
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sany Heavy Equipment International Holdings Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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

**(1) 2023 SUPPLEMENTAL PRODUCTS SALES AGREEMENT
AND**

**(2) 2023 SUPPLEMENTAL MASTER PURCHASE AGREEMENT
AND**

**(3) 2023 SUPPLEMENTAL EQUIPMENT SALES AND
LEASING FRAMEWORK AGREEMENT
AND**

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Advisor to the Independent Board Committee
and the Independent Shareholders**

VINCO 榮高

Vinco Financial Limited

A letter from the Board is set out on pages 6 to 24 of the circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 25 to 26 of this circular. A letter from Vinco Financial, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 27 to 47 of this circular.

A notice convening the EGM to be convened and held at Conference Room 103, Research and Development Building, Sany Heavy Equipment Co., Ltd., No. 25, 16 Kaifa Road, Shenyang Economic of Technological Development Zone, Shenyang, Liaoning Province, PRC at 10:00 a.m. on Thursday, 7 December 2023, date is set out on pages EGM-1 to EGM-2 of this circular. Shareholders who intend to appoint a proxy to attend the EGM shall complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and, in any event, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

20 November 2023

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DEFINITIONS

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

- “2022 Acquisition” the Group’s acquisition of equity interests in Sany Technology Equipment from Sany Group in 2022, details of which are set out in the announcement of the Company dated 30 December 2022
- “2022 Announcement” the announcement of the Company dated 16 December 2022 regarding, among others, the 2023 Products Sales Agreement, the 2023 Master Purchase Agreement and the 2023 Equipment Sales and Leasing Framework 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 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 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 Acquisition” the Group’s acquisition of the Sany Oil Group Companies in 2023, details of which are set out in the announcements of the Company dated 12 April 2023, 19 July 2023 and the circular of the Company dated 23 May 2023
- “2023 Announcement” the announcement of the Company dated 30 October 2023 regarding, among others, the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement

DEFINITIONS

“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 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 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 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 Agreements”	collectively, 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)
“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 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 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
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

DEFINITIONS

“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
“Continuing Connected Transactions”	the transactions under the 2023 Supplemental Agreements
“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 at Conference Room 103, Research and Development Building, Sany Heavy Equipment Co., Ltd., No. 25, 16 Kaifa Road, Shenyang Economic of Technological Development Zone, Shenyang, Liaoning Province, PRC at 10:00 a.m. on Thursday, 7 December 2023 to, among others, consider and if thought fit, approve the 2023 Supplemental Agreements and the proposed annual caps for the continuing connected transactions contemplated thereunder
“Financial Lease and Guarantee Agreement(s)”	individual financial lease and guarantee agreement(s) to be entered into amongst Sany Group Companies, the Lessee(s) and the Group in respect of leasing of the Parts and Equipment in accordance with the principles and terms of the 2023 Supplemental Equipment Sales and Leasing Framework 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 the 2023 Supplemental Agreements, namely Mr. Poon Chiu Kwok, Mr. Ng Yuk Keung and Mr. Hu Jiquan

DEFINITIONS

“Independent Shareholders”	the Shareholders who are not interested in or involved in the 2023 Supplemental Agreements
“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
“Latest Practicable Date”	13 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Lessee(s)”	lessee(s) under the Financial Lease and Guarantee Agreement(s) who is/are Independent Third Party(ies)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Liang”	Mr. Liang Wengen, the controlling shareholder of the Company
“Parts and Equipment”	parts and equipment manufactured by the Group such as mining equipment, logistics equipment, automatic machineries and relevant ancillary parts
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement(s)”	individual sale and purchase agreement(s) to be entered into between the Group and Sany Group Companies in respect of the sale of Parts and Equipment in accordance with the principles and terms of the 2023 Supplemental Equipment Sales and Leasing Framework Agreement
“Sany BVI”	Sany Heavy Equipment Investments Company Limited (三一重裝投資有限公司), a company incorporated on 23 June 2009 with limited liability under the laws of the British Virgin Islands
“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

DEFINITIONS

“Sany Hong Kong”	Sany Hong Kong Group Limited (三一香港集團有限公司), a company with limited liability incorporated on 14 October 2005 under the laws of Hong Kong, and the controlling shareholder of the Company
“Sany Oil Group Companies”	Sany Oil Technology Hongkong Limited and its subsidiaries
“Sany Technology Equipment”	Sany Technology Equipment Co., Ltd.* (三一技術裝備有限公司)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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(ies)”	has the meaning ascribed to it under the Listing Rules
“Vinc Financial” or “Independent Financial Adviser”	Vinc Financial Limited, a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to each of the 2023 Supplemental Agreements
“%”	per cent.

* *for identification only*



**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)

Executive Directors:

Mr. Liang Zaizhong (*Chairman*)

Mr. Qi Jian

Mr. Fu Weizhong

Registered Office:

Cricket Square Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Non-executive Directors:

Mr. Tang Xiuguo

Mr. Xiang Wenbo

Place of Business in Hong Kong:

Room 2010, 20th Floor, Landmark North

No. 39 of Lung Sum Avenue

Sheung Shui

N.T. Hong Kong

Independent Non-executive Directors:

Mr. Ng Yuk Keung

Mr. Poon Chiu Kwok

Mr. Hu Jiquan

20 November 2023

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the 2023 Announcement.

The purpose of this circular is to provide you with (i) further information regarding the Continuing Connected Transactions, (ii) the recommendation from the Independent Board Committee to the Independent Shareholders, (iii) the letter from Vinco Financial to the Independent Board Committee and the Independent Shareholders, and (iv) the notice convening the EGM.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS

Background

References are made to the 2022 Announcement and the 2023 Circular regarding (i) the sales of finished products to Sany Group Companies under the 2023 Products Sales Agreement; (ii) the purchase by the Group of certain parts and components and second-hand manufacturing equipment from Sany Group Companies under the 2023 Master Purchase Agreement; and (iii) the sale of Parts and Equipment either to Sany Group Companies for leasing to the Lessees or to the Lessees who will then on-sell the Parts and Equipment to Sany Group Companies for leasing back to the Lessees, and provision of financial guarantee to Sany Group Companies in favour of the Lessees in respect of the leasing of the Parts and Equipment by Sany Group Companies under the 2023 Equipment Sales and Leasing Framework Agreement.

The Board is pleased to announce that, on 30 October 2023, in contemplation of the transaction amounts under each of the (i) 2023 Products Sales Agreement, (ii) 2023 Master Purchase Agreement and (iii) 2023 Equipment Sales and Leasing Framework Agreement for the year ending 31 December 2023 will exceed the annual cap(s) set under the respective agreements, the Company entered into, among others, the (i) 2023 Supplemental Products Sales Agreement, (ii) 2023 Supplemental Master Purchase Agreement and (iii) 2023 Supplemental Equipment Sales and Leasing Framework Agreement to revise the annual caps.

(A) 2023 SUPPLEMENTAL PRODUCTS SALES AGREEMENT

The major terms of the 2023 Supplemental Products Sales Agreement are set out as follows.

Date:	30 October 2023
Parties:	(1) The Company, and (2) Sany Group
Subject Matter:	Pursuant to the 2023 Supplemental Products Sales Agreement, the Company agreed to sell or procure its subsidiaries to sell its finished products to Sany Group Companies for sale to end-customers.
Term:	Subject to the Independent Shareholders' approval at the EGM, the 2023 Supplemental Products Sales Agreement has a fixed term commencing from the date of the EGM to 31 December 2025 (both days inclusive).

LETTER FROM THE BOARD

- Pricing:** Since the 2023 Supplemental Products Sales Agreement serves the purpose of enabling the Company to take advantage of Sany Group Companies' sales network to sell its finished products to end-customers in a large scale, and in other words, the Group just sell the finished products to end-customers through Sany Group Companies' sales network, under an arrangement which Sany Group Companies do not actually receive any mark-up against the prices under the 2023 Supplemental Products Sales Agreement. The prices of the finished products under the 2023 Supplemental Products Sales Agreement are determined according to the costs involved (raw material costs, labour costs and manufacturing expenses) plus the gross profit margin, ranging from 10%–40% for domestic sales and from 10%–35% for overseas sales (considering that overseas sales involve higher transportation costs). Such gross profit margin is the same as that the Group charges on Independent Third Party customers when the Group sells the finished products to them directly. In any event, the prices at which the Group sells its product(s) to Sany Group Companies shall not be less than the price at which the Group sells the same product(s) to other distributors who are Independent Third Parties.
- Payment:** The price of any products being sold under the 2023 Supplemental Products Sales Agreement shall be paid by telegraphic transfer within three months after delivery and the relevant products having passed the inspection by Sany Group Companies.
- Historical figures:** The historical transaction amount for the nine months ended 30 September 2023 was RMB1,993,600,896.
- Proposed annual caps:** Pursuant to the 2023 Supplemental Products Sales Agreement, the annual caps for the transactions shall be revised as follows:

	For the year ending 31 December		
	2023	2024	2025
		(RMB)	
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

LETTER FROM THE BOARD

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.

The substantial increase in the revised annual caps under the 2023 Supplemental Products Sales Agreement was due to the increase of demand by end-customers of the Group in general, and the inclusion of the transactions conducted by Sany Technology Equipment as a result of the 2022 Acquisition and Sany Oil Group Companies as a result of the 2023 Acquisition. Prior to the 2022 Acquisition and the 2023 Acquisition, both Sany Technology Equipment and Sany Oil Group Companies were held by Sany Group, and thus their transactions conducted with Sany Group Companies were not transactions contemplated under the 2023 Products Sales Agreement. As both Sany Technology Equipment and Sany Oil Group Companies became subsidiaries of the Company upon completion of the 2022 Acquisition and 2023 Acquisition respectively and their financial statements were consolidated into the financial statements of the Company, the transactions conducted by Sany Technology Equipment and Sany Oil Group Companies with Sany Group Companies were transactions contemplated under the 2023 Product Sales Agreement. As such, the original annual caps under the 2023 Products Sales Agreement were not sufficient for the Group.

As at the Latest Practicable Date, the annual cap for the year ending 31 December 2023 under the 2023 Product Sales Agreement has not been exceeded. The Group made a delivery for an order of a large bulk of the finished products in or around June 2023 and is expected to have the next large bulk orders of finished products delivered in December 2023.

The 2023 Supplemental Products 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 Companies will enter into separate individual agreements on terms and conditions which comply with the principles set out in the 2023 Supplemental Products Sales Agreement.

Reasons for and the Benefits of the 2023 Supplemental Products Sales Agreement

Sany Group Companies have large domestic and overseas sales network. Under the increasingly keen competition in international market, it is beneficial to the Group to realize products sales in countries such as Europe and the United States by leveraging Sany Group Companies' international sales platform, which would help the Group selling its products to its end-customers at no additional cost to the Group. As a result of the Group's business expansion, based on the current estimation by the Group, the projected transaction amounts with Sany Group Companies for the year ending 31 December 2023 will exceed the annual cap set under the 2023 Products Sales Agreement. As such, the Board considered that it is necessary to revise the annual caps.

LETTER FROM THE BOARD

Having considered that the sales of products to Sany Group Companies would bring in revenue to the Group through utilising Sany Group Companies' sales network under the 2023 Supplemental Products Sales Agreement at no additional costs to the Group and the terms under the 2023 Supplemental Products Sales Agreement are not less favourable to the Group than those offered to Independent Third Parties, the Board considered that the terms of the transactions contemplated under the 2023 Supplemental Products Sales Agreement (including the proposed annual cap) 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) 2023 SUPPLEMENTAL MASTER PURCHASE AGREEMENT

The major terms of the 2023 Supplemental Master Purchase Agreement are set out as follows.

Date:	30 October 2023
Parties:	(1) The Company, and (2) Sany Group
Subject Matter:	Pursuant to the 2023 Supplemental Master Purchase Agreement, the Company agreed to purchase or procure its subsidiaries to purchase from Sany Group Companies (1) certain parts and components produced by Sany Group Companies and (2) second-hand manufacturing equipment, for the manufacturing of products of the Group.
Term:	Subject to the Independent Shareholders' approval at the EGM, the 2023 Supplemental Master Purchase Agreement has a fixed term commencing from the date of the EGM to 31 December 2025 (both days inclusive).
Pricing:	<i>Parts and Components</i> For those tailor-made parts and components for the Group manufactured by Sany Group Companies, the basis of determining prices of the parts and components produced by Sany Group Companies will be determined on arm's length negotiation and with reference to the manufacturing costs involved in the relevant parts and components plus a gross margin ranging from approximately 10% to 30%, with reference to the usual gross margin of the Group's procurement of other similar parts and components from Independent Third Parties, which should be in any event no less favourable to the Group than terms offered by Independent Third Parties.

LETTER FROM THE BOARD

For those common parts and components which can be easily accessible in the market, the Group will follow the pricing as determined during the Group's commercial procurement tender process.

Second-hand Manufacturing Equipment

The basis of determining prices of the second-hand manufacturing equipment will be determined on arm's length negotiation and with reference to the below formula, which is a default formula set by the Group's ERP financial software following the Group's accounting policy for depreciation and valuation on equipment and also applicable to the valuation of all equipment of the Group, no matter whether they are procured from Independent Third Parties or Sany Group Companies, and should be in any event no less favourable to the Group than terms offered by Independent Third Parties.

Price = Original Purchase Price – Original Purchase Price (1–3%) × (number of years since the equipment was purchased by Sany Group/10 years)

“3%” represents the minimum residual value of equipment and “10 years” represents the maximum durable years of equipment and both of them are set according to the Group's accounting policy.

Payment:

In respect of each purchase of parts and components or second-hand manufacturing equipment by the Group from Sany Group Companies, Sany Group Companies and the Group will enter into separate purchase agreements to specify the exact types and number of products to be purchased, the relevant delivery arrangements and the selling prices of such products.

Payment will be settled by way of telegraphic transfer at credit terms to be agreed by the parties in accordance with the Group's normal term of supplies from Independent Third Parties.

Historical figures:

The historical transaction amounts for the nine months ended 30 September 2023 was RMB716,952,474.

LETTER FROM THE BOARD

Proposed annual cap: Pursuant to the 2023 Supplemental Master Purchase Agreement, the annual cap for the transactions for the year ending 31 December 2023 shall be revised as follows:

	For the year ending 31 December		
	2023	2024	2025
		(RMB)	
Existing Annual Caps	1,214,218,070	1,696,940,810	2,284,841,210
Revised Annual Cap	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. Even though the historical transaction amounts for the nine months ended 30 September 2023 was RMB716,952,474, due to the continuous growth in scale of product sales of the Group, it is anticipated that there will be a significant increase in the procurement orders placed or to be placed by the Group amounting to approximately RMB829 million for the parts and components and second-hand manufacturing equipment as the Group approaches year-end, thereby requiring an upward adjustment to the annual cap for the year ending 31 December 2023.

The 2023 Supplemental Master Purchase 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 Companies will enter into separate individual agreements on terms and conditions which comply with the principles set out in the 2023 Supplemental Master Purchase Agreement.

Reasons for and the Benefits of the 2023 Supplemental Master Purchase Agreement

Sany Group Companies are familiar with the Group's specifications, standards and requirements and have been supplying good quality parts and component and equipment to the Group on a timely basis. In anticipation of the increase in the transaction amounts under the 2023 Master Purchase Agreement, the Directors consider the entering into of the 2023 Supplemental Master Purchase Agreement to revise the annual cap will enable the Group to continue to purchase the parts and components and equipment in compliance with the Listing Rules.

In view of the above, the Board considered that the terms of the transactions contemplated under the 2023 Supplemental Master Purchase Agreement (including the proposed annual cap) 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.

LETTER FROM THE BOARD

(C) 2023 SUPPLEMENTAL EQUIPMENT SALES AND LEASING FRAMEWORK AGREEMENT

The major terms of the 2023 Supplemental Equipment Sales and Leasing Framework Agreement are set out as follows.

Date: 30 October 2023

Parties: (1) the Company, and
(2) Sany Group

Subject Matter: Pursuant to the 2023 Supplemental Equipment Sales and Leasing Framework Agreement, the Parts and Equipment manufactured by the Group 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.

The Group, as seller of the Parts and Equipment, would provide a financial guarantee in favour of the Lessees in respect of the Parts and Equipment to guarantee their performance under the Financial Lease and Guarantee Agreements. If the Lessees breach the terms as set out in the Financial Lease and Guarantee Agreements, the Group will be required to settle the payment for and on behalf of the Lessees or to repurchase the Parts and Equipment in accordance with the Financial Lease and Guarantee Agreements.

Term: Subject to the Independent Shareholders' approval at the EGM, the 2023 Supplemental Equipment Sales and Leasing Framework Agreement has a fixed term commencing from the date of the EGM to 31 December 2025 (both days inclusive).

Pricing and other terms: The terms under the Sale and Purchase Agreements and the Financial Lease and Guarantee Agreements shall conform to the principles and provisions set out in the 2023 Supplemental Equipment Sales and Leasing Framework Agreement, and shall be agreed between the parties after arm's length negotiations on normal commercial terms.

LETTER FROM THE BOARD

The parties to the 2023 Supplemental Equipment Sales and Leasing Framework Agreement have agreed that the Parts and Equipment to be sold shall be at the prices which are determined according to the costs involved (i.e. research and development costs, raw material costs, labour costs and manufacturing expenses) plus the gross profit margin ranging from 10% to 40%, which shall in any event be no less favourable to the Group than terms available to Independent Third Parties. The range of the gross profit margin for the Parts and Equipment is determined based on previous transactions conducted by the Group with Independent Third Parties, which is in line with the prevailing market practice. The minimum gross profit margin of 10% is a target fixed by the Group while the maximum gross profit margin of 40% is generally consistent with market practice. The gross profit margin ranges from 10% to 40% as it depends on the type of Parts and Equipment manufactured by the Group, which includes mining equipment, logistics equipment, automatic machineries and relevant ancillary parts.

If a Lessee breaches the terms as set out in the Financial Lease and Guarantee Agreement, the Group shall settle the outstanding lease payment on behalf of the Lessee or repurchase the Parts and Equipment on normal commercial terms, which shall be no less favourable to the Group than terms available to Independent Third Parties.

Historical figures:

Sale and Purchase Agreements:

The historical transaction amount for the nine months ended 30 September 2023 was RMB1,710,887,857.

Financial Lease and Guarantee Agreements:

The historical transaction amount for the nine months ended 30 September 2023 was RMB1,562,581,071.

LETTER FROM THE BOARD

Proposed annual caps: Pursuant to the 2023 Supplemental Equipment Sales and Leasing Framework Agreement, the revised annual caps had been revised to 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 Cap	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 Cap	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.

The proposed increase in the revised annual caps under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement was due to the inclusion of the transactions conducted by Sany Technology Equipment as a result of the 2022 Acquisition and more predominantly the Sany Oil Group Companies as a result of the 2023 Acquisition. In addition, even though the historical transaction amount for the nine months ended 30 September 2023 was only RMB1,562,581,071, it would be necessary to revise the annual caps due to the Company's plans to further expand business in this sector.

LETTER FROM THE BOARD

The 2023 Supplemental Equipment Sales and Leasing Framework 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, Sany Group Companies and the Lessees will enter into separate Sale and Purchase Agreements in respect of the sales of the Parts and Equipment, and separate Financial Lease and Guarantee Agreements in respect of the lease of the Parts and Equipment by the Lessees.

Reasons for and the Benefits of the 2023 Supplemental 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 port machineries, logistics 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 and in-depth understanding of the Group's operations and have maintained a long-term business relationship with the Group. The entering of the 2023 Supplemental Equipment Sales and Leasing Framework Agreement to revise the annual caps under the 2023 Equipment Sales and Leasing Framework Agreement would enable the Group to continue to engage in the continuing transactions under the 2023 Equipment Sales and Leasing Framework Agreement, which will 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 the Parts and Equipment.

Having considered that: (i) the Group would be able to generate sales under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement; (ii) the terms under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement are no less favourable to the Group than the terms offered by banks or other finance leasing companies; and (iii) it is a usual market practice for equipment manufacturers to provide similar financial guarantee in favour of end-user customers in connection with the sales of equipment, the Board is of the view that the terms of the transactions contemplated under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement 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.

IMPLICATION UNDER THE LISTING RULES

As at the Latest Practicable Date, Mr. Liang is a controlling shareholder of the Company who is entitled to exercise or control the exercise of approximately 65.83% 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

LETTER FROM THE BOARD

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.

Accordingly, the entering into of the 2023 Supplemental Agreements with Sany Group 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 Agreements 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.

INTERNAL CONTROL PROCEDURES

(1) 2023 Supplemental Products Sales Agreement

Before entering into an individual agreement under the 2023 Supplemental Products Sales Agreement, 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 price based on the pricing principle set out the paragraph headed “(A) 2023 SUPPLEMENTAL PRODUCTS SALES AGREEMENT — Pricing” of this circular, 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 or if such transactions are not available, two comparable transactions for similar products sold by other suppliers 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.

LETTER FROM THE BOARD

(2) 2023 Supplemental Master Purchase Agreement

The basis of determining the prices of the products to be purchased by the Group under the 2023 Supplemental 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 Companies 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 Companies are involved, Sany Group Companies tend 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 Companies 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 Companies 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, as disclosed in the paragraph headed "(B) 2023 SUPPLEMENTAL MASTER PURCHASE AGREEMENT — Pricing" of this circular. In order to determine the gross margin of the products, including parts and components, the Company

LETTER FROM THE BOARD

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 Companies, 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 Supplemental 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 Supplemental Master Purchase Agreement must be on normal commercial terms and on terms comparable to those offered by Independent Third Parties.

LETTER FROM THE BOARD

(3) 2023 Supplemental Equipment Sales and Leasing Framework Agreement

In order to ensure that the terms under each individual Sale and Purchase Agreement and the Financial Lease and Guarantee Agreement 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) Sale and Purchase Agreement

In relation to the sale of the Parts and Equipment under the Sale and Purchase Agreement, 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 price based on the pricing principle set out the paragraph headed “(C) 2023 SUPPLEMENTAL EQUIPMENT SALES AND LEASING FRAMEWORK AGREEMENT — Pricing and other terms” of this circular, 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) Financial Lease and Guarantee Agreement

In relation to the Financial Lease and Guarantee Agreement, 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 under the Financial Lease and Guarantee Agreement (including but not limited to the duration of the lease, interest rates, repurchase conditions and price etc.) to ensure that the terms offered under the Financial Lease and Guarantee Agreement 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 agreement 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 Supplemental 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 Sale and Purchase Agreement and Financial Lease and Guarantee Agreement, 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 terms under the Sale and Purchase Agreement and Financial Lease and Guarantee Agreement.

LETTER FROM THE BOARD

The credit control department shall perform due diligence and a credit assessment on Lessees under the relevant Sale and Purchase Agreement, and Financial Lease and Guarantee Agreement 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 under the Financial Lease and Guarantee Agreement.

General Internal Control Procedures

The Group has the following general internal control procedures to ensure all 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. 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 requirement under Chapter 14A of the Listing Rules 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 have been conducted in accordance with the terms of the relevant agreements and on normal commercial terms or better;
- (iii) the Company's independent non-executive Directors will conduct an annual review of the transactions under each of the 2023 Supplemental Agreements 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.

Given that the Continuing Connected Transactions 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 transactions contemplated under the 2023 Supplemental Agreements will be conducted on normal commercial terms or better and not prejudicial to the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

GENERAL

Since Sany Group, being a party to the 2023 Supplemental Agreements, is an associate of Mr. Liang, Mr. Liang Zaizhong, being the son of Mr. Liang, has abstained from voting on the Board resolutions approving the respective agreements due to conflict of interests.

As Mr. Tang Xiuguo and Mr. Xiang Wenbo also have interests in Sany Group, they have both abstained from voting on the Board resolutions approving the foregoing agreements.

Save as disclosed above, no Director has a material interest in the 2023 Supplemental Agreements or has abstained from voting on the relevant Board resolution approving the respective agreements.

INFORMATION ABOUT THE COMPANY AND THE GROUP

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

INFORMATION ABOUT 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 Latest Practicable Date, Sany Group was 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.

EXTRAORDINARY GENERAL MEETING

The EGM will be convened and held at Conference Room 103, Research and Development Building, Sany Heavy Equipment Co., Ltd., No. 25, 16 Kaifa Road, Shenyang Economic of Technological Development Zone, Shenyang, Liaoning Province, PRC at 10:00 a.m. on Thursday, 7 December 2023, at which ordinary resolutions will be proposed for the Independent Shareholders to consider, and, if thought fit, to approve each of the 2023 Supplemental Agreements.

Any Shareholders with a material interest in each of the 2023 Supplemental Agreements or the transactions as contemplated thereunder or their respective associates shall abstain from voting at the EGM. The relevant interested Shareholders, namely, Sany Hong Kong, Mr. Liang, Mr. Tang Xiuguo, Mr. Xiang Wenbo and their respective associates, together held 2,115,637,688 Shares, representing approximately 66.33% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolution approving each of the 2023 Supplemental Agreements at the EGM.

LETTER FROM THE BOARD

Save as disclosed above, as at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no other Shareholder is required under the Listing Rules to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon, and deposit it with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment of it if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by way of poll. Accordingly, the resolutions to be considered and, if thought fit, approved at the EGM will be voted on by way of poll by the Independent Shareholders. After conclusion of the EGM, the poll results announcement will be published on the respective websites of the Stock Exchange and the Company.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 25 to 26 of this circular and the letter of Vinco Financial to the Independent Board Committee and the Independent Shareholders set out on pages 27 to 47 of this circular in connection with the 2023 Supplemental Agreements and the transactions contemplated thereunder and the principal factors and reasons considered by Vinco Financial in arriving at such advice.

The Independent Board Committee, having taken into account the advice of Vinco Financial, considers that each of the 2023 Supplemental Agreements was entered into in the ordinary and usual course of business on normal commercial terms or better and the terms thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve each of the 2023 Supplemental Agreements and the transactions contemplated thereunder at the EGM as set out in the notice of the EGM.

Your attention is drawn to additional information set out in the appendices to this circular.

By Order of the Board
Sany Heavy Equipment International Holdings Company Limited
Liang Zaizhong
Chairman



**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)

20 November 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 20 November 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the terms of each of the 2023 Supplemental Agreements are fair and reasonable so far as the Independent Shareholders are concerned. Vinco Financial has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of each of the 2023 Supplemental Agreements.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 24 of the Circular which contains, among others, information about the terms of each of the 2023 Supplemental Agreements and the “Letter from Vinco Financial” set out on pages 27 to 47 of the Circular which contains its advice in respect of each of the 2023 Supplemental Agreements together with the principal factors taken into consideration in arriving at such.

Having considered the terms of each of the 2023 Supplemental Agreements and having taken into account the factors and reasons considered by and the advice of Vinco Financial as stated in their letter dated 20 November 2023, we consider that (i) the transactions under each of the 2023 Supplemental Agreements are in the ordinary and usual course of the Company’s business; (ii) the entering into of each of the 2023 Supplemental Agreements is on normal commercial terms or better; (iii) the terms of each of the 2023 Supplemental Agreements are fair and reasonable so far as the interests of the Independent Shareholders are concerned; and (iv) the entering into of each of the 2023 Supplemental Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, we

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and to ratify and approve each of the 2023 Supplemental Agreements.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Ng Yuk Keung
*Independent Non-executive
Director*

Mr. Poon Chiu Kwok
*Independent Non-executive
Director*

Mr. Hu Jiquan
*Independent Non-executive
Director*

LETTER FROM VINCO FINANCIAL

The following is the text of a letter of advice from Vinco Financial setting to the Independent Board Committee and the Independent Shareholders prepared in respect of the 2023 Supplemental Products Sales Agreement, 2023 Supplemental Master Purchase Agreement, 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), which has been prepared for the purpose of incorporation in this circular:



Vinco Financial Limited

20 November 2023

*To the Independent Board Committee and the Independent Shareholders of
Sany Heavy Equipment International Holdings Company Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Supplemental Product Sales Agreement, 2023 Supplemental Master Purchase Agreement 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 20 November 2023 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular, unless the context otherwise requires.

Reference is made to the announcement of the Company dated 30 October 2023 (the “**Announcement**”), in contemplation of the transactions amount under each of the 2023 Products Sales Agreement, the 2023 Master Purchase Agreement and the 2023 Equipment Sales and Leasing Framework Agreement will exceed the annual caps set under the respective agreements to revise the annual caps, the Company entered into the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement to revise the annual caps.

LETTER FROM VINCO FINANCIAL

As at the Latest Practicable Date, Mr. Liang is a controlling shareholder of the Company who is entitled to exercise or control the exercise of approximately 65.83% 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.

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 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.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan, has been established by the Board to consider and advise the Independent Shareholders in respect of the fairness and reasonableness of 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. We have been appointed and approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the continuing connected transactions contemplated under the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement are in the ordinary and usual course of the Group's business and on normal commercial terms or better, and in the interests of the Company and Independent Shareholders as a whole and whether the terms of the continuing connected transactions contemplated under the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM VINCO FINANCIAL

OUR INDEPENDENCE

As the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence.

During the past two years, we were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of continuing connected transactions. Details of the relevant transactions are set out in the circulars dated 22 November 2022 and 18 January 2023 respectively. The professional fees in connection with the appointments have been fully settled and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on, among other things, the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts, the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

LETTER FROM VINCO FINANCIAL

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

We also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed all currently available information and documents particularly, (i) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); (iii) the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement; (iv) the historical transactions between the Group and Sany Group or its subsidiaries under the 2023 Products Sales Agreement, the 2023 Master Purchase Agreement and the 2023 Equipment Sales and Leasing Framework Agreement; (v) the basis and assumption of the transactions contemplated under the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement; and (vi) the internal control measures governing continuing connected transactions which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

LETTER FROM VINCO FINANCIAL

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement contemplated thereunder, we have taken into account the principal factors and reasons set out below.

Information of the Company

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

Set out below is summary of the Group's unaudited consolidated financial results of the Group for the six months ended 30 June 2023, as extracted from the 2023 Interim Report:

	For the six months ended	
	30 June	
	2023	2022
	<i>RMBS'000</i>	<i>RMBS'000</i>
	(Unaudited)	(Unaudited)
Revenue		
— Mining equipment	7,214,186	5,479,589
— Logistics equipment	3,065,651	2,152,153
— Oil & Gas equipment	336,264	—
— Maintenance services	<u>223,087</u>	<u>—</u>
	10,839,188	7,631,742
Profit for the period	1,183,305	912,616

LETTER FROM VINCO FINANCIAL

	As at 30 June 2023	As at 31 December 2022
	<i>RMB\$'000</i>	<i>RMB\$'000</i>
	(Unaudited)	(Audited)
Total assets	35,986,890	24,953,269
Total liabilities	<u>25,127,048</u>	<u>14,849,495</u>
 Total equity	 10,859,842	 10,103,774

With reference to 2023 Interim Report, the revenue of the Group increased by approximately 42.0% from approximately RMB7,631.7 million for the six months ended 30 June 2022 to approximately RMB10,839.2 million for the six months ended 30 June 2023. The Directors believe that such increase was mainly attributable to (1) a marked increase in the revenue for the Group's integrated mining equipment, wide-bodied vehicles, small port machinery and large port machinery products due to the continual market launch of new products with intelligitization and electrification; (2) a significant increase in the international sales revenue as a result of the successful expansion into international markets; and (3) the revenue arose from the oil & gas equipment segment and emerging industry equipment segment, which are newly acquired by the Group during the six months ended 30 June 2023.

The Group recorded an increase of approximately 29.7% in profit for the period from approximately RMB912.6 million for the six months ended 30 June 2022 to approximately RMB1,183.3 million for the six months ended 30 June 2023. The Directors believe that such increase in profit for the six months ended was mainly due to (1) increase in the proportion of sales revenue of certain products which had higher gross profit margin; (2) implementation of cost reduction measures and decrease in the price of sea freight charges; and (3) change in product mix after the acquisitions of the oil & gas equipment segment as well as emerging industry equipment segment.

The Group's unaudited total assets and total liabilities as at 30 June 2023 amounted to approximately RMB35,986.9 million and RMB25,127.0 million respectively. The Group's unaudited consolidated net assets value amounted to approximately RMB10,859.8 million as at 30 June 2023, representing an increase of approximately 7.5% as compared to that of approximately RMB10,103.8 million as at 31 December 2022. The gearing ratio, which represents the ratio of net debt over the equity and net debt, increased from approximately 50.9% as at 31 December 2022 to approximately 61.4% as at 30 June 2023.

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Set out below is summary of the Group's audited consolidated financial results of the Group for the year ended 31 December 2022, as extracted from the 2022 Annual Report:

	For the year ended 31 December	
	2022	2021
	<i>RMB\$'000</i>	<i>RMB\$'000</i>
	(Audited)	(Audited)
Revenue		
— Mining equipment	10,942,517	6,895,856
— Logistics equipment	4,594,199	3,298,760
	15,536,716	10,194,616
 Profit for the year	 1,669,074	 1,309,158
	As at 31 December	
	2022	2021
	<i>RMB\$'000</i>	<i>RMB\$'000</i>
	(Audited)	(Audited)
Total assets	24,953,269	20,785,122
Total liabilities	14,849,495	12,001,974
Total equity	10,103,774	8,783,148

With reference to 2022 Annual Report, the revenue of the Group increased by approximately 52.4% from approximately RMB10,195 million for the year ended 31 December 2021 to approximately RMB15,537 million for the year ended 31 December 2022. The increase was mainly due to (1) an increase in the revenue for the Group's roadheaders, integrated mining equipment, wide-bodied vehicles and logistics equipment products due to the quick launch of products with intelligentization and electrification; and (2) a significant increase in the international sales revenue of mining equipment and logistics equipment as a result of the successful expansion into overseas markets.

The Group recorded an increase of approximately 27.5% in profit for the year from approximately RMB1,309 million for the year ended 31 December 2021 to approximately RMB1,669 million for the year ended 31 December 2022. The Group's increase in profit for the year ended 31 December 2022 was mainly attributable to the increase in revenue mentioned above.

The Group's audited total assets and total liabilities as at 31 December 2022 amounted to approximately RMB24,953 million and RMB14,849 million respectively. The Group's audited consolidated net assets value amounted to approximately RMB10,104 million as at 31 December 2022, representing an increase of approximately 15.0% as compared to that of

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approximately RMB8,783 million as at 31 December 2021. The gearing ratio, which represents the ratio of net debt over net assets, decreased from approximately 51.4% as at 31 December 2021 to approximately 50.9% as at 31 December 2022.

Information of 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 Latest Practicable Date, Sany Group was 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.

Reasons for and benefits of entering into the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement

As disclosed in the Letter from the Board, 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. Furthermore, the Directors considered 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 in 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 were of the view that Sany Group Companies can effectively fulfil the Group's high requirement in supply stability as well as product quality. In addition, Sany Group Companies have provided the Group with more favourable terms such as flexible and timely delivery schedule of the parts and components purchased by the Group. Also, the principal business of the Group is sale and manufacture of machineries and equipment including but not limited to port machineries, logistics 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.

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In anticipation of the increase in transaction amounts of the continuing connected transactions, we are of the view with the Directors that the entering into of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement to revise the annual caps will enable the Group to continue the continuing connected transactions contemplated thereunder in compliance with the Listing Rules.

Having the considered above, we are of the view that the entering into of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement, together with the adoption of the annual caps, are conducted in the ordinary and usual course of the Group's business and are in the interests of the Company and the Shareholders as a whole.

Summary of the principal terms of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement

1. 2023 Supplemental Products Sales Agreement

a. Review of historical annual cap

On 16 December 2022, the Company and Sany Group entered into 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 for the three years ending 31 December 2025 according to the 2022 Announcement and the 2023 Circular. Based on the current estimation by the Group, the projected transaction amount with Sany Group Companies for the year ending 31 December 2023 will exceed the annual cap set under the 2023 Products Sales Agreement. The transaction amount under the 2023 Products Sales Agreement for the nine months ended 30 September 2023 was RMB1,993,600,896. On 30 October 2023, the Company entered into the 2023 Supplemental Products Sales Agreement with Sany Group to revise the annual cap of the 2023 Products Sales Agreement for the year ending 31 December 2023 from RMB2,210,370,000 to RMB3,980,000,000.

b. Principal terms of the 2023 Supplemental Products Sales Agreement

As confirmed by the management of the Group, subject to the basis of determining the prices agreed in the 2023 Products Sales Agreement in the 2023 Circular, the transactions contemplated under the 2023 Supplemental Products Sales Agreement will be conducted in line with the pricing and payment terms adopted by the Group as agreed in the 2023 Products Sales Agreement.

Except for the annual caps, all other terms of the 2023 Supplemental Products Sales Agreement remain unchanged. The principal terms of the 2023 Supplemental Products Sales Agreement have been set out in the paragraph headed "(1) 2023 Product Sales Agreement" of the 2023 Circular.

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We have reviewed the 2023 Products Sales Agreement and the 2023 Supplemental Products Sales Agreement and found there is no difference of the terms stated between the two agreements. Since the terms under the 2023 Supplemental Products Sales Agreement remain unchanged and had been reviewed by the independent financial adviser in the 2023 Circular in relation to the 2023 Products Sales Agreement, we are of the view that the terms for continuing connected transactions contemplated under the 2023 Supplemental Products Sales Agreement are no less favourable to the Group than terms available from Independent Third Parties, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

c. The proposed annual caps

Set out below are (i) the historical amount of the actual transaction for the nine months ended 30 September 2023; (ii) the existing annual cap for the year ending 31 December 2023 under the 2023 Products Sales Agreement; and (iii) the proposed annual caps for the years ending 31 December 2023, 2024 and 2025 under the 2023 Supplemental Products Sales Agreement:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing annual caps	2,210,370,000	2,300,000,000	2,358,580,000
Proposed annual caps	3,980,000,000	4,180,000,000	4,390,000,000
Actual transaction amount (for the nine months ended 30 September 2023)	1,993,600,896		
Utilisation rate	90.19%		

As depicted from the table above, we note that the relevant utilisation rate of the existing annual cap is approximately 90.19% for the year ending 31 December 2023, which had been substantially utilised. After discussing with the management of the Company, having taken into consideration (i) the historical transaction amount for the nine months ended 30 September 2023; and (ii) 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, the Group had revised its sales plan, and expects the transactions contemplated under the 2023 Products Sales Agreement will exceed the existing annual cap for the year ending 31 December 2023 and therefore increases the annual cap.

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In addition, the substantial increase in the revised annual caps under the 2023 Supplemental Products Sales Agreement was due to the increase of demand by end-customers of the Group in general, and the inclusion of the transactions conducted by Sany Technology Equipment as a result of the 2022 Acquisition and Sany Oil Group Companies as a result of the 2023 Acquisition. Prior to the 2022 Acquisition and the 2023 Acquisition, both Sany Technology Equipment and Sany Oil Group Companies were held by Sany Group, and thus their transactions conducted with Sany Group Companies were not transactions contemplated under the 2023 Products Sales Agreement. As both Sany Technology Equipment and Sany Oil Group Companies became subsidiaries of the Company upon completion of the 2022 Acquisition and 2023 Acquisition respectively and their financial statements were consolidated into the financial statements of the Company, the transactions conducted by Sany Technology Equipment and Sany Oil Group Companies with Sany Group Companies were transactions contemplated under the 2023 Product Sales Agreement. As such, the original annual caps under the 2023 Products Sales Agreement were not sufficient for the Group. Pursuant to the expected transaction under 2023 Supplemental Products Sales Agreement provided by the Company, we found there would be approximately RMB460 million of sales generated due to the 2022 Acquisition and 2023 Acquisition for the year ending 31 December 2023 and approximately RMB1,500 million of sales generated from the original parties before the 2022 Acquisition and 2023 Acquisition for the year ending 31 December 2023.

In order to assess whether the proposed annual caps under the 2023 Supplemental Products Sales Agreement is fair and reasonable, we have discussed with the management of the Company in relation to the basis and assumptions on the proposed annual caps under the 2023 Supplemental Products Sales Agreement and we have considered the following aspects when assessing the fairness and reasonable of the basis of the proposed annual caps. We noted that the historical transaction amount for the nine months ended 30 September 2023 was RMB1,993,600,896 with the growth rate of approximately 34.86% of the historical transaction amount by comparing the amount for the year ended 31 December 2022 and the annualised amount for the nine months ended 30 September 2023. As advised by the management of the Company, the transaction amount of orders received by the Group to-date and the orders under negotiation for the three months ending 31 December 2023 is approximately not less than RMB1.9 billion. For our due diligence purpose, we have also collected the corresponding samples of contracts signed for 2023 and the letter of offer in relation to a project which would require the Sany Group Companies to make sale to end-customers while such sale would require the Company to sell to Sany Group Companies under the 2023 Supplemental Products Sales Agreement. Also, we noted Company taking into account an increase of approximate 5% in the proposed annual caps for the years ending 31 December 2024 and 2025 respectively.

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Based on the above, having consider (i) over 90.19% of the existing annual cap for the year ending 31 December 2023 was utilised; (ii) the orders received by the Group to-date, the orders under negotiation, the business plan of the Group and the expected demand of the products by end-customers; and (iii) the increase in transaction amounts following the 2022 Acquisition and the 2023 Acquisition and after the respectively companies had been consolidated into the financial statements of the Company, we are of the view that the proposed annual caps under the 2023 Supplemental Products Sale Agreement are fair and reasonable.

2. *2023 Supplemental Master Purchase Agreement*

a. Review of historical annual cap

On 16 December 2022, the Company and Sany Group entered into the 2023 Master Purchase Agreement pursuant to which the Group will purchase parts and components and second-hand manufacturing equipment from Sany Group Companies for the three years ending 31 December 2025. Based on the current estimation by the Group, the projected transaction amount with Sany Group or its subsidiaries for the year ending 31 December 2023 will exceed the annual cap set under the 2023 Master Purchase Agreement for the year ending 31 December 2023. The transaction amount under the 2023 Master Purchase Agreement for the nine months ended 30 September 2023 was RMB716,952,474. 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 from RMB1,214,218,070 to RMB1,600,000,000.

b. Principal terms of the 2023 Supplemental Master Purchase Agreement

As confirmed by the management of the Group, subject to the basis of determining the prices agreed in the 2023 Master Purchase Agreement, the transactions contemplated under the 2023 Supplemental Master Purchase Agreement will be conducted in line with the pricing and payment terms adopted by the Group as agreed in the 2023 Master Purchase Agreement.

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

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We have reviewed the 2023 Master Purchase Agreement and the 2023 Supplemental Master Purchase Agreement and found there is no difference of the terms stated between the two agreements. Since the terms for the transactions under the 2023 Supplemental Master Purchase Agreement remain unchanged and had been reviewed by the independent financial adviser in the 2023 Circular in relation to the 2023 Master Purchase Agreement, we are of the view that the terms for continuing connected transactions contemplated under the 2023 Supplemental Master Purchase Agreement are no less favourable to the Group than terms available from Independent Third Parties, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

c. The proposed annual cap

Set out below are (i) the historical amount of the actual transaction for the nine months ended 30 September 2023; (ii) the existing annual cap for the year ending 31 December 2023 under the 2023 Master Purchase Agreement; and (iii) the proposed annual cap for the year ending 31 December 2023 under the 2023 Supplemental Master Purchase Agreement:

	For the year ending 31 December 2023 RMB
Existing annual cap	1,214,218,070
Proposed annual cap	1,600,000,000
Actual transaction amount (for the nine months ended 30 September 2023)	716,952,474
Utilisation rate	59.05%

As depicted from the table above, we note that the relevant utilisation rate of the existing annual cap is approximately 59.05% for the year ending 31 December 2023. After discussing with the management of the Company, having taken into consideration of (i) historical transaction amount for the nine months ended 30 September 2023 (taking into account the increase in the transaction amounts following the 2022 Acquisition and 2023 Acquisition after the financial statements of the Sany Oil Group Companies had been consolidated into the financial statements of the Company); and (ii) the orders under negotiation and the anticipated procurement plan of the Group having considered the business plan of the Group, the Group had revised its sales plan, and expects the transactions contemplated under the 2023 Master Purchase Agreement will exceed the existing annual cap for the year ending 31 December 2023 and therefore increases the annual cap.

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In order to assess whether the proposed annual cap under the 2023 Supplemental Master Purchase Agreement is fair and reasonable, we have discussed with the management of the Company in relation to the basis and assumptions on the proposed annual cap under the 2022 Supplemental Master Purchase Agreement and we have considered the following aspects when assessing the fairness and reasonable of the basis of the proposed annual cap. We noted that the historical transaction amount for the nine months ended 30 September 2023 was RMB716,952,474 with the growth rate of approximately 8.80% of the historical transaction amount by comparing the amount for the year ended 31 December 2022 and the annualised amount for the nine months ended 30 September 2023. Due to the continuous growth in scale of product sales of the Group, it is anticipated that there will be a significant increase in the procurement orders placed or to be placed by the Group for the amounting to approximately RMB829 million for the parts and components and second-hand manufacturing equipment as the Group approaches year-end, 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. We have collected samples of contracts in relation to the increase in such sales accordingly and confirmed with the management of the Company that the Group would be required to purchase parts and components and second-hand manufacturing equipment from Sany Group Companies for the three months ending 31 December 2023 in order to meet the needs of manufacturing of products for those sales. Also, pursuant to the management account obtained by the Company, we found that there is an increase in sales of 38.32% for the nine months ended 30 September 2023 compared with the same period in 2022, that increased the scale of purchase for parts and components. It is anticipated that there will be an 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. Moreover, we have obtained and reviewed the expected procurement plan of the Group and collected the samples of procurement order in relation to the purchase of parts and components produced by Sany Group Companies for 2023. We also noted that the Company expected to purchase from Sany Group or its subsidiaries of approximately RMB829 million for the three months ending 31 December 2023, consists of approximately RMB736 million of procurement from the original parties before the 2022 Acquisition and 2023 Acquisition and approximately RMB93 million of procurement generated due to the 2022 Acquisition and 2023 Acquisition.

Based on the above, having consider (i) over half of the existing annual cap for the year ending 31 December 2023 being utilised; (ii) the order under negotiation and the anticipated procurement plan of the Group; and (iii) the increase in transaction amount following the 2022 Acquisition and the 2023 Acquisition and after the respectively companies had been consolidated into the financial statements of the Company, we are of the view that the proposed annual cap under the 2023 Supplemental Master Purchase Agreement is fair and reasonable.

3. 2023 Supplemental Equipment Sales and Leasing Framework Agreement

a. Review of historical annual cap

On 16 December 2022, the Company and Sany Group entered into 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 for the three years ending 31 December 2025. Based on the current estimation by the Group, the projected transaction amounts with Sany Group or its subsidiaries for the year ending 31 December 2023 will exceed the annual cap set under the 2023 Equipment Sales and Leasing Framework Agreement for the year ending 31 December 2023. The transaction amounts of (i) the sales of parts and equipment and (ii) the financial guarantee and the repurchase of parts and equipment under the 2023 Equipment Sales and Leasing Framework Agreement for the nine months ended 30 September 2023 were RMB1,710,887,857 and RMB1,562,581,071, respectively. On 30 October 2023, the Company entered into the 2023 Supplemental Equipment Sales and Leasing Framework Agreement with Sany Group to revise the annual cap of the sales of parts and equipment for the year ending 31 December 2023 from RMB1,802,000,000 to RMB2,730,000,000 and the annual cap of the financial guarantee and the repurchase of parts for the year ending 31 December 2023 from RMB1,621,800,000 to RMB2,450,000,000, respectively.

b. Principal terms of the 2023 Supplemental Equipment Sales and Leasing Framework Agreement

As confirmed by the management of the Group, subject to the basis of determining the prices agreed in the 2023 Equipment Sales and Leasing Framework Agreement, the transactions contemplated under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement will be conducted in line with the pricing and payment terms adopted by the Group as agreed in the 2023 Equipment Sales and Leasing Framework Agreement.

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

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We have reviewed the 2023 Equipment Sales and Leasing Framework Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and found there is no difference of the terms stated between the two agreements. In determining the sales price of the parts and equipment to be sold, we understand the management of the Company shall determine the price according to the costs involved (i.e. research and development costs, raw material costs, labour costs and manufacturing expenses) plus the gross profit margin ranging from 10% to 40%, which shall in any event be no less favourable to the Group than terms available to Independent Third Parties. Also, as mentioned in the Letter from the Board, the range of the gross profit margin for the Parts and Equipment is determined based on previous transactions conducted by the Group with Independent Third Parties, which is in line with the prevailing market practice. The minimum gross profit margin of 10% is a target fixed by the Group while the maximum gross profit margin of 40% is generally consistent with market practice. The gross profit margin ranges from 10% to 40% as it depends on the type of Parts and Equipment manufactured by the Group, which includes mining equipment, logistics equipment, automatic machineries and relevant ancillary parts.

In order to assess the fairness and reasonableness of the terms of the 2023 Supplemental Equipment Sales and Leasing Framework Agreement, we have randomly selected and obtained samples of sales contracts provided by the Company in relation to the sales of the parts and equipment to Sany Group and to Independent Third Parties, the value of which represented not less than 15% of the total sales transaction for the nine months ended 30 September 2023. We noted the terms of those historical transactions are no less favourable to the Group than those to Independent Third Parties. Moreover, the corresponding documents regarding the samples we collected show the profit margin complied with the pricing terms that the profit margin ranged from not less than 10% and not more than 40%. Also, we found the profit margin of the parts and equipment was calculated and reviewed according to the approval form reviewed by the management prior to the entering into of the transaction under 2023 Equipment Sales and Leasing Framework Agreement obtained from the Company. We believe such terms would be continued to be properly implemented by the Group for transactions under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement.

As stated in the 2023 Supplemental Equipment Sales and Leasing Framework Agreement, if a Lessee breaches the terms as set out in the Financial Lease and Guarantee Agreement, the Group shall settle the outstanding lease payment on behalf of the Lessee or repurchase the parts and equipment on normal commercial terms, which shall be no less favourable to the Group than terms available to Independent Third Parties. As confirmed by the management of the Company, there was no default of similar transactions to transactions contemplated under the 2023 Equipment Sales and Leasing Framework Agreement.

Based on the aforesaid, we are of the view that the terms of the 2023 Supplemental Equipment Sales and Leasing Framework Agreement are fair and reasonable.

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c. The proposed annual caps

Set out below are (i) the historical amounts of the actual transactions for the nine months ended 30 September 2023; (ii) the existing annual caps for the year ending 31 December 2023 under the 2023 Equipment Sales and Leasing Framework Agreement; and (iii) the proposed annual caps for the years ending 31 December 2023, 2024 and 2025 under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<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
Proposed annual caps	2,730,000,000	2,870,000,000	3,000,000,000
Actual transaction amount (for the nine months ended 30 September 2023)	1,710,887,857		
Utilisation rate	94.94%		
(b) the financial guarantee and the repurchase of parts:			
Existing annual caps	1,621,800,000	1,665,000,000	1,710,000,000
Proposed annual caps	2,450,000,000	2,580,000,000	2,700,000,000
Actual transaction amount (for the nine months ended 30 September 2023)	1,562,581,071		
Utilisation rate	96.35%		

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As depicted from the table above, we note that the relevant utilisation rate of the existing annual caps for the sales of parts and equipment and the financial guarantee and the repurchase of parts are approximately 94.94% and approximately 96.35% for the year ending 31 December 2023 respectively. After the discussion with the management of the Company, having taken into consideration of (i) historical transaction amounts for the nine months ended 30 September 2023 (taking into account the increase in the transaction amounts following the 2022 Acquisition and 2023 Acquisition after the financial statements of the Sany Oil Group 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, we understand that the Group expects the transactions contemplated under the 2023 Equipment Sales and Leasing Framework Agreement will exceed the existing annual caps for the year ending 31 December 2023 and therefore increases the annual caps. Also, as disclosed in the Letter from the Board, the proposed increase in the revised annual caps under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement was due to the inclusion of the transactions conducted by Sany Technology Equipment as a result of the 2022 Acquisition and more predominantly the Sany Oil Group Companies as a result of the 2023 Acquisition. In addition, even though the historical transaction amount for the nine months ended 30 September 2023 was only RMB1,562,581,071, it would be necessary to revise the annual caps due to the Company's plans to further expand business in this sector.

In order to assess whether the proposed annual caps under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement are fair and reasonable, we have considered the following aspects in relation to the basis and assumptions on the proposed annual caps under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement. We noted that the historical transaction amounts of the sales of parts and equipment for the nine months ended 30 September 2023 was RMB1,710,887,857 with the growth rate of approximately 63.69% of the historical transaction amount by comparing the amount for the year ended 31 December 2022 and the annualised amount for the nine months ended 30 September 2023 while such transaction of the financial guarantee and the repurchase of parts and equipment between the Sany Oil Group Companies and the Sany Group Companies for the nine months ended 30 September 2023 was RMB1,562,581,071 with the growth rate of approximately 85.86% of the historical transaction amount by comparing the amount for the year ended 31 December 2022 and the annualised amount for the nine months ended 30 September 2023. Moreover, we have obtained and reviewed the list of orders under negotiation in the product sales plan and noted there is approximately RMB1 billion of parts and equipment to be sold and approximately RMB880 million of financial guarantee and the repurchase of parts and equipment to be incurred for the three months ending 31 December 2023 (consists of not less than 45% of the expected

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transactions is generated due to the 2022 Acquisition and 2023 Acquisition) and a prudent estimation of 5% growth or each of the two years ending 31 December 2025. Pursuant to the historical transaction amounts of the sales of parts and equipment and the financial guarantee and the repurchase of parts under the 2023 Equipment Sales and Leasing Framework Agreement for the nine months ended 30 September 2023, we noted the average loan ratio of the sales of parts and equipment was approximately 93.58%. Since the annual caps of the sales of parts and equipment are proposed to be revised as mentioned earlier, we noted the annual caps of the financial guarantee and the repurchase of parts for the coming months in this year and each of the two years ending 31 December 2025 are revised according to the revised annual caps of the sales of parts and equipment and the annual caps of the financial guarantee and the repurchase of parts are approximately 90.89% of the annual caps of the sales of parts and equipment for the three years ending 31 December 2023.

Based on the above, having consider (i) the existing annual caps for the year ending 31 December 2023 were almost fully utilised; (ii) orders under negotiation and the product sales plan for the three months ending 31 December 2023; (iii) the increase in the transaction amounts following the 2022 Acquisition and the 2023 Acquisition and after the respectively companies had been consolidated into the financial statements of the Company; and (iv) the average loan ratio of the sales of parts and equipment of approximately 90.89%, we are of the view that the proposed annual caps under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement are fair and reasonable.

INTERNAL CONTROL MEASURES

As confirmed by the Director, to ensure that the actual prices for the transactions under the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement are on normal commercial terms or better and on terms no less favorable to the Company than to Independent Third Parties, the internal audit department of the Group will conduct regular checks to review and assess whether the products have been procured or sold in accordance with the terms of the relevant agreement and on normal commercial terms or better. In addition, the Company will engage external auditors to conduct annual review of the transactions under the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement.

We have assessed the internal control policy for continuing connected transactions of the Group by discussing with the management of the Group in relation to the internal control procedures and reviewing the latest meeting minutes regarding the connected continuing transactions contemplated under the 2022 Supplemental Products Sales Agreement, the 2022 Supplemental Master Purchase Agreement and the 2022 Supplemental Equipment Sales and Leasing Framework Agreement for the year ended 31 December 2022 and the internal control policy document. We believe that such internal procedures abided by the internal control framework can effectively assure that the existing and possible future individual agreements entered/to be entered with any connected parties

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are/will be on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders. In view of the internal control measures established by the Company in relation to the continuing connected transactions, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions under the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and safeguard the interests of the Independent Shareholders. Besides, the Group's financial department has a designated employee to monitor related transactions conducted 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. 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 requirement under Chapter 14A in relation to the revised annual cap. Also, 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 Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement have been conducted in accordance with the terms of the relevant agreements and on normal commercial terms or better. As mentioned earlier, we noted that the Company's independent non-executive Directors will conduct an annual review of the transactions 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 to ensure that the Group has complied with its internal approval procedures, terms of the respective agreement and the relevant Listing Rules pursuant to the latest meeting minutes dated 20 March 2023. We have also obtained the letter issued by the external auditors dated 20 March 2023 to conduct the latest annual review of the continuing connected transactions. Having taken the usual practice of the other listed companies on the Stock Exchange, we consider the above procedures taken previously would continue to be conducted by the Company 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 to ensure the pricing policy will be adhered from time to time and the monthly review to be implemented by the Company on all the connected transaction agreements would further enhance the adequacy and effectiveness of the internal control measures to be adopted by the Company for continuing connected transaction if the internal control policy will be properly executed by the management.

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RECOMMENDATION

Having taken the above principal factors and reasons, we are of the view that the entering of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement are on normal commercial terms or better, in the ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole. We also consider that 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 and the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable. Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM approving terms of the 2023 Supplemental Products Sales Agreement, the 2023 Supplemental Master Purchase Agreement and the 2023 Supplemental Equipment Sales and Leasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and the chief executives in the share capital and associated corporations of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in Shares and underlying Shares:

Name of Director	Capacity	Number of Shares held	Percentage of issued voting shares of the Company
Mr. Qi Jian ⁽¹⁾	Beneficial owner	9,048,865	0.28%
Mr. Tang Xiuguo	Interest of spouse	5,357,000	0.17%
Mr. Fu Weizhong ⁽²⁾	Beneficial owner	3,401,998	0.11%
Mr. Xiang Wenbo ⁽³⁾	Beneficial owner	2,858,000	0.09%
Mr. Poon Chiu Kwok ⁽⁴⁾	Beneficial owner	1,000,000	0.03%
Mr. Ng Yuk Keung ⁽⁵⁾	Beneficial owner	1,000,000	0.03%
Mr. Hu Jiquan ⁽⁶⁾	Beneficial owner	1,000,000	0.03%

Notes:

- (1) The 9,048,865 Shares in which Mr. Qi Jian is interested or deemed to be interested represent: (i) 5,290,000 Shares which may be issued to him upon the exercise of the share options granted to him on 29 December 2021 under the share option scheme adopted by the Company on 16 February 2013 (the “Share Option Scheme”); (ii) 367,077 Shares awarded to him on 18 December 2020, 236,514 Shares awarded to him on 2 September 2021, 472,592 Shares awarded to him on 8 June 2022 and 2,682,682 Shares awarded to him on 20 September 2023 under the restricted share award scheme adopted by the Company on 3 December 2019 as amended on 11 August 2023 (the “Share Award Scheme”).
- (2) The 3,401,998 Shares in which Mr. Fu Weizhong is deemed to be interested represent: (i) 500,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 and 2,264,000 Shares which may be issued to him upon the exercise of the share options granted to him on 29 December 2021 under the Share Option Scheme; (ii) 152,683 Shares awarded to him on 18 December 2020; and (iii) 40,028 Shares awarded to him on 2 September 2021, 108,885 Shares awarded to him on 8 June 2022 and 336,402 Shares awarded to him on 20 September 2023 under the Share Award Scheme.
- (3) Mr. Xiang Wenbo directly holds 2,858,000 Shares.

- (4) The 1,000,000 Shares in which Mr. Poon Chiu Kwok is deemed to be interested represent the 1,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme.
- (5) The 1,000,000 Shares in which Mr. Ng Yuk Keung is deemed to be interested represent the 1,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme.
- (6) The 1,000,000 Shares in which Mr. Hu Jiquan is deemed to be interested represent the 1,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme.

Long Positions in shares of Sany BVI (being the ultimate holding company of the Company):

Name of Director	Capacity	Number of Shares held	Percentage of issued share capital
Mr. Tang Xiuguo ^(Note)	Beneficial owner	869.58	8.70%
Mr. Xiang Wenbo ^(Note)	Beneficial owner	795.04	7.95%

Note: Each of Mr. Tang Xiuguo and Mr. Xiang Wenbo holds 8.70% and 7.95% of the issued share capital of Sany BVI, respectively, which in turn holds the entire issued share capital of Sany Hong Kong, a controlling shareholder of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or any of their spouses or children under the age of 18 were interested, or were deemed to be interested in the long and short positions in the Shares, underlying Shares and debentures of the Company or any of its holding company, subsidiaries or other associated corporation (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries been participated in any arrangements to enable the directors or chief executive (including their spouses or children under the age of 18) of the Company to acquire any interests and short positions of Shares or underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

(b) Interests and short positions of substantial Shareholders and other parties in the Shares and underlying Shares

As at the Latest Practicable Date, other than the interests and short positions of certain directors and chief executives as disclosed under the paragraph above, the interests and short positions of persons in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances

at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in Shares and underlying Shares:

Name of Shareholder	Capacity	Number of Shares/ underlying Shares held	Approximate percentage of issued voting shares of the Company
Sany Hong Kong ⁽¹⁾	Beneficial owner	2,568,818,722	80.54%
Sany BVI ⁽²⁾	Interest of a controlled corporation	2,568,818,722	80.54%
Mr. Liang ⁽³⁾	Interest of a controlled corporation/ Beneficial owner	2,579,688,722	80.88%

Notes:

- (1) The 2,568,818,722 Shares and underlying Shares consist of 2,089,037,688 ordinary Shares and 479,781,034 underlying Shares which may be issued pursuant to the conversion of the 479,781,034 Convertible Preference Shares issued to Sany Hong Kong.
- (2) Sany BVI owns 100% of the issued share capital of Sany Hong Kong. Sany BVI is therefore deemed to be interested in all the Shares and underlying Shares held by Sany Hong Kong under the SFO.
- (3) Mr. Liang is interested in 56.38% of Sany BVI. Mr. Liang is therefore deemed to be interested in all the Shares and underlying Shares held by Sany Hong Kong under the SFO. Mr. Liang also directly held 10,870,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, no other person had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under section 336 of the SFO.

2. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

3. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualifications of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualifications
Vinco Financial	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

Vinco Financial has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The letter and recommendation given by Vinco Financial is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Vinco Financial does not have any shareholding in the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group.

As at the Latest Practicable Date, Vinco Financial did not have any interest, direct or indirect, in any assets since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up, have been acquired or disposed of by or leased to the Company, or are proposed to be acquired or disposed of by or leased to the Company.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has not been any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

6. INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

As at the Latest Practicable Date, there is no other contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

7. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.sanyhe.com>) for a period of 14 days from the date of this circular:

- (a) the 2023 Supplemental Products Sales Agreement;
- (b) the 2023 Supplemental Master Purchase Agreement;
- (c) the 2023 Supplemental Equipment Sales and Leasing Framework Agreement; and
- (d) the written consent from Vinco Financial referred in paragraph 3 of this appendix.

8. MISCELLANEOUS

- (a) The Company's share registrar and transfer office in Hong Kong is at Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (b) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.



**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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Sany Heavy Equipment International Holdings Company Limited (the “Company”) will be held at Conference Room 103, Research and Development Building, Sany Heavy Equipment Co., Ltd., No. 25, 16 Kaifa Road, Shenyang Economic of Technological Development Zone, Shenyang, Liaoning Province, PRC at 10:00 a.m. on Thursday, 7 December 2023 for the following purposes:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the 2023 Supplemental Products Sales Agreement (as defined in the circular of the Company dated 20 November 2023) dated 30 October 2023 entered into between the Company and Sany Group be and is hereby approved, confirmed and ratified; and
- (b) the annual caps for the transactions under the 2023 Supplemental Products Sales Agreement be and are hereby approved, confirmed and ratified.”

2. **“THAT:**

- (a) the 2023 Supplemental Master Purchase Agreement (as defined in the circular of the Company dated 20 November 2023) dated 30 October 2023, entered into between the Company and Sany Group be and is hereby approved, confirmed and ratified; and
- (b) the annual caps for the transactions under the 2023 Supplemental Master Purchase Agreement be and are hereby approved, confirmed and ratified.”

3. **“THAT:**

- (a) the 2023 Supplemental Equipment Sales and Leasing Framework Agreement (as defined in the circular of the Company dated 20 November 2023) dated 30 October 2023, entered into between the Company and Sany Group be and is hereby approved, confirmed and ratified; and

NOTICE OF THE EGM

- (b) the annual caps for the transactions under the 2023 Supplemental Equipment Sales and Leasing Framework Agreement be and are hereby approved, confirmed and ratified.”

By Order of the Board of Directors
Mr. Liang Zaizhong
Chairman

Hong Kong, 20 November 2023

Notes:

- (1) A member entitled to attend and vote at the above meeting may appoint one or, if he holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
- (2) Where there are joint holders of any Share, any one of such joint holder may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (3) In order to be valid, a form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof shall be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The proxy form will be published on the website of the Stock Exchange.
- (4) The register of members of the Company will be closed from Monday, 4 December 2023 to Thursday, 7 December 2023 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the entitlement to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 December 2023.
- (5) The completion of a form of proxy will not preclude you from attending and voting at the EGM in person should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

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