially designed for mobile cranes. Our technology center has been accredited as a national technology enterprise center. We own the National Key Laboratory on Key Technologies for Construction Machinery, the only national key laboratory in the field of construction machinery; and the National Engineering Technology Research and Development Center for Concrete Machinery, the only national concrete machinery engineering technology research and development center in the construction machinery

industry. We believe our active participation in setting industry standards and our nationally accredited research and development laboratories allow us to be an industry leader in addressing prevailing market trends and developing products with industry-leading technologies.

We have strong research and development and innovation capabilities stemming from our historical roots with the Research Institute, a leading state-owned research and development institution for construction machinery in China for over 50 years. In 2009, 2010, 2011 and the nine months ended September 30, 2012, we obtained 71, 152, 231 and 933 patents, respectively. As of September 30, 2012, we held 1,530 effective patents in China. Since we commenced operations, we have brought 78 new types of machinery to the market. In 2009, 2010, 2011 and the nine months ended September 30, 2012, we offered 238, 224, 257 and 161 new models of machinery, respectively. We currently hold numerous world-class core technologies in the construction machinery industry, including our advanced high-pressure concrete pumping technology and our placing boom design, which significantly increase the maximum height our concrete pumps can reach, and our proprietary single-cylinder multi-level telescopic boom design and control technologies, which reduce the weight and increase the reliability and accuracy of the boom for our crane machinery. In addition to the product-specific efforts, we are also committed to the research and development of technologies with general applications across different product lines, such as those relating to welding of high-strength steel, metal structural strength and fatigue resistance, hydraulics and transmission and intelligent control. We are able to leverage the results achieved in such research endeavors to upgrade and enhance the overall performance of our products. In addition, CIFA has leading research and development capabilities in Europe with over 80 years of experience in concrete machinery. We have been selectively applying CIFA's proprietary technologies to our Zoomlion line of concrete machinery. For example, we have introduced the carbon fiber concrete placing boom technology to our truck-mounted concrete pumps, which significantly reduces the weight of the boom and consequently improves its fuel efficiency levels. Our truck-mounted concrete pumps with long carbon fiber concrete placing booms have gained wide market acceptance and have driven the increase in the profitability of our concrete machinery. We have also introduced the K-Tronic electrical control systems, which is capable of coordinating the concrete placing boom and the stabilizer in our concrete machinery products.

We currently employ over 4,200 engineering and technical personnel. We believe our corporate culture of strong commitment to research and development has created a strong degree of employee loyalty from our research and development team. Our core research and development team has 28 chief research personnel who have spent an average of more than ten years with us. We believe our dedicated and stable research and development team and prevailing corporate culture, which fosters an environment of innovation and excellence, will serve as key elements driving our long-term growth.

Highly Competitive Cost Structure and Product Quality Control System

Our large-scale operations enable us to enjoy economies of scale and maintain a reliable, cost-effective manufacturing line and high-quality supply chain. Leveraging our purchasing power, we are able to enter into strategic cooperation framework agreements with certain suppliers of key raw materials, parts and components that are important to our manufacturing process. Such agreements allow us to procure quality raw materials, parts and components at relatively competitive prices on a sustainable basis. In addition, we are able to attract certain suppliers to establish their manufacturing facilities in proximity to our assembly facilities so that we can closely monitor the quality of the parts and

components and minimize the transportation and inventory and storage costs. Through the acquisition of key parts and components manufacturers, we are also able to further secure a stable supply of high quality parts and components.

With a focus on resource integration, our advanced management system helps us achieve optimal resource allocation and highly effective cost control. We have established specialized industrial parks and factories to manufacture and assemble various products to increase efficiency and enhance product quality. To avoid duplication of processing facilities in our different specialized industrial parks and factories, we also group certain pre-assembly processing and treatment steps of the raw materials, parts and components, such as coating, before dispatching to the specialized industrial park for assembly. In addition, we put together our production and procurement plans in accordance with our master production schedule, which allows us to optimize our utilization rates and inventory levels. We have also introduced zero-error management system to reduce inventory level while increasing production efficiency and minimizing losses resulting from product defects.

Through our stringent quality control system, we are able to assure high product quality. We employ standardized work processes and comprehensive quality control systems throughout our supply chain and manufacturing process. This allows us to quickly detect any quality issues, and thereby minimize any associated costs. Our stringent quality control practices are also evidenced by the fact that our products have received various domestic and international certifications from the relevant PRC government agencies and independent international certification authorities, including but not limited to the China Compulsory Certification for product quality and safety from the China Quality Certification Center and the CE certification for product quality from TüV Rheinland and TüV SüD, independent certification institutions based in Germany.

Extensive and Effective Distribution and Service Network Providing Value-added Services

We have established an extensive distribution network in China and an overseas distribution network with wide coverage across the globe. As of September 30, 2012, our distribution and service network in China consisted of 935 outlets, 1,007 service centers and 528 components depots owned and operated by us, as well as 134 outlets, 227 service centers and 148 components depots owned and operated by third-party dealers, covering more than 300 cities and all provinces and autonomous regions in China. Meanwhile, we currently sell our products to over 120 different countries through an extensive overseas distribution network which, as of September 30, 2012, consisted of 52 outlets, 73 service centers and 23 parts and components depots owned and operated by us, as well as 120 outlets, 140 service centers and 60 parts and components depots owned and operated by our 62 third-party dealers.

We utilize different combinations of direct sales outlets and dealers for different types of products and geographic areas to meet local customers' demands and maximize our market penetration. As part of our efforts to integrate resources across different operating segments, since 2008, we have established various all-products sales and service centers in major cities across the key markets where there is strong demand for more than one line of our products and our important customers are located, allowing us to fully leverage our customer relationships and information across our total product portfolio and to cross-sell our products.

We provide comprehensive after-sales services through our outlets and dealers in our distribution network, including various value-added services aimed at lowering costs for our customers and increasing their productivity and operating efficiency. Our value-added services include the provision of on-site technical and product training sessions for the use and maintenance of our products, preventive maintenance and diagnostics, the procuring of product insurance and other necessary certifications, and the remanufacturing of existing products upon a customer's request. We implement a "24 Hours On-call" policy that aims to respond to customers within 24 hours. We also provide on-site consultation support to our customers within two hours for urban areas covered by our service centers.

Proven Ability to Acquire and Integrate Strategic Targets to Augment Our Growth

We have supplemented the organic growth of our business with domestic and overseas strategic acquisitions during the last several years. In order to broaden our product offerings, we have made several acquisitions in China, and we have successfully integrated those businesses into our existing operations and effectively increased their sales and profitability. For example, in 2003, we acquired Hunan Puyuan Construction Machinery Co., Ltd. with its truck crane business. Leveraging our large-scale operations, cost-effective manufacturing facilities and strong research and development capabilities, as evidenced by our active involvement in research projects and national government research and development initiatives since 1999, we were able to strengthen the market positions of those products. Currently, these acquired businesses have become integral parts of our core business and we have achieved a leading market position for those acquired product lines in China. In order to strengthen our global operations and increase our market share in the global concrete machinery market, we acquired CIFA in 2008 and have integrated its businesses into our existing operations. For example, CIFA's research and development capabilities have been integrated into our concrete machinery research and development platform, and certain manufacturing facilities in Changsha, Hunan Province have been used to produce certain components for our CIFA products. In addition, we currently sell our CIFA line of products in China through our extensive distribution network. The CIFA acquisition is the largest outbound acquisition by a Chinese construction machinery manufacturer so far. The integration of CIFA into our business has enabled us to strategically combine CIFA's well recognized brand, global sales and distribution network, innovative technology and experienced management team with our leading market position and our manufacturing expertise in China, thereby strengthening our leading market position in concrete machinery and better positioning us to capture the growth opportunities globally.

With our extensive experience in strategic acquisitions and integration of acquired businesses in China and overseas markets, we have established sound approaches and principles with respect to strategic acquisitions. We focus on domestic targets that can broaden our existing range of products and help us achieve a leading market share for such products, and focus on overseas targets that can further strengthen our existing product offerings and global footprint. Furthermore, we believe that the strong recognition of our Zoomlion and CIFA brands in the overseas markets will give us a competitive edge over other potential bidders and/or buyers for future acquisitions and alliances. We believe that the global construction machinery industry will continue to experience consolidation and, as such, our acquisition principles together with our hands-on experience and proven execution capability will enable us to capitalize on this trend.

Experienced Management Team with Proven Track Record and Strong Corporate Governance

Our management team has in-depth industry knowledge and sector expertise, with an average of approximately 20 years of experience in the construction machinery industry, and has successfully led our operations. Dr. Zhan Chunxin, chairman of our Board of Directors and our chief executive officer, has over 32 years of experience in the construction machinery industry. Dr. Zhan was recognized as a CCTV Economic Figure of 2011. Dr. Zhan was also awarded the 2010 International Leonardo Award, which commends those persons who have made contributions to Italy's economy, culture and technology, in recognition of Zoomlion's acquisition of CIFA. In 2010, Dr. Zhan received the Yuan Baohua Gold Award, the most distinguished award for corporate executives in China from the China Business Administration Science Foundation, a foundation focused on improving business administration and management and corporate governance of Chinese enterprises. In 2005, 2006 and 2009, our Board of Directors received the Golden Roundtable Award, an award for outstanding boards of directors from Directors and Boards, a Chinese magazine focusing on board practices and corporate governance. We believe the industry knowledge, operating experience and technological know-how of our Directors and senior executives provide the strong leadership necessary to sustain our future growth.

We have established a strong corporate culture focused on fostering collaboration, innovation, integrity, transparency, professionalism, excellence, accountability and maintaining strong, long-term customer relationships. We believe that our corporate governance standards and culture will continue to serve as the key elements for the future development of our Company.

O R B INE RA EGIE

We aim to become the largest Chinese construction machinery manufacturer, and one of the top five global construction machinery manufacturers offering comprehensive and diversified products and systematic solutions in different sectors, including construction machinery and various other machinery industries to capitalize on China's increasing trends of urbanization and industrialization, as well as growth opportunities around the world. We intend to achieve this objective by pursuing the following strategies:

Solidify and Strengthen Our Leading Market Position in China

We will continue to solidify and strengthen our leading market position in China's construction machinery industry and capitalize on the expected continued strong economic growth and ongoing urbanization in China. In particular, to further improve our core competence and optimize resource allocation, we will optimize our product focus by further strengthening our core product lines, namely the concrete machinery and crane machinery product lines. We aim to become the largest Chinese construction machinery manufacturer.

We plan to further expand our distribution network in China, particularly in second- and third-tier cities and in the central and western regions, where we believe there will be stronger demand for our products due to the faster rate of urbanization, stronger economic growth and higher expected level of

construction activity in the near to medium term. In particular, we aim to focus our sales and marketing efforts in these markets on concrete machinery and crane machinery. In addition, we plan to form strategic alliances with certain major customers, third-party dealers and finance lease services providers to increase our market share. For example, we will continue to strengthen our relationships with existing third-party dealers and help them to strengthen their after-sale services and quality

We plan to expand our operations internationally through strengthening our overseas distribution and service network and selective strategic acquisitions and alliances with certain overseas targets that (i) can increase the sales of our existing product lines overseas, (ii) can significantly increase the geographic coverage of our distribution and service networks, (iii) have advanced technologies, or (iv) offer products with strong market potential. We believe such strategic acquisition focus will enable us to achieve greater operational synergies.

Enhance Our Global Research and Development Platform and Efforts

We aim to expand our global research and development platform to strengthen our innovation capabilities and integrate our research and development resources across the globe. We aim to focus on establishing additional research facilities in the United States and Europe in the next three to five years, which we believe will provide us with a better understanding of local market demands, better access to advanced technologies and facilities as well as world-class talent. Furthermore, we plan to use CIFA's research center and personnel as a base for growing our research and development capabilities in Europe. The research facility in the United States will focus on concrete machinery and crane machinery, and the one in Europe will focus on crawler cranes, all-terrain truck cranes, truck cranes, derrick cargo trucks and aerial working platforms. We will also consider opportunities to cooperate with certain overseas companies, top universities or independent research facilities. We will introduce those advanced technologies developed by our overseas research facilities into our manufacturing bases in China, enabling us to provide such innovations to our domestic and overseas customers at a more affordable price. For example, we have introduced concrete pumps with carbon fiber booms developed at CIFA's research center to the PRC market.

We will continue to develop new products and additional features in response to changes in customer needs, industry trends and business conditions. We will focus on developing products with better safety and reliability, higher fuel efficiency and larger capacity. In addition, we plan to strengthen our research and development efforts for our key parts and components, including initiatives to improve the quality and standardization levels of the key parts and components used across our product lines, including hydraulic cylinders, hydraulic valves, chassis for concrete pumps and truck-mounted concrete mixers. Furthermore, we will strengthen our research and development initiatives aimed at streamlining our manufacturing and assembly processes.

Continue to Broaden Our Product Offerings and Strengthen Our Manufacturing Capabilities

We are committed to expanding our product offerings in each product line and broadening our coverage in various industries. Below are some examples of the endeavors we plan to undertake:

- In the concrete machinery product line, we will continue to introduce concrete machinery products to satisfy the various needs of customers across the globe by integrating our Zoomlion line of products and our CIFA line of products and leveraging our advanced technology and strong manufacturing capabilities. We will increase our manufacturing capacity for truck-mounted concrete pumps, trailer-mounted concrete pumps, truck-mounted line concrete pumps, truck-mounted concrete mixers and concrete mixing plants.

- In the crane machinery product line, we will continue to optimize our product mix and develop products with higher maximum lifting capacity, and further strengthen our manufacturing capabilities. We are currently upgrading the manufacturing technology and optimizing the manufacturing process of large-capacity crane machinery, including large-capacity truck cranes, crawler cranes and tower cranes. We also plan to develop products suitable for welfare housing.

- In the earth moving machinery product line, we plan to increase our manufacturing capacity in medium- and large-capacity excavators in order to gain a significant market share in China.

- We aim to further expand our product offerings, based on the prevailing industry trends and our strategic targets, into more industries, such as compact multi-functional construction machinery and emergency rescue machinery. We are currently constructing a manufacturing line for emergency rescue machinery, including aerial emergency rescue machinery, road emergency rescue machinery and underground emergency rescue machinery.

We aim to further strengthen our manufacturing capabilities through various optimization measures in order to offer technologically advanced products at a reasonable cost. For example, we are in the process of implementing lean, flexible and zero-defect manufacturing measures so that we can optimize the utilization rates of our production lines and our inventory levels while improving our product quality. We plan to optimize our supply chain management by increasing the in-house manufacturing capability of key parts and components, such as hydraulic pumps, valves and cylinders and chassis by acquiring manufacturers of such key parts and components.

Prudently Manage the Expansion of Our Finance Lease Services

We will continue to prudently manage the expansion of our finance lease services as an alternative payment option. For products that have typically been subject to finance lease services in China, such as concrete machinery and crane machinery, we expect our finance lease services will increase in proportion to the growth of our business. For other products, we intend to begin offering finance lease services as a payment option for our customers. We have obtained the relevant licenses and/or permits to provide finance lease services in the PRC, Hong Kong, Australia, Italy, Russia, United States and South Africa, and we expect to obtain such licenses and/or permits in certain new markets such as Brazil. We believe that the provision of finance lease services will attract potential overseas customers and make our products more competitive in the overseas market.

In view of the potential credit and liquidity risks related to finance lease services, we will carefully monitor the expansion of our finance lease services with the growth of our underlying business, and continue to strictly follow our risk management policy while constantly updating our risk management system and controls, based on stringent risk management principles, performance of our underlying business, relevant laws and regulations, and prevailing market conditions.

O R PROD C

We are engaged in the design, research and development, manufacturing and sale of concrete machinery, crane machinery, environmental and sanitation machinery, road construction and pile foundation machinery, earth working machinery, material handling machinery and systems and other types of machinery products. Since we commenced operations, we have brought 78 new types of machinery to the market. In 2009, 2010, 2011 and the nine months ended September 30, 2012, we offered 238, 224, 257 and 161 new models of machinery, respectively. We currently offer more than 900 models of machinery and equipment covering 98 different product types in 13 product lines which includes more than 200 different concrete and crane machinery products. We will focus on concrete and crane machinery products upon completion of the Disposal. Concrete machinery and crane machinery are our current core product lines, together representing 74.5%, 78.2%, 79.5%, 79.0% and 80.6% of our consolidated turnover in 2009, 2010, 2011 and the nine months ended September 30, 2011 and 2012, respectively. The table below sets forth the breakdown of our consolidated turnover by our major product lines, and each expressed as a percentage of our consolidated turnover, for the periods indicated:

	E D 31,							N M 30,				
	2009		2010		2011			2011		2012		
	RMB	%	RMB	%	RMB	$	%	RMB	%	RMB	$	%
					(,			)				
Concrete machinery . . .	7,157	34.5	14,085	43.8	21,212	3,375	45.8	15,009	45.2	21,185	3,371	54.2
Crane machinery . . .	8,298	40.0	11,077	34.4	15,618	2,485	33.7	11,205	33.8	10,341	1,645	26.4
Environmental and sanitation machinery . . .	1,230	5.9	1,874	5.8	2,978	474	6.4	2,033	6.1	2,040	324	5.2
Road construction and pile foundation machinery . . .	787	3.8	1,246	3.9	1,737	276	3.7	1,304	3.9	1,087	173	2.8
Earth working machinery . . .	445	2.1	772	2.4	1,048	167	2.3	912	2.7	1,748	278	4.5
Material handling machinery and systems	873	4.2	422	1.3	504	80	1.1	403	1.2	269	43	0.7
Other machinery products	1,575	7.6	1,674	5.2	1,643	262	3.5	1,225	3.7	1,219	194	3.1
P , ...	**20,365**	**98.1**	**31,150**	**96.8**	**44,740**	**7,119**	**96.5**	**32,091**	**96.6**	**37,889**	**6,028**	**96.9**

Concrete Machinery

We offer a wide range of concrete machinery used for the production, transportation and laying of concrete in various commercial and residential construction sites and infrastructure projects, primarily including truck-mounted concrete pumps, truck-mounted line concrete pumps, truck-mounted concrete mixers, trailer-mounted concrete pumps, concrete placing booms and concrete mixing plants. Our concrete machinery is comprised of two product lines: Zoomlion and CIFA, the latter of which we acquired in September 2008. Set forth below are pictures and key features of our major concrete machinery products:

P ,	K F _,
, - , C P,	
Zoomlion 	CIFA 
	● Transport and deliver concrete through a hose attached along a folding boom with a jib that can be rotated in various angles and directions. ● 39 models under the Zoomlion brand and 17 models under the CIFA brand with different folding boom lengths, concrete pumping heights and concrete output capacities. ● Enhanced strength and reliability of the folding boom through the use of selected materials combined with our proprietary technology. ● Industry-leading maximum concrete pumping capacity. ● Folding boom length ranging from 22 to 101 meters. ● Industry-leading nominal output capacity ranges from 60 to 200 cubic meters per hour as a result of our proprietary pumping technology. ● Maximum concrete output pressure ranges from 7 to 12 MPa.

P ,	K F _ ,
_ - , C P,	● Deliver and pump concrete.
Zoomlion CIFA  	● Higher maximum concrete delivery height compared with our truck-mounted concrete pumps. ● 19 models under the Zoomlion brand and nine model under the CIFA brand with different concrete output capacity, maximum pressure on concrete and type of driving power. ● Maximum nominal concrete output capacity ranging from 26 to 136 cubic meters per hour. ● Maximum pressure on concrete ranging from 7 to 48 MPa.
C P _ B Zoomlion 	● Used in conjunction with various types of concrete pumps for the delivery and pouring of concrete. ● 10 models under the Zoomlion brand with different mounting structures, folding boom lengths and heights of the placing boom. ● Our line of products includes independent, self-climbing, ship-mounted, tower and special types of concrete placing boom. ● Maximum placing boom length ranging from 16 to 45 meters. ● Maximum height up to 200 meters.

P ,	K F _ ,
C M P _	
Zoomlion 	• We provide the full set of equipment and machinery for concrete mixing plants. We also design the plants and install and commission the equipment, and we are responsible for the actual construction of concrete mixing plants. • Capable of mixing hard concrete, semi-hard concrete, plastic concrete and other kinds of concrete in different ratios. • 52 models under the Zoomlion brand. • Maximum nominal concrete production capacity that ranges from 45 to 300 cubic meters per hour.
, - , C M	
Zoomlion 	• Transport concrete from the concrete mixing plant to the construction site while continuously mixing the concrete during transport. • 41 models under the Zoomlion brand with different mixer drum capacity. • Capacity of mixer drum ranging from 6 to 15 cubic meters.
CIFA 	

P ,

K F _ ,

, - , L C P,

- Our truck-mounted line concrete pumps combine the mobility of our truck-mounted concrete pumps with the broader delivery range of our concrete pumps.
- Four models under the Zoomlion brand.
- Concrete output capacity ranging from 40 to 100 cubic meters per hour.
- Maximum output pressure for concrete that ranges from 10 to 22 MPa.

- B C P,

- Designed for the construc01onstruc01fwith the nd0509Tc (m
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Crane Machinery

We offer truck cranes, crawler cranes and tower cranes. Our truck cranes and crawler cranes are primarily used in the construction, repair and maintenance of infrastructure, buildings and manufacturing facilities to lift and transport equipment and materials. Our tower cranes are stationary and assembled on the construction or work site and are able to carry greater loads and reach greater heights due to increased stability. Set forth below are pictures and key features of our major crane machinery products:

P ,	K F _ ,
, C _ (, _ - _ , _)	
	● Lift through a telescopic boom with an attached scalable jib that can reach varying maximum heights. ● 67 models with different maximum lifting capacities, maximum lifting heights and the maximum load of the boom to meet various construction needs. ● Maximum lifting capacity ranging from 12 to 220 tons. ● Maximum lifting height ranging from 35.8 to 95.8 meters. ● Maximum load ranging from 465.5 to 7,350 KN-m.
	Key features of our all-terrain truck cranes: ● Capable of traveling across rough terrains as well as on roadways as compared with our truck cranes. ● Six models with different lifting capacities, lifting heights and loads. ● Maximum lifting capacity of telescopic boom ranging from 180 to 500 tons. ● Maximum lifting height ranging from 88.5 to 150 meters. ● Maximum load ranging from 6,480 to 17,000 KN-m.

P ,	K F _ ,
C _ C _ 	• Capable of moving materials and equipment on rough or uneven terrain, and are often located for long periods of time on a single construction or work site such as a building site, highway or utility project. • 18 models with a maximum lifting capacity that ranges from 50 to 3,200 tons.
C _ 	• A type of construction machinery used on the long-term construction sites of high-rise buildings, water conservancy projects, railways, nuclear power plants, thermal power plants, hydropower stations and other industries. • Includes a vertical tower with a horizontal jib with a counterweight at the top. On the jib is a trolley which runs a load carrying cable that moves the load along the jib length. • 41 models. • Maximum working radius ranging from 50 to 80 meters. • Maximum load ranging from 804 to 5,316 KN-m.
C , L 	• A type of construction machinery using cages to transport labor and objects up and down along the rails, widely used in construction and building industries. • Total of two major series including SC series of ordinary construction lifts, and SC series of frequency conversion construction lifts. • Rated load ranging from 1000 to 2000 kilograms. • Rated lifting speed ranging from 36 to 100 meters per minute.

Environmental and Sanitation Machinery

Environmental and sanitation machinery is used for the cleaning and maintenance of urban areas as well as processing domestic solid waste. We offer a wide range of environmental and sanitation machinery, including road sweepers, washing vehicles, waste treatment equipment, including garbage compactors and transporting stations, refuse compression and transfer vehicles, sewer dredging maintenance vehicles and snow removal vehicles. Set forth below are pictures and key features of our major environmental and sanitation machinery products:

P ,	K F _ ,
R _ 	● 38 models with various maximum sweeping widths, hopper capacities and sweeping and dust-removal methods employed. ● Sweeping width ranging from 1.2 to 3.6 meters. ● Hopper capacity ranging from 0.7 to 9.5 cubic meters.
_ 	● 23 models with various working width, spraying width and water pressure system used. ● Working width ranging from 2.5 to 3.5 meters. ● Spraying width ranging from 14 to 24 meters.
_ _ **E ,** Complete Equipment for Garbage Compacting and Transporting Station  Snow Removal Vehicle 	● Comprehensive range of waste treatment equipment to provide complete waste treatment systems for our customers. ● Customized design.

P ,	K F _ ,
	● Vertical and horizontal refuse compression collecting and transfer complete equipment for waste treatment stations, with daily processing capacity ranges from 60 to 250 tons per day.
	● 69 models of refuse compression and transfer vehicle.
	● Nine models of kitchen waste disposal system with different processing capacity.
Refuse Compression and Transfer Vehicle 	Sewer Dredging Maintenance Vehicle 
	● Eight models of snow removal vehicle.
	● 14 models of sewer dredging maintenance vehicle.
Kitchen Waste Disposal System 	

Road Construction and Pile Foundation Machinery

We offer a wide range of road construction machinery, including road surface heaters, graders, road rollers, pavers, road surface cold planers and asphalt mixing equipment, used for the construction and maintenance of roads and highways. We also offer pile foundation machinery, which is currently primarily comprised of rotary drilling rigs. Set forth below are pictures and key features of our major road construction and pile foundation machinery products:

P ,	K F _ ,
R _ , _ H _ 	● Used to heat asphalt to a high temperature in order for the asphalt to bind with the other materials used in road pavement. ● Heating width ranges from 2.8 to 4.5 meters.
M G _ 	● Used to create a flat surface during road construction. ● Three models with maximum torque ranging from 701.5 to 946 N-m.
R _ R 	● Four models of double-drum road roller, 17 models of single-drum road roller and three models of tire road roller with different drum width, vibrating power and operation weight.
P_ 	● 24 models with various paving width.
R _ , _ C P _ 	● Used to remove worn or deteriorated pavement to a specified grade and slope that can be opened immediately to traffic or overlay with new asphalt. ● Six different models with various maximum milling width and maximum delivery capacity.

P ,	K F _ ,
A _ M E , 	● Six different models with various production capacity and mixing capacity.
R _ D R 	● 18 models with various maximum drilling depth and maximum drilling diameter. ● Maximum drilling diameter up to 2.8 meters, and maximum drilling depth up to 98 meters. ● Widely used in the ground treatment using pile technique in the foundation construction projects.
, C , , _ _ H _, C _ B, 	● Widely used in the constructions of railway transpirations, transpiration hubs, civil foundation pit protections, water conservancy projects and other infrastructures. ● Five models with different trough diameters and trough depths. ● Maximum trough depth up to 80 meters.

Earth Working Machinery

Earth working machinery is widely used in road construction, mining and other types of construction. Our earth working machinery includes 10 models of medium-to-large-excavators and three models of mini-excavators, two models of loaders with various loading capacity and power, and five models of bulldozers with various maximum net flywheel power, blade lengths and loading capacities. Set forth below are pictures of our major earth working machinery products:

P ,	K F _ ,
E _ _ 	● Used to dig trenches, holes or foundations, handle bulky materials, demolish buildings as well as load and unload mining materials. ● 11 models with output power ranging from 71.4 to 3,448 N-m.

P ,	K F _ ,
	● Six models of mini-excavator meeting the Euro II Emission Standard.
	● Easy to adjust the power output in accordance with different working loads and reduce fuel consumption of the engine.
B, 	● 23 models with different maximum net flywheel power, blade length and loading capacity.
L _ 	● Used to shovel, load and deliver bulky materials. ● Two models with maximum loading capacity of 3.2 cubic meters and maximum designed loading power of 6.5 tons.

Material Handling Machinery and Systems

We are dedicated to the research and development, designing, manufacturing, installation and general contracting of bulk material handling equipment, port automation equipment, lifting equipment and bulk material handling systems. Our primary stand-alone products include: stacker and reclaimers, pipe conveyors, port loading/unloading equipment and portal cranes. Set forth below are pictures of our major material handling machinery products:

_ _ R _

P C

P L _ / _ E ,

P _ C _

Other Machinery Products

We manufacture other types of machinery products, mainly including special vehicles and vehicle axles. Our special vehicles include derrick cargo trucks, aerial working platform vehicles, cable trucks, container cranes, articulated mobile cranes for smaller containers, tyre cranes, reach stackers, road wreckers and roll-off dump trucks. Our axles are widely used for the manufacturing of construction vehicles and commercial vehicles. We currently offer two main types of vehicle axles. We currently offer 14 models of axles for construction vehicles and 46 models of axles for commercial vehicles with various fixed loads. Set forth below are pictures of our major special vehicles and axle products:

D C

A M C C

R

A P R

C H L L D A

MAN FAC RING FACILI IE AND PROCE

Manufacturing Facilities and Production Capacity

We have established specialized industrial parks and factories to manufacture and assemble various products to increase efficiency and enhance product quality. We currently own and operate a total of 13 specialized industrial parks, of which 12 are located in China and one located in Italy. We also operate three specialized factories located in Liaoning Province, Sichuan Province and Guangdong Province, China. Meanwhile, phase two of our Weinan industrial park is expected to be completed and commence production by the end of 2012. In addition, we plan to establish another specialized industrial park at Jiangyin, Jiangsu Province with an approximate gross floor area of approximately 1,730,000 square meters to manufacture and assemble crawler cranes and excavators. We have also entered into a joint venture agreement with ElectroMech, a leading crane machinery manufacturer in India, to establish a subsidiary to manufacture tower cranes, in which we will own a 70%. Furthermore, we plan to establish additional manufacturing facilities in Brazil and Russia. The table below sets forth certain information relating to our existing facilities:

N	L	C D O	A G F A (2)	P ,
Guanxi Industrial Park	Guanxi, Hunan Province, China	August 2008	220,804	Cranes, concrete machinery and others
Lugu Industrial Park	Changsha, Hunan Province, China	August 2005	363,061	Concrete machinery, crawler crane and others
Huayin Industrial Park	Huayin, Shaanxi Province, China	January 2002(1)	126,673	Earth working machinery
Quantang Industrial Park	Changsha, Hunan Province, China	July 1997(2)	175,488	Mobile cranes
Maqiaohe Industrial Park	Wangcheng, Hunan Province, China	November 2007	38,840	Road construction Machinery
Yuanjiang Industrial Park	Yuanjiang, Hunan Province, China	December 2007	52,213	Concrete Machinery
Zoomlion Industrial Park	Changsha, Hunan Province, China	September 1992	42,790	Environmental and sanitation machinery(3)
Songjiang Industrial Park	Shanghai, China	May 2010	60,049	Rotary drilling rigs
Hanshou Industrial Park	Hanshou, Hunan	December 2011(4)	160,000	Concrete mixing plants and special vehicles
Weinan Industrial Park	Weinan, Shaanxi	December 2010(5)	102,941	Excavators
Cheqiao Industrial Park	Changde, Hunan	January 2004(6)	120,000	Axles
Deshan Industrial Park	Changde, Hunan	May 2008(7)	22,262	Hydraulic parts
CIFA Industrial Park	Senago, Italy	May 2006(8)	290,000	Concrete machinery
Shenyang Factory	Shenyang, Liaoning Province, China	March 2012	55,000	Tower crane and construction lift
Chengdu Factory	Chengdu, Sichuan Province, China	March 2012	48,000	Tower crane
Guangzhou Factory	Guangzhou, Guangdong Province, China	February 2009	20,000	Tower crane

(1) The establishment date of Shaanxi Zoomlion Earthmoving Machinery Co., Ltd., which was acquired by the Company in June 2008.

(2) Acquired by the Company in November 2003.

(3) On March 15, 2012, we passed a board resolution approving the disposal of 80% equity interest in the ESM Company, our wholly-owned subsidiary principally engaged in our environmental and sanitation business, by way of a public tender on Hunan Province Equity Exchange. For details, please see "Our History and Corporate Structure — Proposed Disposal of Our Subsidiary". Upon completion of the proposed disposal, we plan to lease the manufacturing facilities for environmental and sanitation machinery in the Zoomlion Industrial Park to the ESM Company.

(4) The date of the commencement of pilot production.

(5) Phase two is expected to be completed and commence production of tower cranes by the end of 2012.

(6) Acquired by the Company in June 2008.

(7) Acquired by the Company in December 2008.

(8) The establishment date of CIFA, which was acquired by the Company in September 2008.

The table below sets forth the annualized production capacity, production volume and utilization rate for the specified product categories and major parts and components for the periods indicated:

	E D 31,									N M E 30,		
	2009			2010			2011			2012		
	P C	P	R	P C	P	R	P C	P	R	P C	P	R [3]
					(,			)				
Concrete Machinery												
Truck-mounted concrete pump	2,580	1,812	70%	3,900	3,608	93%	4,888	4,598	94%	7,260	4,342	80%
Trailer mounted concrete pump	950	947	100%	1,200	1,576	131%	1,500	1,670	111%	1,500	704	64%
Truck mounted concrete mixer	5,760	3,220	56%	8,760	5,911	67%	15,260	7,791	51%	18,260	10,547	77%
Concrete mixing plant	450	395	88%	1,200	984	82%	1,500	1,375	92%	2,500	985	52%
Crane Machinery												
Truck crane (including all-terrain truck crane)	6,000	7,804[2]	130%	6,000	10,034	167%	12,120	7,852	65%	12,500	4,698	52%
Crawler crane	600	182	30%	600	364	61%	900	507	56%	950	277	39%
Tower crane	1,800	1,678	93%	3,500	5,175	148%	13,000	13,795	106%	20,400	8,669	56%
Environmental and Sanitation Machinery												
Road sweeper[3]	1,800	1,433	80%	2,500	2,375	95%	3,600	3,066	85%	6,000	2,063	45%
Washing vehicle	1,000	836	84%	1,500	1,118	75%	2,400	1,809	75%	4,000	1,499	49%
Refuse Compression and transfer vehicle	1,000	946	95%	1,500	1,673	112%	4,000	3,671	92%	5,500	2,465	60%
Road construction and pile foundation machinery												
Road construction machinery	400	279	70%	480	407	85%	560	468	84%	600	234	52%
Rotary Drilling Rig	385	142	37%	400	265	66%	420	312	74%	450	271	80%
Earth working machinery												
Excavator	1,000	602	60%	2,700	1,355	50%	2,700	1,897	70%	8,000	2,591	44%
Bulldozer	800	325	41%	800	567	71%	1,200	760	63%	1,200	685	76%
Hydraulic cylinder	60,000	68,871	115%	62,000	61,000	98%	220,000	221,586	101%	350,000	175,646	67%
Hydraulic valve	7,000	6,370	91%	150,000	131,020	87%	180,000	133,204	74%	220,000	96,519	59%

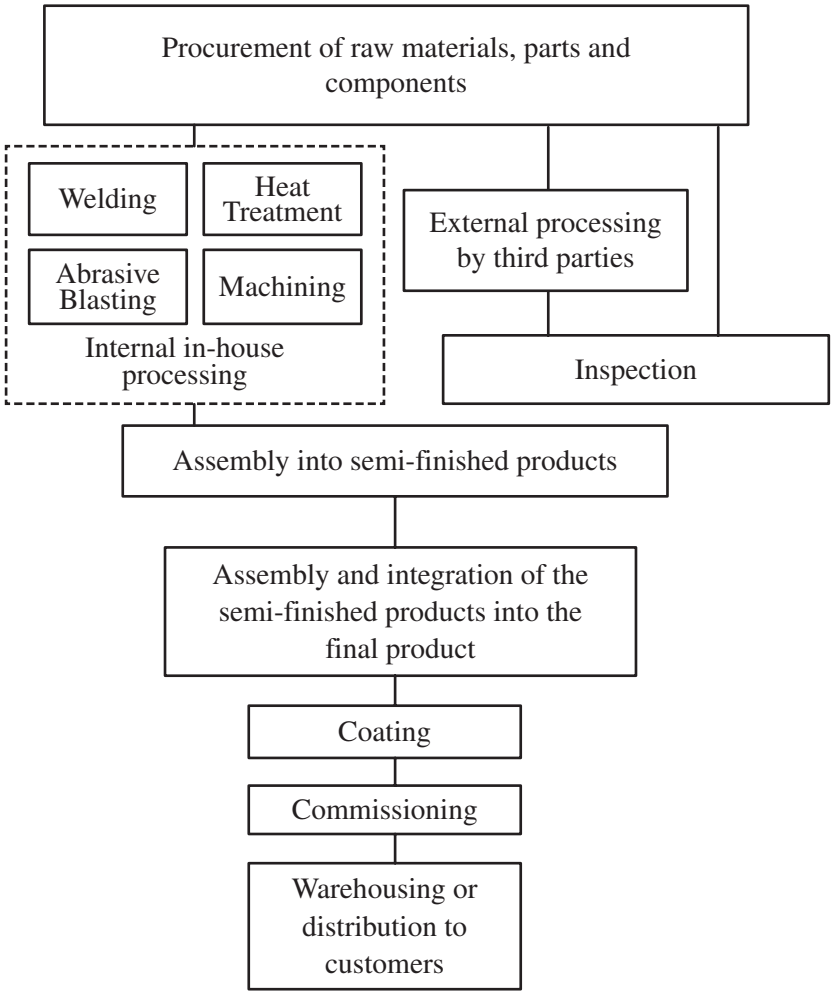
(1) We aggregate the production volume and production capacity of all types of products in a specific product line to arrive at the production volume and production capacity for the line of product.

(2) For certain products, the actual production volume was larger than our production capacity, which is primarily due to the fact that the actual working hours exceeded the working hours being used as a presumption to calculate the production capacity, which is 16 hours per day, five days a week for processing of raw materials, parts and components and assembly into semi-finished products, eight hours per day, fi

To continue supporting our growth, we have undertaken and will continue to expand our manufacturing capabilities so as to meet the market demand for our products and the manufacturing capacity for key parts and components used in our products. For example, we are currently expanding our manufacturing facility at Quantang Industrial Park for large-capacity truck cranes and all-terrain truck cranes. We expect to complete the expansion of our manufacturing capacities at Quantang Industrial Park by the end of 2013. We are also in the process of expanding or upgrading the Maqiaohe Industrial Park, Songjiang Industrial Park and Deshan Industrial Park. We believe that our manufacturing facilities are well maintained, in good operating condition and suitable for their current purposes. Meanwhile, we plan to establish another specialized industrial park at Jiangyin, Jiangsu Province. In addition to expanding our manufacturing capacity, we also plan to further improve our manufacturing efficiency and processes by reducing our manufacturing cycle times and upgrading existing technologies.

Manufacturing Process

The diagram below illustrates the major manufacturing process of our principal products:



Generally, our manufacturing process can be broadly categorized into the following steps:

- *Procurement of raw materials, parts and components*. Principal raw materials, parts and components include steel sheets, round steel, steel pipes, electrical parts, hydraulic cylinders and valves and chassis. Some of the raw materials, parts and components do not need to be processed. They can be assembled into semi-finished products upon completion of quality inspection.

- *Processing of raw materials, parts and components*. Raw materials, parts and components are processed according to the necessary technical specifications to form the specified components. Such treatment process includes cutting, drilling, gas cutting, welding, bending, abrasive blasting, polishing, pre-coating, machining and heat treatment. While we purchase some components processed by third parties, the processing of raw materials, parts and components is typically either carried out by us or is outsourced to external third parties who conduct the processing based on our designs and technical specifications. We typically outsource procedures that do not involve our proprietary technologies to third parties, including surface treatment, painting and zinc plating. We perform strict quality control measures to inspect the raw materials, parts and components processed by third parties.

- *Assembly of parts and components into semi-finished products*. Raw materials, parts and components are further processed to form semi-finished parts ready for final assembly. These materials will undergo processes including welding and drilling.

- *Assembly and integration of semi-finished products*. All semi-finished parts and components, such as electric motors, electric controls, hydraulic cylinders and valves and chassis, are assembled and integrated to form the finished products.

- *Coating*. Finished products are sent to the coating factory.

- *Commissioning*. Finished products are sent for commissioning, further adjustments and fine tuning before being dispatched to the manufacturing sites for evaluative testing and quality inspection. For additional information as to the testing and quality inspection of our products, please see "—Quality Control."

- *Warehousing*. The painted final products are sent to our warehouses for storage and distribution to our customers.

To avoid duplication of processing facilities in our different specialized industrial parks and factories, we also group certain pre-assembly processing and treatment steps of the raw materials, parts and components, such as coating, before dispatching them to the specialized industrial park for assembly. The lead manufacturing time for our products varies. The lead manufacturing time for our concrete machinery, excluding concrete mixing plants, ranges from 10 to 33 days, the lead manufacturing time for our mobile cranes ranges from 30 to 210 days, the lead manufacturing time for our crawler cranes ranges from 45 to 180 days, and the lead manufacturing time for our tower cranes ranges from 7 to 30 days.

Every stage of our manufacturing process is subject to quality control procedures and adheres to our strict quality control standards. See "—Quality Control" for additional information.

In order to utilize our manufacturing facilities more effectively and enhance our manufacturing efficiencies, we are continuously improving our manufacturing processes. We have hired experts in relevant areas to implement lean manufacturing and zero-defect manufacturing measures. Our headquarters develops general directional strategies to improve our manufacturing efficiencies, which are then adjusted and implemented by each of our business divisions, with the approval from our headquarters, to best suit their manufacturing activities. We believe that enables our business divisions to tailor the implementation of the strategies and improve their manufacturing processes, and thus, allocate resources more efficiently and help address the practical business needs.

Manufacturing System

We have developed and implemented an advanced manufacturing system based on the master production schedule, or MPS, model. At the end of the third quarter of each year, our senior management first sets the overall business plan as well as a target for our domestic and international sales plan for the next year based on the prevailing macro economic outlook, industry forecast and our strategic targets. The manufacturing division would then set an MPS to implement the overall business plan and to achieve the domestic and international sales targets. The MPS sets out the quantity of each model to be completed in a given month. At the end of each month, our manufacturing division sets the detailed manufacturing plan that covers each phase of the manufacturing process for the following month in order to implement the MPS. In order to minimize inventory levels, our manufacturing department also adjusts the MPS based on the actual orders we receive.

We utilize automated and computerized systems in our manufacturing lines for many stages of our manufacturing processes in most of our manufacturing facilities. As a result, certain specific manufacturing processes, such as the processing of machi40.00.9(ry2(such)-3chang9.2(of)-351.2(machi40.ring)-354.2

and up to the date of this offering memorandum, we have not experienced any product recall that adversely impacted our reputation, business operations or financial condition. Our quality control procedures start with quality assurance of raw materials, parts and components, which includes annual evaluation of our major suppliers and inspection of raw materials, parts and components upon their arrival at our facilities. We regularly dispatch quality control personnel to our key suppliers in order to ensure the quality of the raw materials, parts and components we procure externally. Raw materials, parts and components that fail our inspection are returned to suppliers. We also established quality control measures in all key stages of our manufacturing process, and test all finished products before delivery to customers. If a problem is detected, a failure analysis is performed to determine the cause. We distribute internal quality control publications on a weekly and monthly basis that inform, examine, and analyze quality control issues and problems that are identified in order to continuously improve our quality control measures.

We have received ISO9001:2008 certification for the quality management system, ISO10012 for the measurement management system, ISO14001 certification for the environmental management system and BSOHSAS18001 certification for the occupational health and safety management system covering substantially all of our products. We have also received many other domestic and international certifications for our products from PRC government agencies and independent international certification authorities, including the China Compulsory Certification for product quality and safety from the China Quality Certification Center and the CE certification from TüV Rheinland and TüV SüD, independent certification institutions based in Germany, as well as GOST-R certification in Belarus, TP certification in Russia, MOM certification in Singapore, UksEPRO certification in Ukraine, North America certification and Product Safety Certification in South Korea and Brazil. We believe all of these certifications demonstrate the technological capabilities of our manufacturing processes and help build customer confidence.

PPLIE

Raw Materials, Parts and Components

The principal raw materials, parts and components that we use to manufacture our products include steel, branded chassis, hydraulic pumps, valves and cylinders, engines, tires, electric controls, and a variety of other commodities and fabricated or manufactured parts and components. We currently source our raw materials and a portion of the parts and components used in our products from multiple suppliers located in and outside of the PRC. We also manufacture certain key parts and components that are used in our products, especially for hydraulic cylinders and valves. We have also recently increased our efforts to manufacture chassis for our products as well. We may continue to subcontract and outsource the manufacturing of additional non-key parts and components to external parties in the future as we believe it can be more cost effective and a more efficient use of resources. We manufacture certain major parts and components in-house, including hydraulic cylinders and valves, structural parts and machined parts.

Procurement Control

We adopt different policies to manage our procurement for raw materials, parts and components. We typically have multiple suppliers for each of our raw materials, parts and components so as to minimize

are manufactured specifically for an individual product type, including steel, chassis and hydraulic pumps, we enter into strategic framework agreements to ensure a sufficient supply. Our strategic cooperation framework agreements express the parties' intention to explore future cooperative opportunities and normally specify favorable pricing terms, supply priority, quantity, and quality of raw materials, parts and components to be provided, and post-sales service assurance. Our strategic cooperation framework agreements also provide for minimum purchase volumes. Our strategic cooperation framework agreements typically have a term of one to three years. We make our raw materials, parts and components procurement plan based on the MPS. Depending on the type and lead time of raw materials, parts and components, purchase orders are issued on a weekly or monthly basis. The lead time for our individual purchases ranges from one day w orhase0haseay0408Tc0412.8Tc ((F-0.1(5duct)-466

As our raw materials and components procurement plan is based on the MPS, our inventory of raw materials, parts and components required is minimized and kept at an appropriate level to facilitate the manufacturing process. For certain small key parts and components that we use on a recurring or regular basis, we typically maintain stock at a level based on our inventory policy. For imported parts and components, including hydraulic pumps, valves and cylinders, we typically maintain a stock for our production needs of 15 to 30 days. For parts and components manufactured in China, including engines, we typically maintain a stock for our production needs of seven to 15 days. This is to ensure a ready and sufficient inventory level when we need to significantly adjust our MPS. For certain of our operation segments, we have also installed an enterprise resource planning, or ERP system which provides us with real-time information about purchases, production schedules and supplies of our raw materials, parts and components. By providing us with quick access to various data and easy formulation of operating models, the ERP system has substantially improved our inventory controls.

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Customers

We sell our products to customers around the world. In 2009, 2010, 2011 and the nine months ended September 30, 2012, sales to end-users in China accounted for 87.4%, 94.3%, 94.5% and 93.3%, respectively, of our consolidated turnover. We currently market and sell a majority of our products under the Zoomlion brand to domestic customers in China. On the other hand, our products under the CIFA brand are primarily sold to customers that are located outside China. In addition, our products under the CIFA brand are sold in China through our extensive distribution network.

Our concrete machinery, crane machinery and certain other construction machinery such as rotary drilling rigs, earth working machinery and special vehicles are typically sold, either directly or through dealers, to property developers, infrastructure construction companies, construction contractors or government agencies. Our road construction machinery is typically sold, either directly or through dealers, to infrastructure construction companies or government agencies. Our material handling machinery and systems are typically sold to mining companies and port construction companies. Most of our environmental and sanitation machinery is sold to government agencies. The sales of our

Sales and Distribution

We have established an extensive distribution network in China. As of September 30, 2012, the distribution network consisted of 935 outlets, 1,007 service centers and 528 components depots owned and operated by us, as well as 134 outlets, 227 service centers and 148 components depots owned and operated by third-party dealers, covering more than 300 cities and all provinces and autonomous regions in China. As of September 30, 2012, we employed over 7,300 marketing, sales and after-sales services personnel in China. In addition, we sell our products to over 120 different countries and have also established an extensive overseas distribution network which, as of September 30, 2012, consisted of 52 outlets, 73 service centers and 23 parts and components depots owned and operated by us, as well as 120 outlets, 140 service centers and 60 parts and components depots owned and operated by our 62 third-party dealers. Our dealers generally have experience in the sales of construction machinery or other machinery. As part of our strategy to enhance our sales and distribution network, beginning in 2011, we make investments in certain of our dealers in China from time to time.

We provide personalized and tailored purchasing experiences for our customers by offering consultations to design comprehensive solutions in accordance with each customer's specific needs, industry and business operations. For example, our engineers will accompany our customers to their construction sites to understand work requirements and recommend the most suitable products. We also provide technical advisory services to our customers and assist them in designing construction plans based on available equipment. For special projects, we work with our customers to design and manufacture tailored products to address the customers' unique needs. Some of our products are sold to customers who, as a result of our reputation or customer referrals, approach us directly. However, we also actively source business through open or invited tenders where competitive bidding processes are arranged by potential customers.

We select our dealers in China based on their reputation, market coverage, sales experience and ability to foster relationships with local customers, financial strength and existing or potential size of their distribution force. Our dealers include specialized construction machinery retailers, car dealers and electrical engineers, including special equipment service providers. We typically require a deposit when we engage a dealer. We have two types of arrangements with our dealers. Under the first type, our dealers in China purchase our products from us and subsequently sell our products within a designated region to end-users. Under the second type, we sell our products through dealers to particular customers or projects, and the sales contracts for our products are between the customer and us. Our dealers under the second type of arrangement are compensated by commissions paid by us. In 2009, 2010, 2011 and the nine months ended September 30, 2012, a majority of our sales in connection with dealership arrangements are made under the first type of arrangement.

For the first type of arrangement with our dealers, we typically enter into written distribution agreements for a one-year term with our dealers in China that are generally renewed annually. The second type of arrangement with our dealers is typically customer and/or project based and the contract terms vary from dealer to dealer. These distribution agreements set forth guidelines for the sale and distribution of our products, including restrictions on the territories in which our products may be sold to end-users by such dealers. Our distribution agreements also allow our dealers to sell our products to overseas end-users. Dealers who sell our products to overseas end users are typically subject to the same terms and conditions under the first type of arrangement, and have similar rights and obligations

to the other dealers under the first type of arrangement. Under the first type of arrangement, we typically enter into non-exclusive agreements under which we are not bound to only sell to such dealers within a defined territory. Our distribution agreements typically have certain periodic sales targets to facilitate our evaluation of the performance of our dealers. Failure of our dealers to achieve the sales targets would not result in any penalty, but may result in non-renewal of the distribution agreement. In addition, if the dealers sell competing products from other companies, we also reserve the right to terminate the distribution agreements. Under the second type of arrangement, we typically enter into non-exclusive agreements with our dealers.

We utilize different combinations of direct sales outlets and dealers for different types of products, customers' demand and geographic areas to maximize our market penetration. As part of our efforts to integrate resources across different operating segments, since 2008, we have established various all-products sales and service centers in major cities across the key markets where there is strong demand for more than one line of our products and our important customers are located, allowing us to fully leverage our customer relationships and information and to cross-sell our products.

Our products are typically sold internationally through dealers supported by certain of our own distribution outlets staffed with our own personnel. Our international distribution network is comprised of 62 third-party dealers as of September 30, 2012. Our international third-party dealers typically purchase our products from us and subsequently sell our products within a designated region to end-users. The contractual arrangements with our international third-party dealers are similar to the first type of contractual arrangement with our third-party dealers in China in this respect. Certain of our international dealers also engage sub-dealers to further broaden the market reach of our products. We typically enter into written exclusive distribution agreements with our international dealers for either one- or two-year terms that can be renewed upon expiration of the agreements. International distribution agreements contain similar terms as our domestic distribution agreements, but many of the international dealers are also required oaeementri599.9(c)0.9(dudirecl)-41a1(re)-41p.9(d)aefforrecnreementc d id des

tires, batteries and friction plates in our mobile cranes are subject to warranty terms of 30 days, 45 days and three months, respectively. In addition, our product warranty does not cover normal wear and tear during the products' use. Our product warranty typically requires us to provide after-sales services covering parts and labor for non-maintenance repairs, provided operator abuse and improper use or negligence did not necessitate the repair. Certain parts and components of our products, however, are not covered by us but are covered by the warranties of the manufacturers of such parts and components, such as the branded chassis used in our products. In accordance with the relevant return procedures, our customers can return defective components of our products to us during the warranty period. Following the expiration of the warranty period, we may provide repair and maintenance services and supply parts and components for a fee based on the services required. Product warranty expenses incurred in 2009, 2010, 2011 and the nine months ended September 30, 2011 and 2012 were RMB87 million, RMB135 million, RMB154 million (US$25 million), RMB100 million and RMB120 million (US$19 million), respectively.

We provide a comprehensive suite of after-sales services to our customers, which includes many value-added services aimed at lowering costs to our customers and increasing their productivity and operating efficiency. When our products arrive at our customers' locations, our technical personnel are present on-site to provide any required installation and assembly services. Furthermore, to ensure that our customers understand the operation and functions of our products, we provide on-site technical and product training. We also perform preventive maintenance and diagnostics for our customers, instead of waiting for our customers to request maintenance services. Other value-added after-sales services include the procurement of product insurance and other necessary certifications and providing ongoing relevant industry advice and analysis. Furthermore, we are one of the few construction machinery manufacturers' in China to offer remanufacturing services as a value-added service to our customers, including technological upgrades and extending the life of their products at the request of customer.

As part of our commitment to provide quality after-sales services, we implement a "24 Hours On-call" policy under which we aim to respond to customers within 24 hours. We also provide on-site support to our customers within two hours for urban areas covered by our service centers.

After-sales services overseas are currently provided either through over 140 service centers and 60 parts and components depots of our international dealers or through 73 of our own service centers and 23 parts and components depots located across Italy, Russia, the United Arab Emirates, Belgium, Vietnam and 30 other countries.

In order to ensure that our brand is associated with high quality and both reliable and responsive service levels, we constantly provide training to our own and our dealers' after-sales services personnel. We expect our dealers to provide the same, if not higher, levels of service than our own personnel, with such capability an important criterion in our selection of dealers. We also continuously catalog and archive our customers' product usage history which assists us in improving the quality of our services and enhancing our knowledge as to such customers' preferences, needs, constraints and strategies and the field performance of our products.

Pricing Strategy

We formulate and adjust the prices for most of our products based on such product's life cycle and in a market-oriented manner. As a majority of our products remains in the growth stage of their life cycle,

we adopt a pricing strategy focused on maximizing our profitability and margins. We also take into account factors such as product capabilities, degree of competition, market demand and changes and improvements in technical innovations in pricing our products. The sales prices of our products are formulated at the sales center level. The prices of our products are not subject to official price guidelines under PRC laws and regulations. The sales prices of our products are generally the same within each designated region in China but may be affected by variation in transportation costs. However, the sales prices of our products outside of China are generally higher than the sales prices for the same products in China. For most of our machinery, we set a suggested sale price, while giving our sales personnel and third party dealers the flexibility to offer certain discounts. We also provide volume discounts to certain of our customers as well as a discount from the retail purchase price to our dealers.

Payment Options

We currently provide certain of our customers, including our dealers, with full payment or installment payment options, or provide financial guarantees for such customers' bank loans to purchase our products, depending on the credit quality of our customers or dealers and the general business practices in the region in which the products are sold.

In addition, starting from May 2007, we began to provide finance lease services directly to our end-user customers in China covering all products manufactured and sold by us through our subsidiary Beijing Zoomlion Leasing. We also established Zoomlion Finance and Leasing (China) in February 2009 to further expand our finance lease services domestically, and Zoomlion Capital (H.K.) in May 2008 to expand our finance lease services overseas. Our two PRC subsidiaries, Beijing Zoomlion Leasing and Zoomlion Finance and Leasing (China), have obtained prior approvals from MOFCOM to conduct finance lease business, and have complied with all the other requirements under PRC laws as to registered capital, relevant experience for senior management and specialists of the enterprise and periodic inspection from MOFCOM. In addition, we have obtained the relevant licenses and/or complied with the requirements and conditions in order to provide finance lease services in Hong Kong, Australia, Italy, Russia and South Africa. In addition, our financial guarantee arrangement does not violate any laws and regulations in the PRC.

The following table sets forth the breakdown of total turnover from sales of our products by different payment options, and each expressed as a percentage of turnover from sales of our products, for the periods indicated:

	E D 31,						N M E 30,			
	2009		2010		2011		2011		2012	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
				(	,		_)			
Full payment	6,896	33.9	10,312	33.1	13,145	29.4	10,808	33.7	7,783	20.5
Installment payment	2,666	13.1	5,090	16.3	8,839	19.8	5,137	16.0	10,355	27.3
Sales under financial guarantee arrangement	3,340	16.4	6,028	19.4	7,170	16.0	6,557	20.4	7,826	20.7
Sales under finance lease[1]	7,463	36.6	9,720	31.2	15,586	34.8	9,589	29.9	11,925	31.5
Total	**20,365**	**100.0**	**31,150**	**100.0**	**44,740**	**100.0**	**32,091**	**100.0**	**37,889**	**100.0**

Note:

(1) The interest income from finance lease service is not included in the sales under finance lease arrangement in the above table as such income is not directly derived from product sales under the finance lease payment option. In 2009, 2010, 2011 and the nine months ended September 30, 2011 and 2012, our interest income under finance lease amounted to RMB397 million, RMB1,043 million, RMB1,583 million (US$252 million), RMB1,116 million and RMB1,219 million (US$194 million), respectively.

- Under the full payment option, credit terms granted to our customers normally range from one to three months from the date of billing, and an upfront payment ranging from 10% to 30% of the product price is required based on the different terms agreed with the customers.

- Under the installment payment option, our customers are typically required to make an upfront payment ranging from 10% to 40% of the product price and settle the remaining balance on a monthly equal installment basis within 24 months. We allow certain customers with appropriate credit standing to make payments in installments over a period of up to 36 months.

- Under the financial guarantee arrangement, our customers are required to make an upfront payment ranging from 20% to 30% of the product price and arrange bank loans for the remaining balance to finance the purchase of machinery, and we will provide financial guarantees for such customers' bank loans. The terms of these guarantees coincide with the tenure of bank loans that generally range from two to four years.

- Under the finance lease arrangement, the length of the lease is generally two to four years, although for certain products that have a longer useful life, such as tower cranes, crawler cranes and large-capacity truck cranes, we may extend the length of the lease to five years. Our finance lease services cover all our product lines, including concrete machinery, crane machinery, environmental and sanitation machinery, road construction and pile foundation machinery, earth working machinery, material handling machinery and systems and other types of machinery products. Generally, our products have an estimated average useful life of ten years. However, based on circumstances including working conditions, work load, usage and maintenance, the actual useful life of our products could vary significantly among our end-users. The length of the lease is typically much shorter than the useful life of the leased equipment. An upfront payment ranging from 5% to 20% of product price is required. Also, we require a security deposit equal to 1% to 10% of the product price from the customers, which will be released upon completion of the lease period and the receipt of final lease payment. 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. Terms of the finance lease services provided are determined based on our relationship with and the credit quality of the customer. We believe finance lease services provide customers with a more flexible payment option that increase the attractiveness of our products, especially in overseas, where the typical payment option of choice is a finance lease.

By offering varying payment options, we are exposed to business and credit risks. Accordingly, individual credit evaluations are performed on all customers requiring credit over a certain amount,

customers choosing our installment payment option, financial guarantee arrangement and financial lease arrangement. These evaluations focus on each customer's background and financial strengths, past payment history and current ability to pay, and take into account information specific to each customer as well as the economic environment in which such customer operates.

- Under the full payment option, we evaluate the creditworthiness of customers to which we grant credit in the normal course of business by performing credit checks. Credit exposure limits are established to avoid concentration risk with any single customer. To reduce our credit risk, we may request certain customers to pay with bank acceptance notes or letters of credit, which are guaranteed by banks with a maturity period ranging from one to six months.

- Under the installment payment option, credit evaluation, exposure limits and debt chasing procedures are in place, and collateral such as properties, machinery or third party guarantees are generally required for customers with lower credit ratings.

- Under the financial guarantee arrangement, we require the customers to provide a counter guarantee such that the customers agree to be responsible for the outstanding principal, interest,

receivables upon repossession of the equipment under the relevant finance leases by such bank. We dispose of or recycle such repossessed used equipment after refurbishing or remanufacturing, or in certain cases, sell such used equipment as is.

To manage the risks associated with finance leases, we established a risk control committee, which is responsible for risk evaluation for each credit investigation report submitted to them, the establishment of credit risk management policies, the supervision on the implementation of such policies, and risk management for finance leases, including determination of the key terms of the lease contracts such as interest rate, lease period and amount of security deposit. The risk control committee members are also responsible for approval of each leasing transaction within their respective authority. In May 2012, in view of the general economic condition in China, we strengthened our risk management and collection efforts. We established a risk management committee at our headquarters to replace the risk control committee for our finance lease services. The newly-established risk management committee is chaired by Dr. Sun Changjun, and comprises a number of our senior management, including Dr. Su Yongzhuan, Ms. Hong Xiaoming and Mr. Guo Xuehong. We have also appointed an internal control director to oversee and supervise our risk management practices. Our credit risk management procedures with respect to finance lease services include pre-lease investigation, lease approval, lease payment collection and management, as well as repossession and subsequent sale of machinery and forfeiture of related customer deposits in case of customer default. Moreover, we established a collection center at our headquarters and have implemented various measures, including incentive schemes for our personnel responsible for collecting receivables.

Marketing

We place great emphasis on the promotion of end-users' awareness of our brands and products. Our headquarters sets general strategies to promote our brands and approve marketing and promotional activities that are formulated and carried out by our respective business divisions, which vary according to our customer targets for the specific product type. Our marketing and promotional activities include offering extended warranties and participating in or organizing seminars, tradeshows and exhibitions to showcase our products and to seek end-user feedback for our products. Our headquarters also strategically pursues advertising campaigns through various media outlets such as trade publications, outdoor advertising, television and trade-related websites.

We assist our dealers to establish market demand for our products by providing the necessary marketing support and developing marketing and promotional strategies. We conduct periodic and intensive training and provide technical support seminars to our dealers in order to enable them to proactively educate potential customers as to the features and benefits of our products and adequately address our customers' need for after-sales services and repairs.

We have also carried out research and development projects in collaboration with several domestic institutions. Currently, we maintain cooperative relationships in connection with various research and development projects, including:

- Zhejiang University;
- Shanghai Jiao Tong University;
- Tongji University;
- Beijing University of Aeronautics and Astronautics;
- Hunan University;
- Dalian University of Technology; and
- Dalian Maritime University.

Our cooperation with these domestic institutions relates to the research and development of technologies that are crucial to our product development and enhancement. For specific research and development projects, we typically enter into cooperation agreements that typically require us to pay a fixed amount of service fees to the domestic institutions, and we have the exclusive rights to use the proprietary technology or patent resulting from such research and development projects. We also outsource certain processes in connection with our research and development efforts, including product testing, designing of data analysis systems and software development, to these domestic institutions. The results of the research and development projects are either solely owned by us or co-owned by the domestic institution and us. In certain limited circumstances, we also enter into cooperation agreements which require us to share a specified percentage of our profit from the sales of our products incorporating the technology from the research and development project during a specified period after completion of the project.

Our strength in research and development has allowed us to become a leading institution in the development and establishment of national and industry standards for construction machinery and environmental and sanitation machinery in China. We have participated in and contributed to the establishment of over 170 national or industry standards that are currently in effect, such as the national standard for concrete pumps, the first industry standard for truck-mounted concrete pumps in 2004 and the industry standard for chassis specially designed for mobile cranes. In 2011, we participated in the formulation and revision of nine national and industry standards. Furthermore, we are currently in the process of authorizing new national and industry standards in China for products such as road surface planers, asphalt mixing equipment and truck-mounted concrete mixers with major industry players, including XCMG, Shaanxi Construction Machinery Co., Ltd. and Tianjin Dingsheng Construction Machinery Co., Ltd., and research and development institutions such as Hanyang Special-Purpose Vehicle Institute and Tianjin Research Institute of Construction Machinery.

As a result of our leading market position and our active involvement in the establishment of national and industry standards, we are also an important member of the CCMA, the official construction machinery industrial organization in China under the SASAC which has over 1,500 members in total. However, given that all the major industry players are members of CCMA, we do not believe we are able to influence the data collection and publication process of CCMA. We believe our active participation in establishing industry standards and our nationally accredited research and development laboratories allow us to focus our research and development efforts on addressing prevailing market trends and develop products with industry-leading technological capabilities.

Product Research and Development

We focus our product research and development on improving product performance, features and controls to satisfy evolving and differentiated customer requirements and fine tune our product models to maximize product performance in varying working environments and conditions. We have developed and launched over 800 different products since the founding of our Group, which included a number of new products and product upgrades that have generated significant turnover, been commercially successful, and both realized a technology breakthrough in China and opened new opportunities, such as:

- truck-mounted concrete pumps with six-joint jibs, which significantly enhanced the maximal concrete placing range;
- QAY180, QAY220 and QAY350 all-terrain truck cranes with the then industry-leading lifting capacity;
- D5200 tower crane, which was the first tower crane with a lifting capacity of over 5,200 ton-meters; and
- QUY1000 crawler crane, the first crawler crane with a lifting capacity of over 1,000 tons.

Our acquisition of CIFA has further bolstered our research and development capabilities. CIFA's research and development capabilities and efforts have led to the introduction of several commercially successful and innovative products on a global basis, such as:

- truck-mounted concrete mixer and pumps;
- concrete spraying machinery; and
- truck-mounted concrete pump with carbon fiber concrete placing boom.

We have selectively applied CIFA's proprietary technologies to the research and development efforts of our Zoomlion line of concrete machinery products including:

- carbon fiber concrete placing booms;

- K-Tronic intelligent electrical control systems;
- boom fatigue test beds;
- pumping unit test beds; and
- finite element calculation.

While most of our products are not tailored to meet specific needs of individual customers, we may, from time to time, enter into arrangements with our customers to design and manufacture products based on their specific needs. The development of such products, while based on requests from our customers, are actually designed by us, and the intellectual property rights arising from the development of such products are usually owned by us and not by our customers. As part of our arrangements with our customers, our customers generally will arrange for their own technicians and engineers to participate in an appraisal of our new product designs, provide us with industrial testing fields for the testing of our new products, and after using our products, provide us with periodic updates and information so as to assist us in the development of new technology to upgrade the performance of the product. In return, we provide our customers with certain benefits or discounts for them to purchase such products.

IN ELLEC AL PROPER RIGH

We are committed to the development and protection of our intellectual property portfolio. We rely on a combination of patents, trademarks, copyrights and trade secret laws, employee and third-party non-disclosure/confidentiality and non-competition agreements to protect our intellectual property. We own and have applied for patents to protect the technologies, inventions and improvements that we believe are significant to our business. As of September 30, 2012, we held 1,530 patents in China, including 72 invention patents, 1,268 utility patents and 190 design patents. In addition, as of September 30, 2012, we had 27 patents held by CIFA in Italy. We also had 1,445 pending patent applications in China as of September 30, 2012. We anticipate we will apply for additional patents in the future as we develop new products, technology and designs.

We hold a number of registered trade names, brand names and registered trademarks. As of September 30, 2012, we maintained 598 trademark registrations in China, including eight trademark registrations for our CIFA brand in China, and 407 trademark registrations overseas. Our subsidiary CIFA maintained 24 trademarks registrations in Italy. In addition, as of September 30, 2012, we had 47 trademark applications in China, 122 trademark applications overseas, and we are also applying for trademark registrations in member countries of the Madrid Agreement, the European Union and the African Regional Intellectual Property Organization. Two of our trademarks were recognized as "Well-Known Trademarks" nationwide. Our trademark, the Chinese characters for Zoomlion and our trademark "Zoomlion", were recognized as "Well-Known Trademarks" in China.

We have also obtained 57 copyrights for our software in China used to control the various electrical components in our products as of September 30, 2012.

With respect to proprietary know-how that is not patentable or for which patents are difficult to enforce, we rely on trade secret protection and non-disclosure/confidentiality and non-competition agreements in order to safeguard our interests. All of our personnel who have access to sensitive and confidential information have entered into non-disclosure/ confidentiality and non-competition agreements with us. We also take other precautions, such as internal document controls and network assurance procedures, including the use of a separate dedicated server for technical data.

COMPE I ION

The industry in which we operate is highly competitive. We face direct competition both in China and internationally across all product lines and price ranges. In China, our competitors include domestic Chinese companies, such as XCMG Group, Sany Group and other domestic manufacturers that either offer a range of construction machinery and environmental and sanitation machinery or some specific types of competing products, and occasionally, certain multinational companies. In the international market, our major competitors include multinational companies such as Caterpillar Inc, Komatsu Machinery Corporation, Liebherr Group, Terex Corporation and Manitowoc Company Inc, regional manufacturers and certain domestic Chinese companies. Moreover, the industry is becoming increasingly competitive as new foreign entrants are currently seeking to enter the PRC market while more domestic Chinese manufacturers are enhancing their international penetration and competitiveness.

EMPLO E

As of September 30, 2012, we employed a total of 32,624 employees which are classified as follows:

C	N/ E	P N/ E
Technology, research and development	4,203	12.9%
Production	13,364	41.0%
Sales and marketing	7,855	24.1%
Management and administration	6,448	19.7%
Finance	754	2.3%
Total	32,624	100.0%

In 2009, 2010, 2011 and the nine months ended September 30, 2012, the staff costs we incurred were approximately RMB1,383 million, RMB2,249 million and RMB3,076 million (US$489 million) and RMB2,360 million (US$376 million), respectively.

We provide management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. We sign individual employment agreements with our employees, covering, among other things, salaries, benefits, training, workplace safety and hygiene, confidentiality obligations relating to trade secrets and grounds for termination. The remuneration package of our employees includes salary, bonuses and allowances. Our employees also receive welfare benefits including medical insurance, housing subsidies, pension insurance,

unemployment insurance, maternity insurance and other miscellaneous benefits. We made contribution to pension plans, which amounted to approximately RMB104 million, RMB122 million, RMB178 million (US$28 million) and RMB200 million (US$32 million) in 2009, 2010, 2011 and the nine months ended September 30, 2012, respectively.

EN IRONMEN AL AND AFE MA ER

We are subject to extensive national and local environmental laws and regulations where we operate concerning, among other things, emissions to the air, discharges to land, surface water and subsurface water, the generation, handling, storage, transportation, treatment and disposal of waste and other materials, and the remediation of environmental pollution relating to our properties and operations. Our products will need to comply with the applicable safety, exhaust and performance standards adopted by the respective jurisdictions into which we sell, which may differ depending on their respective characteristics. See "Regulatory Overview" for additional information. However, for certain parts and components used in our products, such as branded chassis, it is the manufacturers of such parts and components who are responsible for ensuring that their parts and components are in compliance with the safety, exhaust and performance standards set forth by the relevant jurisdictions in which we sell our products. In 2009, 2010, 2011 and the nine months ended September 30, 2012, our cost of compliance with environmental protection rules and regulations was approximately RMB79 million, RMB10 million, RMB20 million (US$3 million) and RMB15 million (US$2 million), respectively.

The PRC national and local environmental laws and regulations impose fees for the discharge of waste substances above prescribed levels, require the payment of fines for serious violations and provide that the PRC national and local governments may at their own discretion close or suspend the operation of any facility that fails to comply with orders requiring it to cease or remedy operations causing environmental damage. The Italian environmental laws and regulations impose fees for the discharge of waste substances above prescribed levels, require the payment of administrative fines or impose criminal sanctions for serious violations and provide that the governmental or local authorities may require specific actions to be taken to remedy or discontinue any course of action that is causing environmental damage. We have installed various types of anti-pollution equipment in all our facilities to reduce, treat, and where feasible, recycle the wastes generated in our manufacturing process. We have also built appropriate facilities to filter and treat waste water and recycle the water back into our manufacturing process, as well as treat gaseous waste to reduce contaminant levels to below the applicable environmental protection standard before emission. As advised by our PRC legal advisors, Fangda Partners, and our Italian legal advisors, we have obtained all material environmental permits to conduct our manufacturing activities and we complied with the applicable environmental laws and regulations in the PRC and Italy in 2009, 2010, 2011 and the nine months ended September 30, 2012. We received ISO 14001 certification, the internationally recognized standards for the design and implementation of effective environmental management systems, covering the manufacturing process for all of our products. During 2009, 2010, 2011 and the nine months ended September 30, 2012, we did not received any notifications or warnings, nor were we subject to any fines or penalties in relation to any breach of any applicable environmental laws or regulations which had materially and adversely affected our financial condition or business operations.

We are subject to the PRC laws and regulations regarding labor, safety and work-related incidents. Our subsidiary CIFA in Italy is subject to Italian health and safety laws and regulations, which impose a number of strict safety standards and regulations that need to be followed within any premises or facilities or areas where work is conducted, so as to prevent accidents to employees and workers. Italian health and safety laws and regulations provide for administrative fines and even criminal sanctions against an employer who does not comply with the health and safety laws. We provide safety protection to our employees working in our manufacturing facilities, which includes providing them with adequate safety equipment and ensuring that our manufacturing facilities have adequate precautionary measures. In addition, we provide safety-related education to our employees to increase awareness as to safety in the workplace. Relevant warning signs, such as those against smoke and heat emissions are always used at required locations. During 2009, 2010, 2011 and the nine months ended September 30, 2012, we had complied with the relevant PRC and Italian workplace safety regulatory requirements in all material respects and have not had any incidents or complaints which had materially and adversely affected our financial condition or business operations.

IN RANCE

We maintain insurance policies on certain of our vehicles that cover losses arising from fire, earthquake, flood and a wide range of other natural disasters. We also maintain insurance policies in respect of transit risks of our products and personal injury insurance for our employees. Our subsidiary CIFA maintained insurance for inventories and production facilities, as well as product liability insurance. We do not maintain insurance on other properties and fixed assets of our other subsidiaries, including our production facilities, equipment and inventory. We also do not maintain product liability insurance, business interruption insurance, key-man life insurance or insurance covering potential liability relating to the release of hazardous materials, which we believe is in line with industry practices in China. In 2009, 2010 and 2011, we have not experienced any product liability claims. We plan to increase our insurance coverage in the near future to cover losses arising from potential liability of our Company and secure our assets. As advised by our PRC legal advisors, Fangda Partners, our insurance policies are in compliance with relevant laws and regulations in the PRC.

LEGAL PROCEEDING AND COMPLIANCE

On December 29, 2008, we entered into an Equity Transfer Agreement with Skyworth Mobile Communication (Shenzhen) Limited, or Skyworth Mobile, a mobile phone producer and an independent third party of the Company. Pursuant to the Equity Transfer Agreement, we were required to transfer 65% of the equity interests in Changsha New High-tech Industrial Development Zone Zhongke Beidou Hangdian Technology Co., Ltd., or Zoomlion Beidou, which was all of our equity interest in Zoomlion Beidou, to Skyworth Mobile for a purchase price of RMB20.15 million. We have transferred the 65% equity interests to Skyworth Mobile and such equity interests were registered in the name of Skyworth Mobile on December 30, 2008 with relevant registration authorities in China. After the sale of all of our equity interest in Zoomlion Beidou, we ceased to be a shareholder of Zoomlion Beidou and did not retain any control in this entity. Hence, we have ceased to consolidate this entity since then and did not enter into any shareholders agreements with Skyworth Mobile. The Equity Transfer Agreement provides that RMB10.0 million of the purchase price is due within 60 days of the effective date of the agreement, and RMB6.0 million is payable within 45 days of the completion

of the registration with the relevant authority in China. The rest of the purchase price is payable within 45 days after the due date of the RMB6.0 million. However, Skyworth Mobile failed to pay us the purchase price when due and we filed a claim against Skyworth Mobile at a court in Changsha. The court entered into a judgment in our favor on July 24, 2009 ordering Skyworth Mobile to pay us RMB21,070,598.44 for the purchase price, interest accrued thereon and reasonable expenses. Skyworth Mobile appealed to a higher court which dismissed the appeal and upheld the original judgment. On January 15, 2010, we applied to the relevant court for the enforcement of this judgment. As of September 30, 2012, we were still in the process of enforcing the judgment. Having considered the court's favorable judgment, as well as the assets of Skyworth Mobile frozen by the court to secure the settlement of the outstanding receivable balance, we have made a RMB10 million impairment provision against the RMB20.15 million receivable balance, which we believe is adequate. Furthermore, a number of investors have expressed interest in purchasing the equity interest in Zoomlion Beidou from Skyworth Mobile, who is in the process of negotiating a transfer agreement with these investors. We expect the transfer price of the equity interest to be used to settle the receivable balance.

Other than as disclosed in this offering memorandum, there are no other litigation or arbitration proceedings pending or threatened against us or any of our directors which could have a material adverse effect on our financial condition or results of operations.

I

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C ., L .

(Incorporated in The People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on page F-81 to F-103, which comprises the consolidated balance sheet of Zoomlion Heavy Industry Science and Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at September 30, 2012, the related consolidated statement of comprehensive income for the three-month and nine-month periods ended September 30, 2012, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine-month period ended September 30, 2012, and explanatory notes. The Company's directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ,issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards of Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at September 30, 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

KPMG
Certified Public Accountants
8/F Prince's Building
10 Chater Road
Hong Kong, China

December 11, 2012

C C I ( )
F - - 30, 2012

(expressed in Renminbi)

	Note	F - 30,		F - 30,	
		2012	2011	2012	2011
		RMB	RMB	RMB	RMB
,	3	9,988	9,059	39,108	33,207
Cost of sales and services		(6,436)	(6,241)	(25,644)	(22,532)
G		3,552	2,818	13,464	10,675
O , ( )/		(35)	7	(122)	73
Sales and marketing expenses		(1,031)	(725)	(2,504)	(1,955)
General and administrative expenses		(455)	(464)	(1,662)	(1,485)
Research and development expenses		(273)	(96)	(524)	(241)
P		1,758	1,540	8,652	7,067
Gain on disposal of an associate		—	—	—	12
Net finance costs	4( )	(153)	92	(356)	(16)
Share of profits less losses of associates		(2)	5	6	18
P	4	1,603	1,637	8,302	7,081
Income tax	5	(225)	(296)	(1,175)	(1,089)
P		1,378	1,341	7,127	5,992
O ( )					
Change in fair value of available-for-sale equity securities		—	(1)	—	(1)
Exchange differences on translation of financial statements of subsidiaries outside PRC		38	(28)	21	64
		38	(29)	21	63
		1416	1,312	7,148	6,055
P , :					
Equity shareholders of the Company		1,338	1,333	6,960	5,961
Non-controlling interests		40	8	167	31
P		1,378	1,341	7,127	5,992
, :					
Equity shareholders of the Company		1,376	1,299	6,982	6,012
Non-controlling interests		40	13	166	43
		1,416	1,312	7,148	6,055
B , **(RMB)**	6	0.17	0.17	0.90	0.77

The notes on pages F-87 to F-103 form part of the interim financial report.

C B (,)
A 30, 2012
(expressed in Renminbi)

	Note	A 30, 2012 RMB	A D 31, 2011 RMB
N - ,			
Property, plant and equipment		6,165	4,886
Lease prepayments		1,439	1,390
Intangible assets		1,235	1,216
Goodwill		1,798	1,793
Interests in associates		161	103
Other financial assets		116	43
Trade and other receivables	**9**	3,405	912
Receivables under finance lease	**10**	13,806	12,780
Pledged bank deposits		628	261
Deferred tax assets		388	317
- ,		29,141	23,701
C			
Inventories	**8**	12,088	9,656
Trade and other receivables	**9**	19,503	13,614
Receivables under finance lease	**10**	7,985	7,089
Pledged bank deposits		1,569	1,481
Cash and cash equivalents	**11**	16,594	16,002
,		57,739	47,842
		86,880	71,543
C			
Loans and borrowings	**12( )**	9,263	6,049
Trade and other payables	**13**	24,949	19,314
Income tax payable		1,000	1,289
,		35,212	26,652
N ,		22,527	21,190
,		51,668	44,891

The notes on pages F-87 to F-103 form part of the interim financial report.

C B ( )
A 30, 2012 (,)
(expressed in Renminbi)

	Note	A 30, 2012	A D 31, 2011
		RMB	RMB
N - ,			
Loans and borrowings	**12( )**	8,660	7,089
Other non-current liabilities		1,831	1,789
Deferred tax liabilities		451	418
- ,		10,942	9,296
NE A E		40,726	35,595
CAPI AL AND RE ER E	**14**		
Share capital		7,706	7,706
Reserves		32,687	27,701
, , , C		40,393	35,407
N -		333	188
O AL EQ I		40,726	35,595

Approved and authorized for issue by the board of directors on December 11, 2012.

Zhan Chunxin
Chairman and Chief Executive Officer

Hong Xiaoming
Vice-president and the person in-charge of financial affairs

The notes on pages F-87 to F-103 form part of the interim financial report.

C C E ( )
F - 30, 2012

(expressed in Renminbi)

	A C							N -	
	C	E	F	R					
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
B J 1, 2011	**5,797**	**15,063**	**1,212**	**(66)**	**(1)**	**5,371**	**27,376**	**59**	**27,435**
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 period	—	—	—	52	(1)	5,961	6,012	43	6,055
B 30, 2011	**7,706**	**14,676**	**1,212**	**(14)**	**(2)**	**9,791**	**33,369**	**111**	**33,480**
B J 1, 2012	**7,706**	**14,676**	**1,963**	**(81)**	**(2)**	**11,145**	**35,407**	**188**	**35,595**
Cash dividends (Note 14)	—	—	—	—	—	(1,926)	(1,926)	—	(1,926)
Contribution from non-controlling interests	—	(1)	—	—	—	—	(1)	27	26
Acquisition of non-controlling interests	—	(69)	—	—	—	—	(69)	(9)	(78)
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(39)	(39)
Total comprehensive income for the period	—	—	—	22	—	6,960	6,982	166	7,148
B 30, 2012	**7,706**	**14,606**	**1,963**	**(59)**	**(2)**	**16,179**	**40,393**	**333**	**40,726**

The notes on pages F-87 to F-103 form part of the interim financial report.

C _ C_ F _ (_)
F - 30, 2012

(expressed in Renminbi)

	F - 30,	
	2012	2011
	RMB	RMB
O		
P	**8,302**	**7,081**
Adjustments for:		
Depreciation of property, plant and equipment	306	275
Amortization of lease prepayments	22	19
Amortization of intangible assets	47	47
Share of profits less losses of associates	(6)	(18)
Interest income	(182)	(176)
Interest expense	616	496
Loss on disposal of property, plant and equipment, and intangible assets	14	5
Impairment loss on property, plant and equipment	3	2
Gain on disposal of an associate	—	(12)
Loss/(gain) on remeasurement of derivative financial instruments at fair value	18	(19)
	9,140	**7,700**
Increase in inventories	(2,431)	(1,852)
Increase in trade and other receivables	(8,355)	(6,111)
Increase in receivables under finance lease	(1,922)	(1,446)
Increase in trade and other payables	5,068	3,513
C_	**1,500**	**1,804**
Income tax paid	(1,503)	(890)
N _ ( )/ _	**(3)**	**914**

The notes on pages F-87 to F-103 form part of the interim financial report.

C C F (,)
F - 30, 2012 (,)

(expressed in Renminbi)

	Note	F - 30, 2012 RMB	2011 RMB
**N ( )/ , ...		**(3)**	**914**
I			
Payment for the purchase of property, plant and equipment		(1,334)	(891)
Lease prepayments		(71)	(55)
Payment for purchase of intangible assets		(27)	(30)
Payment for acquisition of investments in associates and equity investments		(168)	(7)
Proceeds from disposal of property, plant and equipment, and intangible assets		14	21
Cash acquired in step acquisition		—	31
Interest received		182	176
Increase in pledged bank deposits		(455)	(997)
**N , ...		**(1,859)**	**(1,752)**
F			
Proceeds from loans and borrowings		16,902	9,568
Repayments of loans and borrowings		(12,176)	(8,491)
Interest paid		(628)	(513)
Dividends paid		(1,615)	(1,226)
Dividends paid by subsidiaries to non-controlling shareholders		(18)	(12)
Payment for acquisition of non-controlling interests		(50)	—
Contributions from non-controlling shareholders		34	2
Net proceeds from over-allotment of H Shares in Global Offering		—	1,507
**N		**2,449**	**835**
**N /( ) , ...		587	(3)
**C , ...		**16,002**	**18,758**
**E		5	(98)
**C , ...	**11**	**16,594**	**18,657**

The notes on pages F-87 to F-103 form part of the interim financial report.

3 ,

	F -		F -	
		30,		30,
	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
Sales of				
Concrete machinery	4,279	3,875	21,185	15,009
Crane machinery	3,297	2,997	10,341	11,205
Environmental and sanitation machinery	839	769	2,040	2,033
Road construction and pile foundation machinery	308	298	1,087	1,304
Earth working machinery	424	239	1,748	912
Material handling machinery and systems	65	121	269	403
Other machinery products	340	393	1,219	1,225
Finance income under finance lease	436	367	1,219	1,116
	9,988	9,059	39,108	33,207

4 P

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

(a) Net finance costs:

	F -		F -	
		30,		30,
	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
Finance income:				
Interest income on bank deposits	(50)	(65)	(182)	(176)

(b) Staff costs:

	F - 30,		F - 30,	
	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
Salaries, wages and other benefits	631	700	2,160	1,979
Contributions to retirement schemes	93	35	200	113
	724	735	2,360	2,092

(c) Other items:

	F - 30,		F - 30,	
	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
Cost of inventories	6,427	6,212	25,610	22,351
Depreciation of property, plant and equipment	105	97	306	275
Amortization of lease prepayments	7	6	22	19
Amortization of intangible assets	16	16	47	47
Operating lease charges	64	35	144	91
Product warranty costs	38	29	120	100
Impairment losses				
— trade receivables	18	54	213	296
— receivables under finance lease	22	—	89	—
— inventories	106	18	146	42

5 I

Income tax in the consolidated statements of comprehensive income represents:

	F - 30,		F - 30,	
	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
Current tax — PRC income tax	204	303	1,209	1,159
Current tax — Income tax in other tax jurisdictions	2	2	4	5
Deferred taxation	19	(9)	(38)	(75)
	225	296	1,175	1,089

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

	F - 30,		F - 30,	
	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
Profit before taxation	1,603	1,637	8,302	7,081
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (note (a))	401	409	2,076	1,770
Tax effect of non-deductible expenses	4	7	18	19
Tax effect of non-taxable income	(2)	(3)	(8)	(22)
Tax effect of tax concessions (note (b))	(153)	(109)	(829)	(597)
Additional deduction for qualified research and development expenses (note (c))	(25)	(8)	(82)	(81)
Actual income tax expense	225	296	1,175	1,089

Notes:

(a) The PRC statutory income tax rate is 25% (2011: 25%).

The Company's subsidiaries in Italy are subject to income tax at rates ranging from 27.5% to 31.4% (2011: 27.5% to 31.4%).

The Company's subsidiaries in the HKSAR are subject to Hong Kong Profits Tax at 16.5% (2011: 16.5%).

(three-month period ended September 30, 2011: RMB1,333 million), and the weighted average number of shares of 7,706 million during the three-month period ended September 30, 2012 (three-month period ended September 30, 2011: 7,706 million after adjusting for the stock split mentioned in the above paragraph).

The calculation of basic earnings per share for the nine-month period ended September 30, 2012 is based on the profit attributable to equity shareholders of the Company of RMB6,960 million (nine-month period ended September 30, 2011: RMB5,961 million), and the weighted average number of shares of 7,706 million during the nine-month period ended September 30, 2012 (nine-month period ended September 30, 2011: 7,698 million after adjusting for the stock split mentioned in the above paragraph).

There were no dilutive potential ordinary shares in issue as at September 30, 2012 (2011: nil).

7

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 three-month and nine-month periods ended September 30, 2012 is set out below.

	F -	30,	F -	30,
	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
Reportable segment revenue:				
Concrete machinery	4,279	3,875	21,185	15,009
Crane machinery	3,297	2,997	10,341	11,205
Environmental and sanitation machinery	839	769	2,040	2,033
Road construction and pile foundation machinery	308	298	1,087	1,304
Earth working machinery	424	239	1,748	912
Material handling machinery and systems	65	121	269	403
Finance lease services	436	367	1,219	1,116
Total reportable segment revenue	9,648	8,666	37,889	31,982
Revenue from all other segments	340	393	1,219	1,225
Total	9,988	9,059	39,108	33,207
Reportable segment profit:				
Concrete machinery	1,746	1,330	7,869	5,371
Crane machinery	911	695	2,838	2,854
Environmental and sanitation machinery	260	234	593	641
Road construction and pile foundation machinery	132	119	458	502
Earth working machinery	38	43	373	168
Material handling machinery and systems	12	6	32	40
Finance lease services	426	338	1,185	935
Total reportable segment profit	3,525	2,765	13,348	10,511
Profit from all other segments	27	53	116	164
Total	3,552	2,818	13,464	10,675

Reconciliation of segment profit

	F -		F -	
		30,		30,
	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
Total segment profit	3,552	2,818	13,464	10,675
Other revenues and net (loss)/income	(35)	7	(122)	73
Sales and marketing expenses	(1,031)	(725)	(2,504)	(1,955)
General and administrative expenses	(455)	(464)	(1,662)	(1,485)
Research and development expenses	(273)	(96)	(524)	(241)
Gain on disposal of an associate	—	—	—	12
Net finance costs	(153)	92	(356)	(16)
Share of profits less losses of associates	(2)	5	6	18
Consolidated profit before taxation	1,603	1,637	8,302	7,081

8 I

	A _	A _
	30,	D 31,
	2012	2011
	RMB	RMB
Raw materials	5,570	4,762
Work in progress	2,259	1,691
Finished goods	4,259	3,203
	12,088	9,656

9

	A _	A _
	30,	D 31,
	2012	2011
	RMB	RMB
Trade receivables	20,275	12,096
Less: provision for impairment (Note (b))	(739)	(533)
	19,536	11,563
Less: trade receivables due after one year	(3,405)	(912)
	16,131	10,651
Bills receivable (Note(c))	1,071	1,138
	17,202	11,789
Amounts due from related parties (Note 17(b))	173	99
Prepayments for purchase of raw materials	735	508
Prepaid expenses	384	310
VAT recoverable	241	247
Deposit	145	118
Others	623	543
	19,503	13,614

During the nine-month period ended September 30, 2012, trade receivables of RMB2,699 million (nine-month period ended September 30, 2011: nil) were factored to banks and other financial institutions without recourse, and were therefore derecognized.

(a) Ageing analysis of trade receivables

Ageing analysis of trade receivables based on the date of billing (net of provision for impairment) as at the balance sheet date is as follows:

	A 30, 2012	A D 31, 2011
	RMB	RMB
Within 1 month	5,617	4,547
Over 1 month but less than 3 months	5,215	2,362
Over 3 months but less than 1 year	6,821	3,401
Over 1 year but less than 2 years	1,443	932
Over 2 years but less than 3 years		

10 R

	A 30, 2012	A D 31, 2011
	RMB	RMB
Gross investment	24,387	22,135
Unearned finance income	(2,367)	(2,126)
	22,020	20,009
Less: provision for impairment (Note(c))	(229)	(140)
	21,791	19,869
Less: receivables under finance lease due after one year	(13,806)	(12,780)
Receivables under finance lease due within one year	7,985	7,089

As at September 30, 2012, no receivables under finance lease (December 31, 2011: RMB586 million) were factored to banks with recourse.

During the nine-month period ended September 30, 2012, receivables under finance lease of RMB11,538 million (nine-month period ended September 30, 2011: RMB7,932 million) were factored to banks without recourse, and were therefore derecognized.

(a) Ageing analysis of receivables under finance lease

The minimum lease payments receivable at the balance sheet date is as follows:

	As at December 30, 2012	As at December 31, 2011
	RMB	RMB
Present value of the minimum lease payments		
Within 1 year	8,114	7,139
Over 1 year but less than 2 years	6,425	6,300
Over 2 years but less than 3 years	4,441	4,178
Over 3 years	3,040	2,392
	22,020	20,009
Unearned finance income		
Within 1 year	1,209	1,024
Over 1 year but less than 2 years	705	671
Over 2 years but less than 3 years	288	318
Over 3 years	165	113
	2,367	2,126
Gross investment		
Within 1 year	9,323	8,163
Over 1 year but less than 2 years	7,130	6,971
Over 2 years but less than 3 years	4,729	4,496
Over 3 years	3,205	2,505
	24,387	22,135

Generally, sales under finance lease arrangement has lease periods ranging from two to five years, customers are required to make an upfront payment ranging from 5% to 20% of the product price and pay a security deposit ranging from 1% to 10% of the product price.

(b) Overdue analysis

Overdue analysis of receivables under finance lease at the balance sheet date is as follows:

	A 30, 2012	A D 31, 2011
	RMB	RMB
Not yet due	22,833	21,671
Less than 1 month past due	274	123
1 to 3 months past due	509	117
3 to 12 months past due	591	175
More than 12 months past due	180	49
Total past due	1,554	464
Gross investment	24,387	22,135

Past due receivables refer to the amount remains unpaid after the relevant payment due date, including those receivables that are overdue for only one day.

(c) Impairment of receivables under finance lease

The movement in the provision for impairment during the period, is as follows:

	2012	2011
	RMB	RMB
Balance at January 1	140	—
Impairment losses recognized	89	140
Balance at September 30/December 31	229	140

11 C

	A 30, 2012	A D 31, 2011
	RMB	RMB
Cash at bank and on hand		
— RMB denominated	15,633	15,351
— USD denominated	477	345
— EUR denominated	357	202
— HKD denominated	12	29
— Other currencies	115	75
	16,594	16,002

12 L

(a) Short-term loans and borrowings:

	Note	A 30, 2012	A D 31, 2011
		RMB	RMB
Secured short-term bank loans			
— RMB denominated	(i)	10	304
— EUR denominated		22	5
Unsecured short-term bank loans			
— RMB denominated		—	265
— JPY denominated		33	50
— EUR denominated		346	132
— USD denominated	(ii)	5,667	3,986
— HKD denominated		—	57
Current portion of long-term bank loans	12(b)	3,185	1,250
		9,263	6,049

Notes:

(i) The RMB denominated secured short-term bank loans as at September 30, 2012 were secured by fixed assets and receivables with an aggregate carrying value of RMB26 million (December 31, 2011: RMB339 million).

(ii) As at September 30, 2012, USD denominated unsecured short-term bank loans of RMB507 million (December 31, 2011: RMB1,197 million), bore interest at LIBOR plus 2.0% to 3.9% per annum. Such loans were subject to the fulfillment of certain financial covenants of the Group. As at September 30, 2012, the Group was in compliance with these financial covenants.

As at September 30, 2012, USD denominated unsecured short-term bank loans of RMB4,506 million (December 31, 2011: RMB2,579 million) bore interest at LIBOR plus 1.0% to 4.3% per annum.

As at September 30, 2012, the remaining USD denominated unsecured short-term bank loans of RMB654 million (December 31, 2011: RMB210 million) bore interest at 1.8% to 5.3% per annum.

(b) Long-term loans and borrowings:

	Note	As at December 30, 2012 RMB	As at December 31, 2011 RMB
Secured long-term bank loans — RMB denominated			

The remaining USD denominated unsecured long-term bank loans of RMB371 million (December 31, 2011: RMB221 million) bore interest at 3.5% to 4.2% per annum and had maturities of 8 months to 23 months from the balance sheet date.

(v) In April 2008, the Company issued bonds with principal amount of RMB1,100 million to public and institutional investors. The bonds bear interest at a fixed rate of 6.5% per annum and mature in April 2016. The holders of the bonds have an option to redeem, in whole or in part, of the principal amount of the bond on the fifth anniversary date of the bond issuance date at par value.

(vi) In April 2012, Zoomlion H.K. SPV Co., Limited, a wholly-owned subsidiary of the Company, issued 5-year senior notes with principal amount of USD400 million (RMB equivalent 2,521 million). The senior notes are guaranteed by the Company, bear interest at a fixed rate of 6.875% per annum and will mature in April 2017. Interest on the notes will be payable semi-annually in arrears in April and October of each year.

(c) Except as disclosed in Notes 12(a)(ii) and 12(b)(iv) above, none of the Group's loans and borrowings contains any financial covenants.

13

	A 30, 2012	A D 31, 2011
	RMB	RMB
Trade creditors	8,421	7,136
Bills payable	6,975	4,967
Trade creditors and bills payable (Note)	15,396	12,103
Amounts due to related parties (Note 17(b))	20	13
Receipts in advance from customers	1,580	1,166
Payable for acquisition of property, plant and equipment	856	403
Accrued staff costs	590	940
VAT payable	658	1,224
Security deposits	1,209	864
Product warranty provision	128	131
Sundry taxes payable	402	546
Payables for factoring discount	965	687
Dividend payable (Note 14)	332	—
Cash collected on behalf of banks	1,681	168
Others	1,132	1,069
	24,949	19,314

Note:

Ageing analysis of trade creditors and bills payable as at the balance sheet date is as follows:

	A 30,	A D 31,
	2012	2011
	RMB	RMB
Due within 1 month or on demand	4,846	4,974
Due after 1 month but within 3 months	5,407	3,938
Due after 3 months but within 6 months	4,418	2,496
Due after 6 months but within 12 months	725	695
	15,396	12,103

14 P

Pursuant to the shareholders' approval at the Annual General Meeting held on June 29, 2012, a final cash dividend of RMB0.25 per share based on 7,706 million ordinary shares totaling RMB1,926 million in respect of the year ended December 31, 2011 was declared, and was fully paid by the end of November 2012.

15 C

(a) Capital commitments

As at September 30, 2011, the Group had capital commitments as follows:

	A 30,	A D 31,
	2012	2011
	RMB	RMB
Authorized and contracted for		
— property, plant and equipment	512	434
— equity investments	—	100
— intangible assets	22	51
— lease prepayments	10	31
	544	616
Authorized but not contracted for		
— property, plant and equipment	157	303
— lease prepayments	1,819	1,880
	1,976	2,183

(b) Operating lease commitments

The Group leases business premises and equipment through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

As at September 30, 2012, the future minimum lease payments under operating lease was as follows:

	A 30, 2012	A D 31, 2011
	RMB	RMB
Within 1 year	96	95
After 1 but within 2 years	58	43
After 2 but within 3 years	47	27
After 3 but within 4 years	40	15
After 4 but within 5 years	22	5
Thereafter	26	4
	289	189

16 C

(a) Financial guarantee issued

Certain customers of the Group from time to time may finance their purchase of the Group's machinery products through bank loans, and the Group provides guarantees to the banks for the amount drawn by customers. Under the guarantee arrangement, in the event of customer default, the Group is required to repossess the machinery collateralizing the bank loans, and is entitled to sell the machinery and retain any net proceeds in excess of the guarantee payments made to the banks. As at September 30, 2012, the Group's maximum exposure to such guarantees was RMB11,709 million (December 31, 2011: RMB9,092 million). The terms of these guarantees coincide with the tenure of bank loans which generally range from 2 to 4 years. The Group, when called upon by the banks to fulfill its guarantee obligations, has historically been able to sell the repossessed machinery for proceeds that are not significantly different from the amount of the guarantee payments. For the nine-month period ended September 30, 2012, the Group made payments of RMB202 million (nine-month period ended September 30, 2011: RMB88 million) to the banks under the guarantee arrangement as a result of customer default.

Certain of the Group's finance lease contracts with end-user customers are jointly provided by the Group's leasing subsidiaries and a third-party leasing company. Under the joint leasing arrangement, the Group provides guarantee to the third-party leasing company that in the event of customer default, the Group is required make payment to the leasing company for its share of the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing

company. As at September 30, 2012, the Group's maximum exposure to such guarantees was RMB1,082 million (December 31, 2011: RMB1,634 million). The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 2 to 4 years. For the nine-month period ended September 30, 2012, there was no material default of payments from end-user customers which required the Group to make guarantee payments to the third-party leasing company.

(b) Contingent liability in respect of legal claims

The Group is a defendant in certain lawsuits as well as the named party in certain proceedings arising in the ordinary course of business. Management has assessed the likelihood of any unfavorable outcome of such contingencies, lawsuits or other proceedings and believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

17 R

(a) Transactions with related parties

	F - 30,	
	2012	**2011**
	RMB	**RMB**
:		
Sales of products	596	2
Purchase of raw materials and finished goods	464	45

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and in accordance with the agreements governing such transactions which are comparable to normal commercial terms.

(b) Outstanding balances with related parties

Amounts due from/to related parties are arising in the Group's normal course of business and are included in the account captions of trade and other receivables and trade and other payables, respectively. These balances bear no interest, are unsecured and are repayable in accordance with the agreements governing such transactions which are comparable to credit period with third-party customers/suppliers.

18 R PRC GAAP IFR

(a) Reconciliation of total equity of the Group

	A 30, 2012 RMB	A D 31, 2011 RMB
Total equity reported under PRC GAAP	40,766	35,635
— Acquisition-related costs incurred on prior year business combination	(40)	(40)
Total equity reported under IFRSs	40,726	35,595

(b) Other than the differences in the presentations and classifications of certain financial statements captions, there is no material difference between total comprehensive income and consolidated cash flow of the Group reported under PRC GAAP and IFRSs.