

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**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
2023 MASTER TRANSPORTATION AGREEMENT**

2023 MASTER TRANSPORTATION AGREEMENT

References are made to the announcement of the Company dated 11 November 2022 and the circular of the Company dated 22 November 2022 in relation to the 2022 Supplemental Master Transportation Agreement, pursuant to which Sany Logistics agreed to provide Logistics Services to the Group in connection with the transportation of products such as mining equipment, logistics equipment and automated machinery.

As the 2022 Supplemental Master Transportation Agreement expired on 31 December 2022 and the Group will continue to procure Sany Logistics to provide Logistics Services to the Group, the Company entered into the 2023 Master Transportation Agreement with Sany Logistics to renew the 2022 Supplemental Master Transportation Agreement for a term of one year commencing from 1 January 2023 to 31 December 2023 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Liang is the controlling shareholder of the Company who is entitled to exercise or control the exercise of approximately 66.69% voting rights in the ordinary share capital of the Company and indirectly held 479,781,034 Convertible Preference Shares which represent approximately 13.17% issued share capital of the Company (as enlarged) upon full conversion. As Sany Group is held as to 56.74% by Mr. Liang, Sany Logistics, being a subsidiary of Sany Group, is an associate of Mr. Liang under Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the 2023 Master Transportation Agreement with Sany Logistics and the transactions contemplated thereunder are continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap under the 2023 Master Transportation Agreement exceed 0.1% but all of them are less than 5%, the 2023 Master Transportation Agreement is only subject to the reporting and announcement requirements, and is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2023 MASTER TRANSPORTATION AGREEMENT

References are made to the announcement of the Company dated 11 November 2022 and the circular of the Company dated 22 November 2022 in relation to the 2022 Supplemental Master Transportation Agreement, pursuant to which Sany Logistics agreed to provide Logistics Services to the Group in connection with the transportation of mining equipment, logistics equipment and automated machinery.

As the 2022 Supplemental Master Transportation Agreement expired on 31 December 2022 and the Group will continue to procure Sany Logistics to provide Logistics Services to the Group, the Company entered into the 2023 Master Transportation Agreement with Sany Logistics to renew the 2022 Supplemental Master Transportation Agreement for a term of one year commencing from 1 January 2023 to 31 December 2023 (both days inclusive).

Set out below are the principal terms of the 2023 Master Transportation Agreement:

Date: 17 January 2023

Parties: (a) The Company; and
(b) Sany Logistics

Subject matter: Pursuant to the 2023 Master Transportation Agreement, Sany Logistics will provide logistics services to the Group in connection with the transportation of products such as mining equipment, logistics equipment and automated machinery (the “**Logistics Services**”).

In respect of each transportation task, the Group and Sany Logistics will enter into separate transportation agreements to specify, among others, the exact types and number of products to be transported, the distance, and the transportation period.

Term: The 2023 Master Transportation Agreement has a fixed term commencing from 1 January 2023 to 31 December 2023 (both days inclusive).

Pricing: The service fees payable shall be on normal commercial terms and determined based on arm’s length negotiation with reference to the prevailing market price and should be in any event no less favourable to the Group than terms offered by Independent Third Parties.

The 2023 Master Transportation Agreement is the 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, separate agreements will be entered into between the Group and Sany Logistics for the transactions contemplated under the 2023 Master Transportation Agreement.

Historical transaction amounts

The historical transaction amounts of the Logistics Services provided by Sany Logistics to the Group are as follows:

	For the year ended 31 December 2020 RMB (audited)	For the year ended 31 December 2021 RMB (audited)	For the year ended 31 December 2022 RMB (unaudited)
Provision of Logistics Services by Sany Logistics to the Group	158,803,000	287,375,000	538,237,000

Annual cap and basis of determination

Pursuant to the 2023 Master Transportation Agreement, the annual cap amount for the Logistics Services provided by Sany Logistics to the Group for the year ending 31 December 2023 is RMB70,000,000.

The annual cap for the Logistics Services for the year ending 31 December 2023 was determined primarily with reference to: (i) the historical transaction amounts for the three years ended 31 December 2022; (ii) the orders under negotiation; and (iii) the anticipated logistic services which will be required by the Group at the prevailing market price for such services.

It is expected that there will be a decrease in the demand for the Logistics Services by the Group from the year ended 31 December 2022 to the year ending 31 December 2023 as Sany Logistics will mainly provide logistics agency services to the Group, which is covered by the Logistics Services Agency Agreement, instead of the Logistics Services commencing from 1 January 2023.

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

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

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

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Liang is the controlling shareholder of the Company who is entitled to exercise or control the exercise of approximately 66.69% voting rights in the ordinary share capital of the Company and indirectly held 479,781,034 Convertible Preference Shares which represent approximately 13.17% issued share capital of the Company (as enlarged) upon full conversion. As Sany Group is held as to 56.74% by Mr. Liang, Sany Logistics, being a subsidiary of Sany Group, is an associate of Mr. Liang under Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the 2023 Master Transportation Agreement with Sany Logistics and the transactions contemplated thereunder are continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap under the 2023 Master Transportation Agreement exceed 0.1% but all of them are less than 5%, the 2023 Master Transportation Agreement is only subject to the reporting and announcement requirements, and is exempt from the Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

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

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

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

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

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

GENERAL

As Sany Logistics 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 2023 Master Transportation Agreement due to conflict of interests.

As Mr. Tang Xiuguo and Mr. Xiang Wenbo also have interests in Sany Group, which is the parent company of Sany Logistics, they have also abstained from voting on the relevant Board resolutions approving the 2023 Master Transportation Agreement.

Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the 2023 Master Transportation Agreement and is therefore required to abstain from voting on the Board resolutions approving the entering into of the 2023 Master Transportation Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES TO THE 2023 MASTER TRANSPORTATION AGREEMENT

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.

Sany Logistics

Sany Logistics is principally engaged in domestic freight transportation services, freight transportation agency services, logistics information consulting services and export trading. To the best knowledge, information and belief of the Directors, and having made all reasonable enquiry, as at the date of this announcement, Sany Logistics is 100% indirectly held by Sany Heavy Industry Co. Ltd, which in turn is held as to 29.2% by Sany Group and 2.78% by Mr. Liang. Sany Heavy Industry Co. Ltd is listed on the Shanghai Stock Exchange (stock code: 600031) and is principally engaged in the manufacture of special engineering equipment, including concrete machinery, excavation machinery, crane machinery, piling machinery and road construction machinery. Sany Logistics is a non-wholly owned subsidiary of Sany Group, which in turn is held as to 56.74% by Mr. Liang, 8.75% by Mr. Tang Xiuguo (a non-executive Director), 8.00% by Mr. Xiang Wenbo (a non-executive Director), 8.00% by Mao Zhongwu (an Independent Third Party), 0.50% 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.

DEFINITIONS

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

“2022 Supplemental Master Transportation Agreement”	the supplemental agreement entered into between the Company and Sany Group on 11 November 2022 to supplement the supplemental master transportation agreement entered into between the Company and Sany Logistics on 18 December 2019 in respect of the provision of Logistics Services by Sany Logistics to the Group
“2023 Master Transportation Agreement”	the agreement entered into between the Company and Sany Logistics on 17 January 2023 in relation to the renewal of the 2022 Supplemental Master Transportation Agreement for a term of one year commencing from 1 January 2023 and ending on 31 December 2023 (both days inclusive)
“associate”	has the meaning ascribed to it under the Listing Rules
“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 Main Board of the Stock Exchange (stock code: 631)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Convertible Preference Shares”	the convertible preference shares of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Shareholders”	the Shareholders who are not interested in or involved in the 2023 Master Transportation Agreement
“Independent Third Party(ies)”	third party(ies) who is/are independent of and not connected with the Company and its connected persons

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Logistics Services”	as defined under the paragraph headed “Subject matter” of this announcement
“Logistics Services Agency Agreement”	the agreement entered into between the Company and Sany Logistics on 16 December 2022 in relation to the provision of the logistics agency services by Sany Logistics to the Group, the details of which are set out in the Company’s announcement dated 16 December 2022
“Mr. Liang”	Mr. Liang Wengen, the controlling shareholder of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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 Logistics”	Hunan Sany Logistics Co., Ltd.* (湖南三一物流有限責任公司), a company with limited liability established under the laws of the PRC, a non-wholly owned subsidiary of Sany Group
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Hong Kong, 17 January 2023

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

* For identification purpose only