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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 TRANSACTION
TECHNICAL SERVICE FRAMEWORK AGREEMENT**

TECHNICAL SERVICE FRAMEWORK AGREEMENT

The Board is pleased to announce that, on 30 October 2020 (after trading hours), the Company and Sany Group entered into the Technical Service Framework Agreement, pursuant to which the Group agreed to provide Sany Group with the Technical Services for a term commencing from 30 October 2020 and ending on 31 December 2022 (both days inclusive).

IMPLICATION UNDER THE LISTING RULES

As at the date of this announcement, Mr. Liang Wengen is a controlling shareholder of the Company by virtue of 10,870,000 ordinary Shares directly held by him and his indirect 56.38% interests in Sany Hong Kong, which in turn holds 2,098,447,688 ordinary Shares and 479,781,034 convertible preference shares of the Company, representing 82.97% of the issued share capital of the Company in aggregate.

Sany Group, being held by Mr. Liang Wengen as to 56.74%, is therefore an associate of Mr. Liang Wengen and hence a connected person of the Company under the Listing Rules.

As all the applicable percentage ratios of the proposed annual cap under the Technical Service Framework Agreement are more than 0.1% but less than 5%, the transaction under the Technical Service Framework Agreement constitutes a continuing connected transaction subject to the reporting and announcement requirement but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Date: 30 October 2020

Parties: (a) the Company
(b) Sany Group

Subject: Pursuant to the Technical Service Framework Agreement, the Group shall provide the Technical Services to Sany Group in connection with the automated and robot machinery and relevant ancillary parts which are developed and manufactured by the Group for Sany Group to upgrade its intelligent equipment and intelligent manufacturing.

Term: The Technical Service Framework Agreement has a fixed term commencing from 30 October 2020 to 31 December 2022 (both days inclusive).

Service fee: Separate agreements shall be entered into between the Group and Sany Group for the transactions contemplated under the Technical Service Framework Agreement. The service fees payable by Sany Group to the Group shall be on normal commercial terms, and shall be determined based on costs (including but not limited to research and development, various tests to be conducted and labour involved in the provision of the Technical Services) plus a gross profit margin of at least 20%, which is the expected gross margin required by the Group for providing similar services to Independent Third Parties with reference to the gross profit margin charged by other service providers who are Independent Third Parties for comparable transactions. The fees offered to Sany Group shall be no less favourable to the Group than the terms offered to Independent Third Parties by the Group for similar services. If no such information is available, then the fees offered to Sany Group shall be comparable to the terms offered for similar services by other service providers who are Independent Third Parties.

Payment terms:	Upon entering into a separate technical service agreement under the Technical Service Framework Agreement, a down payment amounting to 50% of the service fees shall be payable by Sany Group to the Group. The remaining balance shall be settled by way of telegraphic transfer within three months after the Technical Services have been rendered in full by the Group to Sany Group and upon passing of relevant inspection by Sany Group.
Historical figure:	The Group has commenced the provision of intelligent and automation-related technical services to Sany Group since 1 April 2020. The historical transaction amount for the six months ended 30 September 2020 was approximately RMB4,890,000.
Proposed annual cap:	It is proposed that the annual caps for the transactions contemplated under the Technical Service Framework Agreement for the three years ending 31 December 2022 are RMB34,000,000, RMB45,000,000 and RMB45,000,000, respectively.
Basis of the proposed annual cap:	The proposed annual caps are calculated and determined after taking into account (i) the historical transaction amount of approximately RMB4,890,000 between the Group and Sany Group for the period commencing from 1 April 2020 to 30 September 2020; (ii) the estimated demand of the Technical Services required by Sany Group based on Sany Group's business plan; and (iii) the prevailing market prices of the same or substantially similar services.

INTERNAL CONTROL MEASURES

In order to ensure that the pricing terms under each separate technical service agreement are in accordance with the Technical Service Framework Agreement and are on terms no less favourable to the Group than the terms offered to Independent Third Parties by the Group for similar services or market comparable transactions conducted by other service providers who are Independent Third Parties. The business department of the Group will obtain two other contemporaneous transactions of similar services of the Group carried out with Independent Third Parties or if no such transactions are available, two comparable transactions for similar services charged by other service providers who are Independent Third Parties.

The internal audit department of the Group shall conduct regular checks on a bi-annual basis to review and assess whether the transactions under the Technical Service Framework Agreement have been conducted in accordance with the terms of the relevant separate technical service agreements and on normal commercial terms.

The Company's independent non-executive Directors will conduct an annual review of the transactions under the Technical Service Framework Agreement to ensure that the Group has complied with its internal approval procedures, the terms of the Technical Service Framework Agreement and the relevant Listing Rules.

The Company will also engage external auditors to conduct annual review of such transactions under the Technical Service Framework Agreement.

The Directors consider that the above internal control procedures and pricing policy are effective to ensure that the proposed transactions will be conducted on normal commercial terms and not prejudicial to the interest of the Company and the Independent Shareholders.

REASONS FOR AND BENEFITS OF THE TECHNICAL SERVICE FRAMEWORK AGREEMENT

The Group has been selling automated and robot machinery and relevant ancillary parts which are developed and manufactured by the Group to Sany Group for its upgrade of intelligent equipment and intelligent manufacturing, part of which requires system integration, software development and technical training. Since April 2020, the Group has also commenced the provision of intelligent and automation-related technical services to customers including Sany Group of which it has sold equipment to, which brings in additional revenue to the Group. The Technical Services to be provided by the Group to Sany Group pursuant to the Technical Service Framework Agreement will ensure optimal use of the Group's equipment.

As the Group is expanding this line of business and anticipates that the demand for the Technical Services from Sany Group will increase substantially, by entering into the Technical Service Framework Agreement, the Group would be able to continue to provide the Technical Services to Sany Group in compliance with the requirements of Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) considered that the Technical Service Framework Agreement has been entered into in the ordinary and usual course of business of the Group, and the transactions contemplated thereunder are on normal commercial terms or better, and the terms thereof are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Since Sany Group, being a party to the Technical Service Framework Agreement, is an associate of Mr. Liang Wengen, Mr. Liang Zaizhong, being the son of Mr. Liang Wengen, has abstained from voting on the Board resolution approving the Technical Service Framework Agreement due to potential conflict of interests. Other than Mr. Liang Zaizhong, no other Director has a material interest in the Technical Service Framework Agreement or has abstained from voting on the relevant board resolution approving the Technical Service Framework Agreement.

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INFORMATION ON THE COMPANY AND SANY GROUP

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.

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

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Sany Heavy Equipment International Holdings Company Limited (三一重裝國際控股有限公司), a company incorporated with limited liability on 23 July 2009 under the laws of the Cayman Islands and the Shares of which are listed on the Stock Exchange (stock code: 631)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	the Shareholders who are not interested in or involved in the Technical Service Framework Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Sany Group”	Sany Group Limited* (三一集團有限公司), a company with limited liability established on 18 October 2000 under the laws of the PRC
“Sany Hong Kong”	Sany Hongkong Group Limited, a company with limited liability incorporated on 14 October 2005 under the laws of Hong Kong and a controlling shareholder of the Company
“Share(s)”	the ordinary share(s) with nominal value of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technical Service Framework Agreement”	the technical service framework agreement entered into between the Company and Sany Group on 30 October 2020, pursuant to which the Group agreed to provide Sany Group with the Technical Services for a term commencing from the date of the Technical Service Framework Agreement and ending on 31 December 2022 (both days inclusive)
“Technical Services”	the technical support, design and development services to be provided by the Group to Sany Group in the smart upgrade of its intelligent equipment and intelligent manufacturing pursuant to the Technical Service Framework Agreement
“%”	per cent

* for identification purpose only

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

Hong Kong, 30 October 2020

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