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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)

DISCLOSEABLE TRANSACTION

CONNECTED TRANSACTION

INVESTMENT AGREEMENT

THE INVESTMENT AGREEMENT

On 8 March 2016, Sany Marine Heavy Industry, Sany Marine Industry, Sany Group and National Development Fund entered into the Investment Agreement, pursuant to which National Development Fund has agreed to invest an amount of RMB160 million in Sany Marine Heavy Industry. According to the preliminary valuation report prepared by an independent third party valuer, National Fund Development will subscribe for 14.73% of the enlarged registered capital of Sany Marine Heavy Industry, which is subject to further adjustment in accordance with the final valuation report which is expected to be issued in late March 2016, but will not, in any event, exceed 20.00% of the enlarged registered capital of Sany Marine Heavy Industry.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Sany Marine Heavy Industry is an indirect wholly-owned subsidiary of the Company. Upon the completion of the Investment, Sany Marine Heavy Industry will still be treated as a subsidiary of the Company but shareholding in Sany Marine Heavy Industry held by the Company would decrease to 85.27%, which is subject to further adjustment according to the final valuation report and will not, in any event, fall under 80.00%. As such, the Investment constitutes a deemed disposal by the Company of its equity interest in Sany Marine Heavy Industry under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios of the Investment Agreement is more than 5% but less than 25%, the transaction thereunder constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his indirect 56.42% interests in Sany Hong Kong, which in turn holds 2,134,580,188 ordinary shares and 479,781,034 Convertible Preference Shares, which, in aggregate, represents 85.97% of the issued share capital of the Company. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules. As such, the Investment also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios of the Investment Agreement is more than 5% but less than 25% and the consideration exceeds HK\$10,000,000, the transaction thereunder constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

The Company will hold the Extraordinary General Meeting to approve the Investment Agreement and the transactions contemplated thereunder.

Grand Vinco Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Investment Agreement.

CIRCULAR

A circular containing, inter alia, (i) details of the transactions contemplated under the Investment Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the independent financial adviser of the Company to advise on the terms of the Investment Agreement; and (iv) a notice to convene the Extraordinary General Meeting will be despatched as soon as practicable, but in any event not later than 29 March 2016.

BACKGROUND

On 8 March 2016, Sany Marine Heavy Industry, Sany Marine Industry, Sany Group and National Development Fund entered into the Investment Agreement, pursuant to which National Development Fund has agreed to invest an amount of RMB160 million in Sany Marine Heavy Industry. According to the preliminary valuation report prepared by an independent third party valuer, National Fund Development will subscribe for 14.73% of the enlarged registered capital of Sany Marine Heavy Industry, which is subject to further adjustment in accordance with the final valuation report which is expected to be issued in late March 2016, but will not, in any event, exceed 20.00% of the enlarged registered capital of Sany Marine Heavy Industry.

PRINCIPAL TERMS OF THE INVESTMENT AGREEMENT

The following sets forth a summary of the principal terms of the Investment Agreement:–

Date: 8 March 2016

Parties:

- (a) Sany Marine Heavy Industry, as the target company;
- (b) Sany Marine Industry, as the direct shareholder of Sany Marine Heavy Industry;
- (c) National Development Fund, as the investor; and
- (d) Sany Group.

Subject Matter: Pursuant to the Investment Agreement, National Development Fund has agreed to invest an amount of RMB160 million in Sany Marine Heavy Industry. According to the preliminary valuation report prepared by an independent third party valuer, National Fund Development will subscribe for 14.73% of the enlarged registered capital of Sany Marine Heavy Industry, which is subject to further adjustment in accordance with the final valuation report which is expected to be issued in late March 2016, but will not, in any event, exceed 20.00% of the enlarged registered capital of Sany Marine Heavy Industry.

The adjusted shareholding in Sany Marine Heavy Industry to be held by National Development Fund shall be calculated with reference to the below formula:

Shareholding = RMB160 million / (RMB160 million + the final valuation of Sany Marine Heavy Industry)

Basis of the Investment: The amount of the Investment has been arrived after arm's length negotiations among the parties with reference to the preliminary valuation of Sany Marine Heavy Industry of approximately RMB925,895,358 as of 31 December 2015, which is subject to further adjustment in accordance with the final valuation report prepared by an independent third party valuer.

Payment: National Development Fund will settle the investment of RMB160 million in cash on 14 March 2016, subject to certain conditions under the Investment Agreement.

Conditions for the Payment: National Development Fund agreed to pay the Investment, subject to the conditions, including:–

- (a) the Investment Agreement and the Investment contemplated thereunder being duly and validly approved by National Development Fund;
- (b) Each of Sany Marine Heavy Industry and Sany Marine Industry having passed all necessary internal procedures and obtained all necessary consents to the Investment Agreement and the Investment contemplated thereunder in accordance with applicable laws and regulations and their respective articles of association;
- (c) the statements, representations, warranties and undertakings given by Sany Marine Heavy Industry and Sany Marine Industry under the Investment Agreement remaining true and accurate and not misleading as given as of the date of the Investment Agreement and as of the payment;
- (d) there not having occurred any event which might lead to a prospective material adverse effect on the financial conditions, prospects, assets or operation of Sany Marine Heavy Industry;
- (e) no laws, regulations, rules, orders or notices having been published, promulgated or implemented by any government or administrative authorities to forbid or restrict the Investment;
- (f) neither Sany Marine Industry nor other shareholders of Sany Marine Heavy Industry (if any) having been involved in any pending proceedings, arbitrations, disputes, investigations or any other legal proceedings or pending issues which might forbid or have any material adverse effect on the Investment or render the Investment Agreement void or not performable;
- (g) any current PRC laws, regulations and policies and any change to the interpretation and implementation thereof by the relevant PRC government authorities (if any), to the reasonable expectation of National Development Fund, having not occurred any material adverse effect on the Investment, other legitimate rights and interests of National Development Fund in Sany Marine Heavy Industry or the financial conditions, business or operation of Sany Marine Heavy Industry; and
- (h) all necessary approvals from the government authorities having been obtained.

In the event that any of the above conditions precedent is not satisfied or waived by National Development Fund on or before 14 March 2016, National Development Fund has the right to terminate the Investment Agreement by written notice.

Completion:

Sany Marine Heavy Industry shall complete the necessary filings with the relevant competent authorities in the PRC to reflect its shareholding change in relation to the Investment within the three months after the Investment Agreement and the transaction contemplated thereunder have been approved by Independent Shareholders.

Purpose of the Investment:

The net proceeds from the Investment shall be used for the construction of the marine machinery projects in Zhuhai Industrial Park.

Investment return:

National Development Fund is entitled to the investment return per annum by ways of (i) dividend distribution or (ii) premium of the equity interest to be purchased by Sany Group against the original investment amount, the details of which are set out in “Exit Alternatives – 1. Purchase by Sany Group” below. The amount of the interests shall be calculated in accordance with the below formula:

Investment Return Per Annum = (RMB160 million + additional investment (if any) – reduced investment (if any)) * 1.2%

1.2% has been arrived after arm’s length negotiations among the parties and is relatively lower than the benchmark interest rate published by the People’s Bank of China.

Sany Marine Heavy Industry shall pay the investment return for each financial year to National Development Fund no later than 21 March of the subsequent financial year.

Board composition:

Pursuant to the Investment Agreement, National Development Fund will not appoint any director to Sany Marine Heavy Industry.

Undertakings by Sany Group

The undertakings provided by Sany Group under the Investment Agreement, include but not limit to the following:

- (a) Sany Group undertakes to compensate any difference between the actual investment return received by National Development Fund and the expected investment return if Sany Marine Heavy Industry fails to pay all or part of the expected investment return; and
- (b) if required, Sany Group undertakes to purchase the equity interest to be acquired by National Development Fund;

Undertakings by Sany Marine Industry

The undertakings provided by Sany Marine Industry under the Investment Agreement, include but not limit to the following:

- (a) Sany Marine Industry undertakes to procure Sany Marine Heavy Industry to amend its articles of association and complete the filing with the relevant competent authorities in the PRC to reflect the Investment;
- (b) Sany Marine Industry undertakes to procure Sany Marine Heavy Industry to satisfy the conditions precedent pursuant to the Investment Agreement; and
- (c) Sany Marine Industry undertakes to ensure the net proceeds of the Investment shall be used for the construction of the marine machinery projects of Zhuhai Industrial Park.

Exit Alternatives:

National Development Fund has the right to adopt any of the following approaches of exit upon and after 13 March 2019:

1. Purchase by Sany Group

National Development Fund has the right to require Sany Group to purchase all the equity interests it will subscribe for under the Investment Agreement under the following schedule:

Date	Amount to be paid by Sany Group to National Development Fund (subject to further adjustment)
20 March 2023	RMB 40 million
20 March 2024	RMB 40 million
20 March 2025	RMB 40 million
13 March 2026	RMB 40 million

The consideration to be paid by Sany Group to National Development Fund is subject to further adjustment to compensate any differences between the actual investment return received by National Development Fund and the expected investment return if Sany Marine Heavy Industry fails to pay all or part of the expected investment return.

2. *Reduction of registered capital*

National Development Fund has the right to require Sany Marine Heavy Industry to reduce its registered capital pursuant to the following schedule:

Date	Amount of reduced registered capital to be returned to National Development Fund
20 March 2023	RMB 40 million
20 March 2024	RMB 40 million
20 March 2025	RMB 40 million
13 March 2026	RMB 40 million

3. *Others*

National Development Fund may also exit the Investment by way of public listing, mergers and acquisitions or asset securitization of Sany Marine Heavy Industry. Solely for the purpose of clarification, as at the date of this announcement, Sany Marine Heavy Industry is not pursuing or planning any public listing, mergers and acquisitions or asset securitization.

FINANCIAL IMPACT OF THE INVESTMENT

The following table sets forth the shareholding structure of Sany Marine Heavy Industry before and immediately after the completion, which is subject to further adjustment in accordance with the final valuation report prepared by an independent third party valuer:

Shareholders of Sany Marine Heavy Industry	Equity Interest immediately before the completion	Equity Interest immediately after the completion (subject to further adjustment)
Sany Marine Industry	100.0%	85.27%
National Development Fund	—	14.73%
Total	<u>100.0%</u>	<u>100.00%</u>

Immediately after the completion, Sany Marine Heavy Industry will remain as a subsidiary of the Company and its operating results, assets and liabilities will continue to be consolidated in the financial statements of the Group. As the Investment is an equity transaction, no gain/loss will be reported in the Company's consolidated income statement.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE INVESTMENT AGREEMENT

The Directors believe that the marine machinery industry is expected to embrace stable development in the coming years, which requires further expansion of the current manufacturing capacities of marine machinery products of the Group to carry out the Company's strategic plan to further diversify its business. Since the operation of Zhuhai Industrial Park in May 2015, the Group has recorded a rapid growth in both the manufacturing capacities and sales volume of marine machinery equipment. The Board believes that the Investment will provide sufficient working capital for Sany Marine Heavy Industry to further expand the operation in Zhuhai Industrial Park, which will be beneficial to the Group and the Shareholders as a whole.

The Directors, excluding the independent non-executive Directors, whose views will be set out in the circular to be sent to the Independent Shareholders, consider that the Investment Agreement has been entered into on normal commercial terms and the terms of the Investment Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ABOUT SANY MARINE HEAVY INDUSTRY

As of the date of this announcement, Sany Marine Heavy Industry is an indirect wholly-owned subsidiary of the Company. Sany Marine Heavy Industry is mainly engaged in the research, development, manufacturing and sales of marine machinery products and the design of high and new tech vessels and marine engineering equipment.

The following table sets forth the preliminary financial information of Sany Marine Heavy Industry for the years ended 31 December 2014 and 2015:

	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>RMB'000</i>	<i>RMB\$'000</i>
Profit before taxation and extraordinary items	1,814 (audited)	125,335 (unaudited)
Profit after taxation and extraordinary items	1,354 (audited)	125,335 (unaudited)

The net liabilities of Sany Marine Heavy Industry as of 31 December 2014 and 2015 amounted to RMB297.59 million (audited) and RMB141.21 million (unaudited), respectively.

INFORMATION ABOUT THE COMPANY

The Company is an investment holding company and its subsidiaries are principally engaged in the design, manufacturing and sales of roadheader, combined coal mining unit, mining transportation vehicles, port machinery and marine heavy equipment products.

INFORMATION ABOUT SANY MARINE INDUSTRY

Sany Marine Industry is an investment holding company and its subsidiaries are principally engaged in the research, development, manufacturing and sales of marine machinery products.

INFORMATION ABOUT SANY GROUP

Sany Group is principally engaged in the manufacturing and distribution of engineering machineries for construction purposes, and machinery leasing, manufacturing of automobile and educational businesses.

INFORMATION ABOUT NATIONAL DEVELOPMENT FUND

National Development Fund is principally engaged in non-securities investment and investment management and consulting.

To the best knowledge of the Company and having made all reasonable enquiries, each of National Development Fund and the ultimate beneficial owners thereof is an independent third party of the Company and its connected persons (as defined in the Listing Rules).

LISTING RULES IMPLICATIONS

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As at the date of this announcement, Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his indirect 56.42% interests in Sany Hong Kong, which in turn holds 2,134,580,188 ordinary shares and 479,781,034 Convertible Preference Shares, which, in aggregate, represents 85.97% of the issued share capital of the Company. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules. As such, the Investment also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

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The Company will hold the Extraordinary General Meeting to approve the Investment Agreement and the transactions contemplated thereunder. Grand Vinco Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Investment Agreement.

CIRCULAR

A circular containing, inter alia, (i) details of the transactions contemplated under the Investment Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the independent financial adviser of the Company to advise on the terms of the Investment Agreement; and (iv) a notice to convene the Extraordinary General Meeting will be despatched as soon as practicable, but in any event not later than 29 March 2016.

DEFINITIONS

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:–

“Board”	the board of Directors of the Company;
“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 meaning ascribed to it under the Listing Rules;
“Convertible Preference Shares”	the limited-voting convertible preference shares of the Company;
“Directors”	the directors of the Company;
“Investment”	the investment of RMB160 million by National Development Fund in Sany Marine Heavy Industry pursuant to the Investment Agreement;

“Extraordinary General Meeting”	the extraordinary general meeting to be convened by the Company for consideration and if appropriate, approval of, amongst other things, the Investment Agreement and the transactions contemplated hereunder;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	a committee of the Board to be established with all independent non-executive Directors, namely Mr. Xu Yaxiong, Mr. Ng Yuk Keung and Mr. Poon Chiu Kwok;
“Independent Shareholders”	Shareholders other than the Shareholders who are interested or involved in the Investment or are required to abstain from voting on the resolution to approve Investment Agreement and the transactions contemplated thereunder;
“Investment Agreement”	the Investment Agreement dated 8 March 2016 entered into among Sany Marine Heavy Industry, Sany Marin Industry, Sany Group and National Development Fund;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“National Development Fund”	國發展基金有限公司 (National Development Fund Co., Ltd.*), a limited liability company established in the PRC on 25 August 2015;
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, The Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of our Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholders”	has the meaning ascribed thereto under the Listing Rules;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;

“Sany Marine Heavy Industry”	三一海洋重工有限公司 (Sany Marine Heavy Industry Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of Sany Marine Industry as at the date of this announcement;
“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 HK”	means Sany Hong Kong Group Limited, a company with limited liability incorporated on 14 October 2005 under the laws of Hong Kong, and the controlling shareholder of the Company;
“Sany Marine Industry”	Sany marine Industry Holdings Company Ltd., (三一海工國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, a wholly-owned subsidiary of the Company; and
“%”	per cent.

* for identification purpose only

By the order of the Board of Directors
Sany Heavy Equipment International Holdings Company Limited
Mr. Qi Jian
Chairman

Hong Kong, 8 March 2016

As at the date of this announcement, the executive Directors are Mr. Qi Jian, Mr. Fu Weizhong and Mr. Xiao Huishu, the non-executive Directors are Mr. Tang Xiuguo, Mr. Xiang Wenbo and Mr. Mao Zhongwu, and the independent non-executive Directors are Mr. Xu Yaxiong, Mr. Ng Yuk Keung and Mr. Poon Chiu Kwok.