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**SANY HEAVY EQUIPMENT INTERNATIONAL
HOLDINGS COMPANY LIMITED**

三一重裝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 631)

CONTINUING CONNECTED TRANSACTIONS

**2023 SUPPLEMENTAL PRODUCTS SALES AGREEMENT,
2023 SUPPLEMENTAL MASTER PURCHASE AGREEMENT,
2023 SUPPLEMENTAL EQUIPMENT SALES AND
LEASING FRAMEWORK AGREEMENT,
2023 SUPPLEMENTAL MASTER SALES AGENCY AGREEMENT,
2023 SUPPLEMENTAL MASTER LEASE AGREEMENT,
2023 SUPPLEMENTAL ADMINISTRATIVE SERVICES AGREEMENT,
2023 SUPPLEMENTAL MASTER TRANSPORTATION AGREEMENT,
AND
2023 ENERGY SALES AGREEMENT**

REVISION OF ANNUAL CAPS

References are made to the 2022 Announcement, the 2023 Announcement and the 2023 Circular.

The Board is pleased to announce that, on 30 October 2023, in contemplation that the transaction amounts under each of the following Existing Agreements will exceed the annual caps set thereunder for the year ending 31 December 2023:

- (1) 2023 Products Sales Agreement;
- (2) 2023 Master Purchase Agreement;

- (3) 2023 Equipment Sales and Leasing Framework Agreement;
- (4) 2023 Master Sales Agency Agreement;
- (5) 2023 Master Lease Agreement;
- (6) 2023 Administrative Services Agreement; and
- (7) 2023 Master Transportation Agreement.

the Company entered into the following supplemental framework agreements to revise the annual caps and renew some of the Existing Agreements:

- (1) 2023 Supplemental Products Sales Agreement;
- (2) 2023 Supplemental Master Purchase Agreement;
- (3) 2023 Supplemental Equipment Sales and Leasing Framework Agreement;
- (4) 2023 Supplemental Master Sales Agency Agreement;
- (5) 2023 Supplemental Master Lease Agreement;
- (6) 2023 Supplemental Administrative Services Agreement; and
- (7) 2023 Supplemental Master Transportation Agreement.

2023 ENERGY SALES AGREEMENT

On 30 October 2023, the Company entered into the 2023 Energy Sales Agreement with Sany Group, pursuant to which Sany Group Companies shall rent certain rooftops on their premises to the Group for the purposes of setting up the photovoltaic equipment and Sany Group shall purchase from the Group photovoltaic energy to be generated by the photovoltaic equipment on the relevant rooftops of Sany Group's premises.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Liang is a controlling shareholder of the Company who is entitled to exercise or control the exercise of approximately 65.84% voting rights in the ordinary share capital of the Company and indirectly holds 479,781,034 Convertible Preference Shares which represent approximately 13.08% issued share capital of the Company (as enlarged) upon full conversion. As Sany Group is held as to 56.74% by Mr. Liang, Sany Group is an associate of Mr. Liang under Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of the Company under Chapter 14A of the Listing Rules. Sany Logistics, being a subsidiary of Sany Group, is an associate of Mr. Liang under Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the entering into of the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement with Sany Group and Sany Logistics (as the case may be), and the transactions contemplated thereunder are continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed revised annual caps under each of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement are more than 5%, the respective agreements and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed revised annual caps under the 2023 Supplemental Master Sales Agency Agreement, the 2023 Supplemental Master Lease Agreement, the 2023 Supplemental Administrative Services Agreement, the 2023 Supplemental Master Transportation Agreement and the 2023 Energy Sales Agreement exceed 0.1% but all of them are less than 5%, the respective agreements and the transactions contemplated thereunder (including the proposed annual caps) are only subject to the reporting and announcement requirements, and are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

EGM

The Company will hold the EGM to approve the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement, the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder.

Vinco Financial Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement.

CIRCULAR

A circular containing, among other things, further information on (i) the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement; (ii) the notice of the EGM; (iii) the letter from Vinco Financial Limited to both the Independent Board Committee and the Independent Shareholders regarding the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement, the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the transactions contemplated thereunder; and (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in connection thereto, will be despatched to the Shareholders as soon as possible. It is currently expected that the circular will be despatched to the Shareholders on or before 20 November 2023.

A. EXISTING AGREEMENTS

References are made to the 2022 Announcement, the 2023 Announcement and the 2023 Circular.

The Board is pleased to announce that, on 30 October 2023, in contemplation that the transaction amounts under each of the Existing Agreements for the year ending 31 December 2023 will exceed the annual caps set under the respective agreements,

the Company entered into the 2023 Supplemental Agreements to revise the annual caps and to renew some of the Existing Agreements. Details of the proposed revision of annual caps and the renewal of the Existing Agreements are set out below:

(1) 2023 SUPPLEMENTAL PRODUCTS SALES AGREEMENT

References are made to the 2022 Announcement and the 2023 Circular regarding the 2023 Products Sales Agreement pursuant to which the Company agreed to sell or procure its subsidiaries to sell its finished products to Sany Group Companies for sale to end-customers. On 30 October 2023, the Company entered into the 2023 Supplemental Products Sales Agreement with Sany Group to revise the annual caps of the 2023 Products Sales Agreement as follows:

	For the year ending 31 December		
	2023	2024	2025
		<i>(RMB)</i>	
Existing Annual Caps	2,210,370,000	2,300,000,000	2,358,580,000
Revised Annual Caps	3,980,000,000	4,180,000,000	4,390,000,000

The revised annual caps were arrived based on the historical transaction amounts, the orders received by the Group to-date, the orders under negotiation, the scheduled deliveries, the business plan of the Group and the expected demand of the products by end-customers. In addition, there has been a significant increase in the transaction amounts after the Group acquired equity interests in Sany Technology Equipment Co., Ltd.* (三一技術裝備有限公司) (“**Sany Technology Equipment**”) from Sany Group in 2022 (the “**2022 Acquisition**”) and more recently Sany Oil Technology Hongkong Limited and its subsidiaries (the “**Sany Oil Group Companies**”) during the year (the “**2023 Acquisition**”) pursuant to which the financial statements of Sany Technology Equipment and Sany Oil Group Companies were consolidated into the financial statements of the Company. Sany Technology Equipment had existing orders prior to the acquisition. After the 2022 Acquisition, Sany Technology Equipment continued to receive orders and the transaction amount under the 2023 Products Sales Agreement accumulated. Similarly for Sany Oil Group Companies, prior to the 2023 Acquisition, the Sany Oil Group Companies would receive orders to sell its finished products within Sany Group Companies for sale to the end-customers. After the 2023 Acquisition, the orders received by Sany Oil Group Companies were added to the orders received by the Group, resulting in an increase in the actual transaction amount. Therefore, based on the orders received by the Group to-date, it is anticipated that there will be a significant increase in the annual caps for the year ending 31 December 2023, 2024 and 2025 as a result of the 2022 Acquisition and more predominantly the 2023 Acquisition. Simultaneously, there has also been a stable increase in the demand of the products by end-customers. The anticipated increase in sales volume required the existing annual caps to be revised accordingly. For further details of the acquisitions, please refer to the announcement of the Company dated 30 December 2022 in relation to the 2022 Acquisition, and the announcements of the Company dated 12 April 2023, 19 July 2023 and the circular of the Company dated 23 May 2023 in relation to the 2023 Acquisition.

Except for the annual caps, all other terms of the 2023 Products Sales Agreement remain unchanged in the 2023 Supplemental Products Sales Agreement. The principal terms of the 2023 Products Sales Agreement have been set out in the paragraph headed “(1) 2023 PRODUCTS SALES AGREEMENT” of the 2022 Announcement and the 2023 Circular.

The transaction amount under the 2023 Products Sales Agreement for the nine months ended 30 September 2023 was RMB1,993,600,896, after making a delivery for an order of a large bulk of the finished products in or around June 2023. As at the date of this announcement, the annual cap for the year ending 31 December 2023 under the 2023 Products Sales Agreement has not been exceeded, as the next delivery for an order of a large bulk of the finished products is scheduled to take place in or around December 2023.

(2) 2023 SUPPLEMENTAL MASTER PURCHASE AGREEMENT

References are made to the 2022 Announcement and the 2023 Circular regarding the 2023 Master Purchase Agreement pursuant to which the Group will purchase parts and components and second-hand manufacturing equipment from Sany Group Companies. On 30 October 2023, the Company entered into the 2023 Supplemental Master Purchase Agreement with Sany Group to revise the annual cap of the 2023 Master Purchase Agreement for the year ending 31 December 2023, as follows:

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB)</i>		
Existing Annual Caps	1,214,218,070	1,696,940,810	2,284,841,210
Revised Annual Caps	1,600,000,000	No change	No change

The revised annual cap was arrived based on the historical transaction amounts, the orders under negotiation and the anticipated procurement plan of the Group having considered the business plan of the Group. It is anticipated that there will be a slight increase in the orders to be placed by the Group for the year ending 31 December 2023, thereby requiring an upward adjustment to the annual cap for the year ending 31 December 2023 due to the continuous growth in scale of product sales of the Group.

Except for the annual cap, all other terms of the 2023 Master Purchase Agreement remain unchanged in the 2023 Supplemental Master Purchase Agreement. The principal terms of the 2023 Master Purchase Agreement have been set out in the paragraph headed “(3) 2023 MASTER PURCHASE AGREEMENT” of the 2022 Announcement and the 2023 Circular.

The transaction amount under the 2023 Master Purchase Agreement for the nine months ended 30 September 2023 was RMB716,952,474. As the Group approaches year-end, there is a significant increase in the sales for the manufacturing of products of the Group, resulting in the Group placing more orders to purchase parts and components and second-hand manufacturing equipment from Sany Group Companies for the manufacturing of products. The significant increase in procurement orders placed or to be placed by the Group amounts to approximately RMB829 million. Therefore, there is a need to revise the annual cap for the year ending 31 December 2023 in anticipation of the increase in orders placed by the Group for the second half of 2023. As at the date of this announcement, the annual cap for the year ending 31 December 2023 under the 2023 Master Purchase Agreement has not been exceeded.

(3) 2023 SUPPLEMENTAL EQUIPMENT SALES AND LEASING FRAMEWORK AGREEMENT

References are made to the 2022 Announcement and the 2023 Circular regarding the 2023 Equipment Sales and Leasing Framework Agreement, pursuant to which: (i) parts and equipment shall either be sold by the Group to Sany Group Companies for leasing to the lessees or to the lessees which shall then be on-sold to Sany Group Companies for leasing back to the lessees; and (ii) the Group shall settle the outstanding lease payments on behalf of the lessees or repurchase the parts and equipment under certain circumstances. On 30 October 2023, the Company entered into the 2023 Supplemental Equipment Sales and Leasing Framework Agreement with Sany Group to revise the annual caps as follows:

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB)</i>		
(a) the sales of parts and equipment:			
Existing Annual Caps	1,802,000,000	1,850,000,000	1,900,000,000
Revised Annual Caps	2,730,000,000	2,870,000,000	3,000,000,000
(b) the financial guarantee and the repurchase of parts:			
Existing Annual Caps	1,621,800,000	1,665,000,000	1,710,000,000
Revised Annual Caps	2,450,000,000	2,580,000,000	2,700,000,000

The revised annual caps were arrived based on:

- (i) historical transaction amounts (taking into account the increase in the transaction amounts following the 2022 Acquisition and the 2023 Acquisition and after the financial statements of the respectively companies had been consolidated into the financial statements of the Company);
- (ii) the orders under negotiation and the product sales plan at the prevailing market price of the parts and equipment, and the expected transaction scale which similar guarantee are required;
- (iii) the average loan ratio of the sales of parts and equipment of 90% (for the financial guarantee and the repurchase of parts and equipment); and
- (iv) current intention of the customers of changing from using instalment payment model directly with the Group to using finance lease services with Sany Group Companies, which would help to speed up the cash collection process of the Group.

Except for the annual caps, all other terms of the 2023 Equipment Sales and Leasing Framework Agreement remain unchanged in the 2023 Supplemental Equipment Sales and Leasing Framework Agreement. The principal terms of the 2023 Equipment Sales and Leasing Framework Agreement have been set out in the paragraph headed “(2) 2023 EQUIPMENT SALES AND LEASING FRAMEWORK AGREEMENT” of the 2022 Announcement and the 2023 Circular.

The transaction amount of the sales of parts and equipment under the 2023 Equipment Sales and Leasing Framework Agreement for the nine months ended 30 September 2023 was RMB1,710,887,857 and the transaction amount of the financial guarantee and the repurchase of parts and equipment was RMB1,562,581,071 for the same period. As at the date of this announcement, the annual caps for the year ending 31 December 2023 under the 2023 Equipment Sales and Leasing Framework Agreement have not been exceeded.

(4) 2023 SUPPLEMENTAL MASTER SALES AGENCY AGREEMENT

Reference is made to the 2022 Announcement regarding the 2023 Master Sales Agency Agreement pursuant to which Sany Group Companies shall act as the sales agency for the Group for overseas end-customers. On 30 October 2023, the Company entered into the 2023 Supplemental Master Sales Agency Agreement with Sany Group to revise the annual caps of the 2023 Master Sales Agency Agreement as follows:

	For the year ending 31 December		
	2023	2024	2025
		<i>(RMB)</i>	
Existing Annual Caps	15,000,000	20,000,000	30,000,000
Revised Annual Caps	73,600,000	77,300,000	82,000,000

The revised annual caps were arrived based on the historical transaction amounts (taking into account the increase in the transaction amounts following the 2022 Acquisition and the 2023 Acquisition and after the financial statements of the respective companies had been consolidated into the financial statements of the Company), orders under negotiation and the anticipated sales plan for overseas regions.

Except for the annual caps, other terms of the 2023 Master Sales Agency Agreement remain unchanged in the 2023 Supplemental Master Sales Agency Agreement. The principal terms of the 2023 Master Sales Agency Agreement have been set out in the paragraph headed “(7) 2023 MASTER SALES AGENCY AGREEMENT” of the 2022 Announcement.

The transaction amount under the 2023 Master Sales Agency Agreement for the nine months ended 30 September 2023 was RMB12,993,000. As at the date of this announcement, the annual cap for the year ending 31 December 2023 under the 2023 Master Sales Agency Agreement has not been exceeded, as the agency fees are generally incurred in the months of June and December each year.

(5) 2023 SUPPLEMENTAL MASTER LEASE AGREEMENT

Reference is made to the 2022 Announcement regarding the 2023 Master Lease Agreement pursuant to which Sany Group Companies agreed to lease certain premises to the Group. On 30 October 2023, the Company entered into the 2023 Supplemental Master Lease Agreement with Sany Group to revise the annual cap for the lease arrangements under the 2023 Master Lease Agreement as follows:

	For the year ending 31 December 2023 (RMB)
Existing Annual Cap	73,620,000
Revised Annual Cap	80,627,300

According to IFRS 16, the rental payments to be made by the Group are capital in nature and will be recognised as assets of the Group at the respective commencement dates of the actual lease contracts under the 2023 Master Lease Agreement and amortised over the term of the lease agreement. As all the actual lease agreements will be entered into in the year of 2023, the value of such right-of-use asset to be recognised by the Company was initially expected to be approximately RMB73,620,000 (before tax) for the year ending 31 December 2023. Under the 2023 Supplemental Master Lease Agreement, the value of such right-of-use asset to be recognised by the Company is expected to be approximately RMB80,627,300 (before tax) for the year ending 31 December 2023.

The revised annual caps of the value of the right-of-use assets under the 2023 Supplemental Master Lease Agreement was determined after taking into account the following factors:

- (i) the maximum aggregated rental payments under the 2023 Master Lease Agreement taking into account the conditions of the premises, including but not limited to the locations, areas of the properties required by the Group in light of the anticipated business needs as well as the facilities associated with the premises, the prevailing market conditions and market rent for comparable properties in the vicinity; and
- (ii) the estimated present value of the maximum aggregated rental payments under the 2023 Master Lease Agreement to be recorded as right-of-use assets in the Group's financial statements taking into account the Group's incremental borrowing rate as the discount rate.

Except for the annual cap, other terms of the 2023 Master Lease Agreement remain unchanged in the 2023 Supplemental Master Lease Agreement. The principal terms of the 2023 Master Lease Agreement have been set out in the paragraph headed "(8) 2023 MASTER LEASE AGREEMENT" of the 2022 Announcement.

(6) 2023 SUPPLEMENTAL ADMINISTRATIVE SERVICES AGREEMENT

Reference is made to the 2022 Announcement regarding the 2023 Administrative Services Agreement pursuant to which the Group agreed to purchase and procure from Sany Group Companies certain goods and services such as travel bookings, dining and accommodation. On 30 October 2023, the Company entered into the 2023 Supplemental Administrative Services Agreement with Sany Group to revise the annual caps of the 2023 Administrative Services Agreement as follows:

	For the year ending 31 December		
	2023	2024	2025
		<i>(RMB)</i>	
Existing Annual Caps	15,976,400	21,179,600	28,334,500
Revised Annual Caps	33,000,000	35,000,000	38,000,000

The revised annual caps were arrived based on the historical transaction amounts (taking into account the increase in the transaction amounts following the 2022 Acquisition and the 2023 Acquisition and after the financial statements of the respective companies had been consolidated into the financial statements of the Company), orders under negotiation and the anticipated increase in the demand of the administrative services required by the Group at the prevailing market prices of similar services due to the Group's expansion into the businesses of the acquired companies in 2023.

Except for the annual caps, other terms of the 2023 Administrative Services Agreement remain unchanged in the 2023 Supplemental Administrative Services Agreement. The principal terms of the 2023 Administrative Services Agreement have been set out in the paragraph headed "B. ADMINISTRATIVE SERVICES AGREEMENT" of the 2022 Announcement.

The transaction amount under the 2023 Administrative Services Agreement for the nine months ended 30 September 2023 was RMB12,874,903. As at the date of this announcement, the annual cap for the year ending 31 December 2023 under the 2023 Administrative Services Agreement has not been exceeded.

(7) 2023 SUPPLEMENTAL MASTER TRANSPORTATION AGREEMENT

References are made to the 2023 Announcement regarding the 2023 Master Transportation Agreement pursuant to which Sany Logistics will provide logistic services to the Group. As previously disclosed, the transactions contemplated under the 2023 Logistics Services Agency Agreement are similar to the transactions contemplated under the then Supplemental Master Transportation Agreement (2020–2022) read with the 2022 Supplemental Master Transportation Agreement and as renewed by the 2023 Master Transportation Agreement. Due to a change in scope of services and certain terms, the Company entered into the 2023 Logistics Services Agency Agreement with Sany Logistics instead of renewing the 2022 Supplemental Master Transportation Agreement. However, as additional time was required to make the relevant transitional arrangements, the Company renewed the 2022 Supplemental Master Transportation Agreement by entering into the 2023 Master Transportation Agreement subsequently. To-date, as more time is required to make the relevant transitional arrangements, on 30 October 2023, the Company entered into the 2023 Supplemental Master Transportation Agreement with Sany Logistics to revise the annual cap for the year ending 31 December 2023 and to renew the 2023 Master Transportation Agreement for a further term of two years, as follows:

Revision of Annual Cap

	For the year ending 31 December 2023 <i>(RMB)</i>	
Existing Annual Cap	70,000,000	
Revised Annual Cap	129,000,000	

Proposed Annual Caps for 2024 and 2025

	For the year ending 31 December 2024 2025 <i>(RMB)</i>	
Annual Caps under the 2023 Supplemental Master Transportation Agreement	136,000,000	143,000,000

The revised annual cap for the year ending 31 December 2023 and the proposed annual caps for the two years ending 31 December 2025 were arrived based on the historical transaction amounts, the orders under negotiation, the anticipated logistic services which will be required by the Group at the prevailing market price for such services and the time required for the transitional arrangements of the scope of services into the 2023 Logistics Services Agency Agreement.

Except for the annual caps, other terms of the 2023 Master Transportation Agreement remain unchanged in the 2023 Supplemental Master Transportation Agreement. The principal terms of the 2023 Master Transportation Agreement have been set out under the heading of “2023 MASTER TRANSPORTATION AGREEMENT” of the 2023 Announcement.

The transaction amount under the 2023 Master Transportation Agreement for the nine months ended 30 September 2023 was RMB69,156,300. As at the date of this announcement, the annual cap for the year ending 31 December 2023 under the 2023 Master Transportation Agreement has not been exceeded.

REASONS AND BENEFITS

The reasons and benefits of the entering into of each of the Existing Agreements are set out as follows:

Reasons for and benefits of entering into the 2023 Products Sales Agreement

By selling the Group’s products to Sany Group Companies, which will then be sold to end-customers in a large scale, the Group can take advantage of Sany Group Companies’ domestic and overseas sales network and sales experiences to enhance the Group’s sales.

In light of the above and the internal control procedures in place in order to ensure the transactions conducted under the 2023 Products Sales Agreement will be on terms not more favourable to Sany Group Companies than those offered to Independent Third Parties, details of which are disclosed under the section headed “INTERNAL CONTROL MEASURES” of this announcement, the Board considers that the terms of the 2023 Products Sales Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the 2023 Master Purchase Agreement

The Directors consider that it is crucial for the Group to maintain the stability in supply and quality of the parts and components for its existing and future production needs. Sany Group Companies are familiar with the Group’s specifications, standards and requirements and the Group is confident on the quality of the parts and components supplied by Sany Group Companies. In view of the Group’s past purchasing experience with Sany Group Companies, the Directors are of the view that Sany Group Companies can effectively fulfill the Group’s high requirement in supply stability as well as product quality. In addition, Sany Group Companies have provided the Group with more favorable terms such as flexible and timely delivery schedule of the parts and components purchased by the Group.

In light of the above and the internal control procedures in place in order to ensure the transactions conducted under the 2023 Master Purchase Agreement will be on terms not less favourable to the Group than terms offered by Independent Third Parties, details of which are disclosed under the section headed “INTERNAL CONTROL MEASURES” of this announcement, the Board considers that the terms of the 2023 Master Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the 2023 Equipment Sales and Leasing Framework Agreement

The principal business of the Group is sale and manufacture of machineries and equipment including but not limited to mining machineries, logistics equipment, oil and gas equipment and other automatic machineries. In line with usual market practice, the Group has been providing financial guarantees to banks or independent finance leasing companies in respect of the products sold to end-user customers since 2005.

Sany Group Companies have extensive industry experience in the finance leasing business. They have maintained a long-term business relationship with the Group and have in-depth understanding of the Group’s operations. The entering of the 2023 Equipment Sales and Leasing Framework Agreement would enable the Group to facilitate its sales to Independent Third Party customers, and monitor the repayment progress of these customers together with Sany Group Companies and take appropriate actions more efficiently and effectively in order to minimise the default risks associated with the leasing of parts and equipment.

Having considered that: (i) the Group would be able to generate sales under the 2023 Equipment Sales and Leasing Framework Agreement; (ii) the terms under the 2023 Equipment Sales and Leasing Framework Agreement are no less favorable to the Group than the terms offered by banks or other finance leasing companies; (iii) it is a usual market practice for equipment manufacturers to provide similar financial guarantees in favour of end-user customers in connection with the sale of equipment; and (iv) the Company has the internal control procedures in place to ensure the transactions conducted under the 2023 Equipment Sales and Leasing Framework Agreement will be on terms not more favourable to Sany Group Companies than terms offered to Independent Third Parties, details of which are disclosed under the section headed “INTERNAL CONTROL MEASURES” of this announcement, the Board considers that the terms of the 2023 Equipment Sales and Leasing Framework Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the 2023 Master Sales Agency Agreement

The sales agency model is mainly adopted for overseas regions where the end-customers are in a less centralized location. The Group can take advantage of Sany Group's strong overseas sales network to procure the end-customers and then expand the relevant market gradually, which would be much more commercially efficient than the Group seeking and coordinating with the customers one by one directly. Therefore, it is reasonable for Sany Group to charge certain agency fees.

In light of the above and the internal control procedures in place in order to ensure that the transactions conducted under the 2023 Master Sales Agency Agreement will be on terms not less favourable to the Group than terms offered by Independent Third Parties, details of which are disclosed under the section headed "INTERNAL CONTROL MEASURES" of this announcement, the Board (including the independent non-executive Directors) considers that the terms of the 2023 Master Sales Agency Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the 2023 Master Lease Agreement

Sany Heavy Equipment has multiple sales networking locations in China. Leasing Sale Outlets Networking Property allows Sany Heavy Equipment to leverage Sany Group's sufficient locations and well-equipped office facilities of Sany Group to build local accessories warehouses and maintain the daily business operations of branches.

The business operations of Sany Intelligent Mining and the business operations of Sany Robotics demands Beijing Property for industrial propose. Leasing Beijing Property and Beijing R&D Property allows Sany Intelligent Mining and Sany Robotics to leverage talent advantages in Beijing so as to attract high-end technical talents in automation and intelligence and to enhance R&D capabilities of the Company and product competitiveness.

Hunan Sany Port Equipment Co., Ltd.* (湖南三一港口設備有限公司) rents Sany Group's staff dormitory in Shanghai would help its accommodation arrangement for its employees.

In light of the above and the internal control procedures in place in order to ensure that the transactions conducted under the 2023 Master Lease Agreement will be on terms no less favorable to the Group than to Independent Third Parties, details of which are disclosed under the section headed "INTERNAL CONTROL MEASURES" of this announcement, the Board considers that the terms of the 2023 Master Lease Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the 2023 Administrative Services Agreement

Sany Group Companies had not provided administrative services to the Group prior to the entering into of the 2023 Administrative Services Agreement. Through entering into the 2023 Administrative Services Agreement, the Group's employees can benefit from the mobile travel service platform developed by Sany Group and the accommodation and catering services provided by Sany Group Companies. With the streamlined process of booking tickets for trains and flights as well as arranging accommodation for its employees for their business travels, and large-scale booking enjoys more discounts which reduce administrative expenses.

In light of the above and the internal control procedures in place in order to ensure that the transactions conducted under the 2023 Administrative Services Agreement will be on terms no less favorable to the Group than to Independent Third Parties, details of which are disclosed under the section headed "INTERNAL CONTROL MEASURES" of this announcement, the Board considers that the terms of the 2023 Administrative Services Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the 2023 Master Transportation Agreement

Sany Logistics has extensive experience in logistics services for mining equipment, logistics equipment, oil and gas equipment and automated machinery. As it is familiar with the Group's requirements and could offer competitive prices to the Group, Sany Logistics has been providing logistics services to the Group since 2011. Since Sany Logistics has determined to change its business focus from the provision of logistics services to the provision of logistics agency services commencing from year 2023, the Company entered into the 2023 Logistics Services Agency Agreement with Sany Logistics in relation to the provision of the logistics agency services on 16 December 2022.

Subsequent to the entering of the 2023 Logistics Services Agency Agreement, it was agreed between the Group and Sany Logistics that Sany Logistics shall continue to provide logistics services to the Group for orders which were under negotiation prior to the expiry of the 2022 Supplemental Master Transportation Agreement on 31 December 2022. As such, the Group entered into the 2023 Master Transportation Agreement in this regard.

In light of the above and the internal controls as mentioned under the paragraph headed "INTERNAL CONTROL MEASURES" of this announcement, the Board (including the independent non-executive Directors) considers that the terms of the 2023 Master Transportation Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the 2023 Supplemental Agreements

Following the 2022 Acquisition and predominantly the 2023 Acquisition, there has been a significant increase in the transaction amounts for most of the Existing Agreements as the financial statements of the respective companies were consolidated into the financial statements of the Company.

Sany Technology Equipment is principally engaged in the research and development, manufacturing and sales of new energy battery equipment. The Sany Oil Group Companies are principally engaged in the research and development, production and sales of frac spreads and spare parts for oil and gas field, as well as oil and gas field cementing and stimulation technical services. The main business types can be classified into: (i) research and development, production and sales of frac spreads and spare parts; (ii) research and development, production and sales of drilling, workover and automated pipe handling equipment; and (iii) after-market business and oil & gas field technical services.

In revising the annual caps for the Existing Agreements, the Company took into account the increase in the transaction amounts following the 2022 Acquisition and the 2023 Acquisition, the ongoing transactions as well as the projected transaction amounts based on the orders placed and/or received by the Group under the respective agreements.

In anticipation of the increase in the transaction amounts of the continuing connected transactions conducted under each of the Existing Agreements, the Board considered that the entering into of the 2023 Supplemental Agreements to revise the annual caps will enable the Group to continue the continuing connected transactions contemplated thereunder in compliance with the Listing Rules.

In view of the reasons above, the Board considered that the terms of the transactions contemplated under each of the 2023 Supplemental Agreements are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole.

B. NEW AGREEMENT

2023 ENERGY SALES AGREEMENT

On 30 October 2023, the Company entered into the 2023 Energy Sales Agreement with Sany Group, pursuant to which Sany Group Companies shall rent certain rooftops on their premises to the Group for the purposes of setting up the photovoltaic equipment and shall purchase from the Group photovoltaic energy to be generated by the photovoltaic equipment on the relevant rooftops of Sany Group's premises.

Set out below are the principal terms of the 2023 Energy Sales Agreement:

- Date:** 30 October 2023
- Parties:** (a) The Company; and
(b) Sany Group.

Subject matter: Pursuant to the 2023 Energy Sales Agreement, Sany Group Companies shall rent certain rooftops on their premises to the Group for the purposes of setting up the photovoltaic equipment and Sany Group Companies shall purchase from the Group photovoltaic energy to be generated by the photovoltaic equipment on the relevant rooftops of the Sany Group's premises.

Term: The 2023 Energy Sales Agreement has a fixed term commencing from 30 October 2023 to 31 December 2025 (both days inclusive).

Pricing and other terms: The rental fees in the form of a 15% discount rate to be offered by the Group to Sany Group for the set-up of the photovoltaic equipment shall be determined with reference to the applicable market rates of similar premises in the vicinity and quotations from Independent Third Parties in the similar industry for similar premises in the vicinity.

Photovoltaic energy will be supplied at a price calculated by having the relevant volume of electricity usage multiplied by the relevant government real-time price per kWh (as adjusted from time to time), which is determined by the government authorities (including State Grid Corporation of China* (國家電網公司)) depending on the location of the premises with the rooftop installed, and with a discount rate which is a common practice in the PRC market that power stations offer discounts to customers in exchange for the set-up of photovoltaic equipment at their premises. The 15% discount rate as indicated in the 2023 Energy Sales Agreement was determined with reference to (i) the discount rates offered by other power stations to their customers that the fees for the overall consumption of the photovoltaic energy shall include a discount as rental fees for the use of the premises to set up the relevant photovoltaic equipment and (ii) market practice in the photovoltaic energy industry as at the date of the 2023 Energy Sales Agreement. The Directors confirmed that the 15% discount rate is currently in line with market practice.

Payment terms: Monthly invoices shall be issued by the Company to Sany Group for the payment for the electricity, which will be settled by telegraphic transfer or cash within fifteen (15) days upon receipt of the invoice by the Sany Group.

The 2023 Energy Sales Agreement is a framework agreement which provides the mechanism for the operation of the continuing connected transactions contemplated thereunder. It is envisaged that from time to time, and as required, the Group and Sany Group will enter into separate individual agreements on terms and conditions which comply with the principles set out in the 2023 Energy Sales Agreement.

Proposed annual caps and basis of determination

Under the 2023 Energy Sales Agreement, the 15% discount will not be recognised the right-of-use assets under IFRS 16 arising from the rental of the rooftops at the premises specified by Sany Group Companies because there are no fixed lease payments for rental payables by the lessee on the commencement date of the leasing period. The agreement is for the provision of construction and operation services of photovoltaic equipment to owners which does not involve the sale of electricity to third parties or leases, and thus no right-of-use assets and lease liabilities will be recognized.

Pursuant to the 2023 Energy Sales Agreement, it is proposed that the annual caps for the three years ending 31 December 2025 are expected not to exceed the following:

	For the year ending 31 December		
	2023	2024	2025
		(RMB)	
Rental fees payable by the Group to Sany Group for the rental of the rooftop based on the 15% discount rate	5,475,000	7,500,000	10,500,000
Fees payable by the Sany Group to the Group for the sales of photovoltaic energy	36,500,000	50,000,000	70,000,000

Prior to the 2023 Energy Sales Agreement, the Group has not supplied any photovoltaic energy to Sany Group and/or Sany Group Companies. The annual caps for each of the three financial years ending 31 December 2025 were determined by reference to (i) the premises confirmed by Sany Group Companies for the set-up of the photovoltaic equipment; (ii) the business plans of the Group, taking into account the estimated number of rooftops and their respective locations for setting up of the photovoltaic equipment; and (iii) the expected consumption of the photovoltaic energy by Sany Group and/or Sany Group Companies, taking into consideration the prevailing market price.

It is expected that there will be an increase in the energy to be purchased by Sany Group for the 2023 Energy Sales Agreement from the year ending 31 December 2023 to the year ending 31 December 2025 owing to the anticipated continuous growth in the sales of energy of the Group in the next three years.

Reasons for and benefits of entering into the 2023 Energy Sales Agreement

The sales of the photovoltaic energy is a new business of unit of the Group following the 2023 Acquisition. Through entering into the 2023 Energy Sales Agreement, the new photovoltaic energy business unit of the Group can enter into the photovoltaic energy market, conduct market-oriented testing and begin generating revenue for the Company.

In light of the above and the internal control procedures in place in order to ensure that the transactions conducted under the 2023 Energy Sales Agreement will be on terms no less favorable to the Group than to Independent Third Parties, details of which are disclosed under the section headed “INTERNAL CONTROL MEASURES” of this announcement, the Board considers that the terms of the 2023 Energy Sales Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Liang is a controlling shareholder of the Company who is entitled to exercise or control the exercise of approximately 65.84% voting rights in the ordinary share capital of the Company and indirectly holds 479,781,034 Convertible Preference Shares which represent approximately 13.08% issued share capital of the Company (as enlarged) upon full conversion. As Sany Group is held as to 56.74% by Mr. Liang, Sany Group is an associate of Mr. Liang under Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of the Company under Chapter 14A of the Listing Rules. Sany Logistics, being a subsidiary of Sany Group, is an associate of Mr. Liang under Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the entering into of the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement with Sany Group and Sany Logistics (as the case may be), and the transactions contemplated thereunder are continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the revised annual caps under each of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales Leasing Framework Agreement, are more than 5%, the respective agreements and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the revised annual caps under the 2023 Supplemental Master Sales Agency Agreement, the 2023 Supplemental Master Lease Agreement, the 2023 Supplemental Administrative Services Agreement, the 2023 Supplemental Master Transportation Agreement and the 2023 Energy Sales Agreement exceed 0.1% but all of them are less than 5%, the respective agreements and the transactions contemplated thereunder (including the proposed annual caps) are only subject to the reporting and announcement requirements, and are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

2023 Supplemental Agreements

To ensure that the terms of the continuing connected transactions of the Company are on normal commercial terms and on terms no less favorable to the Company than terms offered to or by Independent Third Parties, the Company has adopted various internal control measures for the Existing Agreements as follows:

2023 Products Sales Agreement, 2023 Master Sales Agency Agreement, 2023 Master Lease Agreement and 2023 Administrative Services Agreement

Before entering into an individual agreement under the relevant framework agreement, the technical personnel and the finance department shall gather information regarding the product cost and market rate and pass on such information to the sales and marketing department which shall then determine the price or service fee based on the respective pricing principle under the relevant framework agreement, and with reference to at least two similar transactions conducted between the Group and Independent Third Party customers to ensure that the terms offered to or available from Sany Group Companies or Sany Logistics (as the case may be) shall not be less favourable to the Group than terms offered to or available from Independent Third Parties or, if such transactions are not available, two comparable transactions for similar products sold by other suppliers or customers who are Independent Third Parties.

The terms are subject to further review and approval by the head of sales and marketing department prior to the signing and execution of the relevant agreement(s).

Based on the products' level of standardization and the technologies used, different review process will be applied to determine the sales prices of the products. For standard products such as roadheader, wide-bodied vehicle and mining vehicle, the sales and marketing department (營銷部) shall determine the sales price for further review and approval by the director of sales and marketing department (營銷部) and general manager of the Group. For non-standard products such as hydraulic support and scraper, the technical personnel and the finance department (財務部) shall check the products' costs first before the sales and marketing department (營銷部) determines the sales prices for further review and approval by the director of sales and marketing department (營銷部) and general manager of the Group.

2023 Master Purchase Agreement

The basis of determining the prices of the products to be purchased by the Group under the 2023 Master Purchase Agreement will be in accordance with the prevailing market prices of similar products and based on the following principles:

- (i) by reference to the prevailing market prices of the same or substantially similar products, taking into account the price, quality and other conditions (such as payment terms, credit terms and after-sales services) offered by suppliers via the Group's commercial procurement tender process. The commercial procurement policy of the Group indicates that where comparable products are available, commercial procurements must go through a tender process. To elaborate, there are generally two stages during the tender process. During the first stage, the Group circulates the technology specifications to the potential candidates and then invites three to five tenderers, including Sany Group if it manufactures the relevant products that the Group requires, with due qualification, technology, and manufacturing scale to attend the tender to provide the bidding documents including the prices to the Group's commercial tender committee (商業評標委員會) and the technical tender committee (技術評標委員會) for review. The commercial tender committee mainly consists of three to five professional bidding engineers and the technical tender committee mainly consists of three to five research and development engineers and production engineers who work for the relevant business segment for the products. During the second stage, the Company negotiates with each of them in detail on the prices based on the review results obtained during the first stage and each of them then provides the second round of quotation based on such negotiation. The tenderer offering the most favourable prices wins the tender. The Group would choose third party supplier if the price offered by them is more favourable. However, based on the Group's experience and historical transaction records, during the tender process where Sany Group is involved, Sany Group tends to offer the most favourable price rather than other Independent Third Parties because Sany Group is most familiar with the Group's specifications, standards, and requirements; and
- (ii) where the prevailing market price above is unavailable, such as for products tailor-made for the Group manufactured by Sany Group due to confidentiality of certain technical information, which the Group cannot seek other market prices for reference, the basis of determining prices of the parts and components produced by Sany Group and its subsidiaries will be determined on arm's length negotiation and with reference to the manufacturing costs involved in the relevant part and component plus a gross margin ranging from 10% to 30%, with reference to the usual gross margin of the Group's procurement of other similar products from Independent Third Parties, which should be in any event no less favourable to the Group than terms offered by Independent Third Parties. In order to determine the gross margin of the products, including parts and components, the Company maintains a cost engineer in charge of the Group's procurement costs (the Group

requires that such cost engineer should at least have three years of working experience in procurement department in the Group) to (1) collect the quotes obtained from the commercial tender procurement tender process of the Company and (2) conduct industry researches and price quotations on a monthly basis to obtain the latest industry standard, market price and breakdowns of costs of different kinds of products including but not limited to the similar parts and components in order to get a full picture of the gross margin changed on relevant products in the market as the Group's database. When the Company determines the prices of the parts and components to be produced by Sany Group and its subsidiaries, the cost engineer would provide advice on the suggested gross margin with reference to that of the similar parts and components. Based on the current database of the Group, the gross profit margin charged on the similar parts and components with similar costs structure ranges from 10%–30%. To ensure that the actual prices for the procurement of the Group under the 2023 Master Purchase Agreement are on normal commercial terms and on terms no less favourable to the Group than that available to Independent Third Party, the internal audit department of the Group will conduct regular checks to review and assess, against manufacturing costs involved and Sany Group Companies' sales to other Independent Third Parties in the market, whether the products have been procured on normal commercial terms. If they are of the view that the prices of the procurement are less favourable to the Group than that available to Independent Third Parties, they will report the issue to the executive Directors and the chief executive officer in order to re-consider and re-negotiate the prices of the procurement.

Different review process will be applied to determine the supplier and the procurement price based on whether the comparable products with prevailing market price are available.

For the comparable products with prevailing market prices are available, the Group shall go through a tender process to determine the supplier. During the tender, the Company shall obtain quotations from at least three suppliers which are Independent Third Parties during the tender process. After the two stages of tender process including reviewing the bidding documents and prices by the Group's commercial tender committee (商業評標委員會) and the technical tender committee (技術評標委員會) and negotiating with each tenderer on prices, products' quality, delivery time and payment conditions offered by them, the tenderer offering the most favourable prices, products' quality, delivery time and payment conditions wins the tender. For those products that no prevailing market price is available, the cost engineer who is in charge of the Group's procurement costs shall determine the procurement prices for further review and approval by the director of commercial department (商務部), general manager and chairman of the Group.

Products purchased under the 2023 Master Purchase Agreement must be on normal commercial terms and on terms comparable to those offered by Independent Third Parties.

2023 Equipment Sales and Leasing Framework Agreement

In order to ensure that the terms under each agreement entered into pursuant to the sales of parts and equipments and the financial guarantee and the repurchase of parts are on normal commercial terms and are not less favourable to the Group than those offered by Independent Third Parties, the Group will adopt the following measures:

(i) The sales of parts and equipments

In relation to agreements pursuant to the sale of the parts and equipment, the technical personnel and the finance department shall gather information regarding the product cost and pass on such information to the sales and marketing department which shall then determine the selling, and with reference to at least two similar transactions conducted between the Group and Independent Third Party customers to ensure that the terms offered to Sany Group Companies shall not be more favourable to Sany Group Companies than terms offered to Independent Third Party customers.

The terms are subject to further review and approval by the head of sales and marketing department prior to the signing and execution of the relevant agreement(s).

(ii) The financial guarantee and the repurchase of parts

In relation to agreements pursuant to the financial guarantee and the repurchase of parts, the credit control department will obtain at least two quotations from Independent Third Party banks or finance leasing companies and compare the terms with those offered (including but not limited to the duration of the lease, interest rates, repurchase conditions and price etc.) to ensure that the terms offered are not less favourable to the Group than terms offered by Independent Third Party banks or finance leasing companies. The Group will only enter into an agreements with Sany Group Companies if terms offered by them are not less favourable to the Group than terms offered by other Independent Third Party banks or finance leasing companies.

In order to better safeguard the interests of the Shareholders under the 2023 Equipment Sales and Leasing Framework Agreement, the Group has a credit control department comprising 12 experienced lawyers and payment collection specialists. Before signing and execution of any agreement pursuant to the sales of parts and equipment and the financial guarantee and the repurchase of parts, the credit control department shall be satisfied with the results from the credit assessment of the lessees and the head of marketing department and chief financial officer shall review and approve the relevant terms.

The credit control department shall perform due diligence and a credit assessment on relevant lessees in accordance with the Group's internal credit investigation and guarantee policy, among others, on the financial status, credit history, repayment capabilities, business operation and future prospect of the lessees so as to control default risk by ensuring that the lessees have good credit standings. To further protect the Group's interest, the Group would also require each lessee to provide a guarantor who has sufficient assets to guarantee its performance obligation.

2023 Master Transportation Agreement

The logistics fees to be charged under the 2023 Master Transportation Agreement shall be determined according to the prevailing market prices of similar logistics fees. In particular, the domestic logistics and transportation fee will be charged based on the weight of the goods transported (for mainframe) or number of transportation vehicles (for ancillary parts), transportation distance and means of transportation; and the international logistics and transportation fee will be charged based on the actual shipping cost of Sany Logistics plus a margin, which will be determined with reference to the price of the Group's procurement of logistics services from Independent Third Parties.

In order to ensure that the terms offered to the Group will be on normal commercial terms and no less favourable to the Group than terms offered by Independent Third Parties, before entering into any specific individual agreement, the Group will obtain at least two quotations from Independent Third Party service providers. Such quotations together with the individual agreement will be submitted to purchase department for approval.

The Group also has the following general internal control procedures to ensure all continuing connected transactions contemplated under the 2023 Master Transportation Agreement are conducted in accordance with the requirements under Chapter 14A of the Listing Rules:

- (i) the Group's financial department has a designated employee to monitor transactions conducted under the 2023 Master Transportation Agreement. When the transaction limit reaches 80% of the annual cap set under the 2023 Master Transportation Agreement, he/she will promptly inform the business department of the Group and the chief financial officer such that the Group can arrange for a revision of the annual cap as appropriate, in compliance with all relevant requirements under Chapter 14A of the Listing Rules. No further transaction will be conducted in excess of the annual cap, and transactions will only resume after the Group has complied with all relevant requirements under Chapter 14A of the Listing Rules in relation to the revision of the annual cap;
- (ii) the internal audit department of the Group will conduct regular checks on a bi-annual basis to review and assess whether the transactions under the 2023 Master Transportation Agreement have been conducted in accordance with the terms of the relevant agreements and on normal commercial terms or better;

- (iii) the independent non-executive Directors will conduct an annual review of the transactions under the 2023 Master Transportation Agreement to ensure that the Group has complied with its internal approval procedures, terms of the respective agreement and the relevant Listing Rules; and
- (iv) the Company will engage external auditors to conduct annual review of the continuing connected transactions conducted under the 2023 Master Transportation Agreement.

Given that the continuing connected transactions conducted under the 2023 Master Transportation Agreement have to strictly adhere to the pricing policy and the internal control procedures of the Group, the Board considers that these procedures and policies are effective to ensure that the proposed transactions will be conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the minority Shareholders.

2023 Energy Sales Agreement

In order to ensure that the terms of the 2023 Energy Sales Agreement are fair and reasonable, and that the rental fees of the rooftop payable by the Group and the photovoltaic energy unit prices offered to Sany Group are in line with the terms commonly offered in the prevailing market and not less favourable to the Group than those prices offered to or by other Independent Third Parties, the relevant personnel of the Group will conduct regular checks to review and assess whether the transaction contemplated under the 2023 Energy Sales Agreement is conducted in accordance with the terms thereunder and will also regularly update and make reference to the (i) rental fees payable by other photovoltaic energy suppliers of similar scale; (ii) relevant government prescribed price of photovoltaic energy; (iii) discount rates offered by other power suppliers to their customers; and (iv) discount rates offered by the Group to other Independent Third Party customers (if available). The Company will obtain two comparable transactions for references under (i), (iii) and (iv) if available.

General

The Group has the following general internal control procedures to ensure all the continuing connected transactions are conducted in accordance with the requirements under Chapter 14A of the Listing Rules:

- (i) the Group's financial department has a designated employee to monitor related transactions conducted under each of the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement. When the transaction limit reaches 80% of the annual cap set under the respective agreement, he/she will promptly inform the business department of the Group and the chief financial officer such that the Group can arrange for a revision of the annual cap as appropriate, in compliance with all relevant requirements under Chapter 14A of the Listing Rules. No further

transaction will be conducted in excess of the annual cap, and transactions will only resume after the Group has complied with all relevant Listing Rules requirements under Chapter 14A in relation to the revised annual cap;

- (ii) the internal audit department of the Group will conduct regular checks on a bi-annual basis to review and assess whether the transactions under each of the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement have been conducted in accordance with the terms of the relevant agreements and on normal commercial terms;
- (iii) the Company's independent non-executive Directors will conduct an annual review of the transactions under each of the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement to ensure that the Group has complied with its internal approval procedures, terms of the respective agreement and the relevant Listing Rules; and
- (iv) the Company will engage external auditors to conduct annual review of transactions under the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement.

The Directors consider that the internal control procedures and pricing policies adopted for the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement are effective to ensure that the transactions contemplated under the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and the Shareholders as a whole.

EGM

The Company will hold the EGM to approve the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement, the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder.

Vinco Financial Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement, and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement.

CIRCULAR

A circular containing, among other things, further information on (i) the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement; (ii) the notice of the EGM; (iii) the letter from Vinco Financial Limited to both the Independent Board Committee and the Independent Shareholders regarding the

2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement, the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the transactions contemplated thereunder; and (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in connection thereto, will be despatched to the Shareholders as soon as possible. It is currently expected that the circular will be despatched to the Shareholders on or before 20 November 2023.

GENERAL

Since Sany Logistics and Sany Group, being parties (as the case may be) to the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement are associates of Mr. Liang, Mr. Liang Zaizhong, being the son of Mr. Liang, has abstained from voting on the Board resolutions approving each of the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement due to conflict of interests.

As Mr. Tang Xiuguo and Mr. Xiang Wenbo also have interests in Sany Group, they have also abstained from voting on the relevant Board resolutions approving each of the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement.

Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the 2023 Supplemental Agreements and the 2023 Energy Sales Agreement and is therefore required to abstain from attending the Board meeting and/or voting on the Board resolutions approving the entering into of the 2023 Supplemental Agreements, the 2023 Energy Sales Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES

The Company and the Group

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of mining equipment, logistics equipment, oil and gas equipment, robotic and smart mined products and spare parts and the provision of related services.

Information on Sany Group

Sany Group is principally engaged in the manufacture and distribution of engineering machineries for construction purposes, and machinery leasing, manufacture of automobile and educational businesses. As at the date of this announcement, Sany Group is held as to 56.74% by Mr. Liang, 8.75% by Tang Xiuguo (a non-executive Director), 8% by Xiang Wenbo (a non-executive Director), 8% by Mao Zhongwu (an Independent Third Party), 0.5% by Liang Linhe (nephew of Mr. Liang), and 10 shareholders who are Independent Third Parties each of them holding less than 5.00% of equity interest of Sany Group.

Information on Sany Logistics

Sany Logistics is a subsidiary of Sany Group and it is principally engaged in domestic freight transportation services, freight transportation agency services, logistics information consulting services and export trading.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“2022 Announcement”	the announcement of the Company dated 16 December 2022 regarding, among others, the 2023 Products Sales Agreement, the 2023 Master Purchase Agreement, the 2023 Equipment Sales and Leasing Framework Agreement, the 2023 Master Sales Agency Agreement, the 2023 Master Lease Agreement and the 2023 Administrative Services Agreement
“2022 Supplemental Equipment Sales and Leasing Framework Agreement”	the supplemental agreement entered into between the Company and Sany Group on 11 November 2022 to supplement the equipment sales and leasing framework agreement entered into between the Company and Sany Group on 21 May 2021, pursuant to which the parts and equipment manufactured by the Group such as mining equipment, logistics equipment, automation machinery and relevant ancillary parts shall either be sold to Sany Group Companies for leasing to the lessees or to the lessees which shall then be on-sold to Sany Group Companies for leasing back to the lessees
“2022 Supplemental Master Purchase Agreement”	the supplemental agreement entered into between the Company and Sany Group on 11 November 2022 to supplement the supplemental agreement entered into between the Company and Sany Group on 18 December 2019 in relation to (1) the purchase by the Group of parts and components from Sany Group Companies and (2) the purchase by the Group of second-hand manufacturing equipment for the manufacturing of the Group from Sany Group Companies
“2022 Supplemental Master Transportation Agreement”	the supplemental agreement entered into between the Company and Sany Group on 11 November 2022 to supplement the supplemental master transportation agreement entered into between the Company and Sany Logistics on 18 December 2019 in respect of the provision of certain logistics services by Sany Logistics to the Group

“2022 Supplemental Products Sales Agreement”	the supplemental agreement entered into between the Company and Sany Group on 11 November 2022 to supplement the supplemental agreement entered into between the Company and Sany Group on 21 May 2021 in relation to the sales of finished products by the Group to Sany Group Companies for sales to end-customers
“2023 Administrative Services Agreement”	the agreement entered into between the Company and Sany Group on 16 December 2022 in relation to the provision of the Administrative Services by Sany Group Companies to the Group
“2023 Announcement”	the announcement of the Company dated 17 January 2023 regarding the 2023 Master Transportation Agreement
“2023 Circular”	the circular of the Company dated 18 January 2023 regarding, among others, the 2023 Products Sales Agreement, the 2023 Master Purchase Agreement and the 2023 Equipment Sales and Leasing Framework Agreement
“2023 Energy Sales Agreement”	the agreement entered into between the Company and Sany Group on 30 October 2023 in relation to the rental of certain rooftops on Sany Group’s premises to the Group for the purposes of setting up the photovoltaic equipment and the sale of photovoltaic energy by the Group to Sany Group for a term commencing from 30 October 2023 and ending on 31 December 2025 (both days inclusive)
“2023 Equipment Sales and Leasing Framework Agreement”	the agreement entered into between the Company and Sany Group on 16 December 2022 in relation to the renewal of the 2022 Supplemental Equipment Sales and Leasing Framework Agreement for a term commencing from 1 January 2023 and ending on 31 December 2025 (both days inclusive)
“2023 Logistics Services Agency Agreement”	the agreement entered into between the Company and Sany Logistics on 16 December 2022 in relation to the provision of the logistics agency services by Sany Logistics to the Group for a term commencing from 1 January 2023 and ending on 31 December 2025 (both days inclusive)
“2023 Master Lease Agreement”	the agreement entered into between the Company and Sany Group on 16 December 2022 in relation to the renewal of the Master Lease Agreement (2020–2022) for a term commencing from 1 January 2023 and ending on 31 December 2025 (both days inclusive)

“2023 Master Purchase Agreement”	the agreement entered into between the Company and Sany Group on 16 December 2022 in relation to the renewal of the 2022 Supplemental Master Purchase Agreement for a term commencing from 1 January 2023 and ending on 31 December 2025 (both days inclusive)
“2023 Master Sales Agency Agreement”	the agreement entered into between the Company and Sany Group on 16 December 2022 in relation to the renewal of 2022 Supplemental Master Sales Agency Agreement for a term commencing from 1 January 2023 and ending on 31 December 2025 (both days inclusive)
“2023 Master Transportation Agreement”	the agreement entered into between the Company and Sany Logistics on 17 January 2023 in relation to the renewal of the 2022 Supplemental Master Transportation Agreement for a term of one year commencing from 1 January 2023 and ending on 31 December 2023 (both days inclusive)
“2023 Products Sales Agreement”	the agreement entered into between the Company and Sany Group on 16 December 2022 in relation to the renewal of the 2022 Supplemental Product Sales Agreement for a term commencing from 1 January 2023 and ending on 31 December 2025 (both days inclusive)
“2023 Supplemental Administrative Services Agreement”	the supplemental agreement entered into between the Company and Sany Group on 30 October 2023 to supplement the 2023 Administrative Services Agreement
“2023 Supplemental Agreements”	collectively, the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement, the 2023 Supplemental Equipment Sales and Leasing Framework Agreement, the 2023 Supplemental Master Sales Agency Agreement, the 2023 Supplemental Master Lease Agreement, the 2023 Supplemental Administrative Services Agreement and the 2023 Supplemental Master Transportation Agreement
“2023 Supplemental Equipment Sales and Leasing Framework Agreement”	the supplemental agreement entered into between the Company and Sany Group on 30 October 2023 to supplement the 2023 Equipment Sales and Leasing Framework Agreement

“2023 Supplemental Master Lease Agreement”	the supplemental agreement entered into between the Company and Sany Group on 30 October 2023 to supplement the 2023 Master Lease Agreement
“2023 Supplemental Master Purchase Agreement”	the supplemental agreement entered into between the Company and Sany Group on 30 October 2023 to supplement the 2023 Master Purchase Agreement
“2023 Supplemental Master Sales Agency Agreement”	the supplemental agreement entered into between the Company and Sany Group on 30 October 2023 to supplement the 2023 Master Sales Agency Agreement
“2023 Supplemental Master Transportation Agreement”	the supplemental agreement entered into between the Company and Sany Logistics on 30 October 2023 to supplement the 2023 Master Transportation Agreement
“2023 Supplemental Products Sales Agreement”	the supplemental agreement entered into between the Company and Sany Group on 30 October 2023 to supplement the 2023 Products Sales Agreement
“Administrative Services Agreement”	the agreement entered into between the Company and Sany Group on 16 December 2022 in relation to the provision of the Administrative Services by Sany Group Companies to the Group
“associate”	has the same meaning ascribed to it under the Listing Rules
“Beijing Property”	certain premises owned by Sany Sun Valley, leased to Sany Intelligent Mining and Sany Robotics pursuant to the 2023 Master Lease Agreement
“Beijing R&D Property”	certain premises owned by Sany Sun Valley, leased to Sany Intelligent Mining and Sany Robotics pursuant to the 2023 Master Lease Agreement
“Board”	the board of Directors
“Company”	Sany Heavy Equipment International Holdings Company Limited (三一重裝國際控股有限公司), a company incorporated with limited liability on 23 July 2009 under the laws of the Cayman Islands and the Shares of which are listed on the Stock Exchange (stock code: 631)
“connected person”	has the same meaning ascribed to it under the Listing Rules

“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules;
“Convertible Preference Shares”	the limited-voting convertible preference shares of the Company
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to, among others, consider and if thought fit, approve the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement, the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder
“Existing Agreements”	collectively, the 2023 Products Sales Agreement, the 2023 Master Purchase Agreement, the 2023 Equipment Sales and Leasing Framework Agreement, the 2023 Master Sales Agency Agreement, the 2023 Master Lease Agreement, the 2023 Administrative Services Agreement and the 2023 Master Transportation Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, who have no material interest in each of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement, the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the transactions contemplated thereunder (including the annual caps for those transactions), namely Mr. Poon Chiu Kwok, Mr. Ng Yuk Keung and Mr. Hu Jiquan

“Independent Financial Adviser”	Vinco Financial Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on each of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement, the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the transactions contemplated thereunder (including the annual caps for those transactions)
“Independent Shareholders”	the Shareholders who are not interested in or involved in the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Lease Agreement (2020–2022)”	the master lease agreement entered into between the Company and Sany Group on 18 December 2019 in relation to the lease of certain premises of Sany Group by the Group
“Mr. Liang”	Mr. Liang Wengen, the controlling shareholder of the Company;
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Outlets Networking Property”	certain premises owned by Sany Northwest Heavy Industry and Sany Auto Manufacturing leased to Sany Heavy Equipment pursuant to the 2023 Master Lease Agreement
“Sany Auto Manufacturing”	Sany Auto Manufacturing Co., Ltd.* (三一汽車製造有限公司), a company established under the laws of the PRC and a subsidiary of Sany Group

“Sany Group”	三一集團有限公司 (Sany Group Limited*), a company with limited liability established on 18 October 2000 under the laws of the PRC
“Sany Group Companies”	Sany Group and its subsidiaries from time to time
“Sany Heavy Equipment”	Sany Heavy Equipment Co., Ltd.* (三一重型裝備有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Group
“Sany Intelligent Mining”	means Sany Intelligent Mining Technology Co., Ltd.* (三一智礦科技有限公司), a company established under the laws of the PRC and a subsidiary of the Company
“Sany Logistics”	Hunan Sany Logistics Co., Ltd.* (湖南三一物流有限公司), a company with limited liability established under the laws of the PRC, a non-wholly owned subsidiary of Sany Group
“Sany Northwest Heavy Industry”	Sany Northwest Heavy Industry Co., Ltd., a company established under the laws of the PRC and a wholly-owned subsidiary of the Sany Group
“Sany Robotics”	Sany Robotics Technology Co., Ltd.* (三一機器人科技有限公司) (subject to the name approval by local administration for market regulation), a company established under the laws of the PRC and a subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of our Company
“Shareholder(s)”	the holder(s) of the ordinary share(s) of the Company with a nominal value of HK\$0.10 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Supplemental Master Transportation Agreement (2020–2022)”	the supplemental agreement entered into between the Company and Sany Logistics on 18 December 2019 in relation to the provision of logistics services by Sany Logistics to the Group

“%” per cent.

* *for identification only*

By the order of the Board
Sany Heavy Equipment International Holdings Company Limited
Mr. Liang Zaizhong
Chairman

Hong Kong, 30 October 2023

As at the date of this announcement, the executive Directors are Mr. Liang Zaizhong, Mr. Qi Jian and Mr. Fu Weizhong, the non-executive Directors are Mr. Tang Xiuguo and Mr. Xiang Wenbo, and the independent non-executive Directors are Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan.