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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 AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE
CAPITAL OF THE TARGET COMPANY**

Financial adviser to the Company



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



THE ACQUISITION

The Board is pleased to announce that on 12 April 2023, the Company and the Vendor entered into the Agreement pursuant to which the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company at the Consideration of RMB2,980 million.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company. The financial statements of the Target Group will be consolidated into the financial statements of the Company after Completion.

LISTING RULES IMPLICATIONS

The Acquisition

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but all of which are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Liang is a controlling shareholder of the Company who is entitled to exercise or control the exercise of approximately 66.47% voting rights in the ordinary share capital of the Company and indirectly holds 479,781,034 Convertible Preference Shares which represent approximately 13.13% issued share capital of the Company (as enlarged) upon full conversion. As the Vendor is ultimately and beneficially owned as to 43.167% by Mr. Liang, the Vendor is an associate of Mr. Liang and therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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THE AGREEMENT

The principal terms and conditions of the Agreement are set out below:

Date

12 April 2023

Parties

- (i) the Company as the purchaser; and
- (ii) Sany Perpetual Enterprise Holdings Company Limited as the Vendor.

Subject matter

Pursuant to the Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

Pursuant to the Agreement, the Consideration shall be RMB2,980 million, which shall be payable by the Company to the Vendor in cash in RMB or other foreign currency in equivalent value (due to fluctuation in exchange rates, the actual amount will be based on the central parity rate of the RMB exchange rate in the inter-bank foreign exchange market announced by the People's Bank of China on the date of payment), in the following manner:

- (i) as to RMB894 million, being 30% of the Consideration, shall be payable in cash by the Company to the Vendor within 60 days after the Completion Date; and
- (ii) as to RMB2,086 million, being 70% of the Consideration, shall be payable in cash by the Company to the Vendor on or before 31 December 2023.

The Company intends to satisfy the Consideration partly by the internal resources of the Group and partly by external financing.

Basis for the determination of the Consideration

The valuation of the Target Company is RMB4,281 million as at 31 December 2022 by an independent valuer using market approach and the Consideration of RMB2,980 million was determined after arm's length negotiations between the Company and the Vendor on normal commercial terms after taking into account of such valuation.

Conditions Precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (a) the Vendor having delivered to the Company the executed instrument of transfer, sold note and share certificate(s) of the Target Company to the Company;
- (b) the Company having complied with the Listing Rules in respect of the Agreement, including but not limited to the reporting to the Stock Exchange, publication of announcement and obtaining the Independent Shareholders' approval in relation to the Agreement and the transactions contemplated thereunder at the EGM;
- (c) the Company having been satisfied with the results of the due diligence in respect of the Target Group;

- (d) all necessary consents, permissions, approvals, licenses, waivers, orders, reliefs or notices from government and regulatory authorities or any other third parties required to be obtained by the Target Group in respect of the Agreement and the transactions contemplated thereunder having been obtained and not having been withdrawn prior to the Completion Date;
- (e) all representations, warranties and undertakings remaining true, accurate and not misleading in all material aspects from the date of the Agreement till the Completion Date, and not causing material adverse changes to the Acquisition;
- (f) from the date of the Agreement till the Completion Date, there being (i) no material adverse changes to the Target Group; and (ii) no material adverse changes to the Target Group due to the applicable laws of the jurisdictions in which the Target Group operates;
- (g) from the date of the Agreement till the Completion Date, there being no breach or failure to perform any covenant, contract, lease, mortgage, trust deed, instrument agreement, loan agreement or other agreement, obligation, condition, covenant or instrument which any company in the Target Group is a party to or binds its respective assets, and that such breach or failure to perform resulting in a material adverse change to the Target Group; and
- (h) the Vendor having fulfilled all its obligations in the Agreement prior to Completion.

The above conditions precedent (except for conditions precedent (b) and (d) which are not waivable) may be waived in part or in whole by the Company by notice in writing to the Vendor. The Vendor shall procure the fulfilment of the above conditions precedent. In the event that any of the above conditions is not fulfilled (or waived, if applicable) prior to the Long Stop Date, then the Company shall not be bound to proceed with the Acquisition and the Agreement shall cease to be of any effect.

Completion

Completion shall take place after, among others, all the conditions precedent under the Agreement have been fulfilled or waived by the Company (as the case may be), or such other date as agreed by the parties to the Agreement.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company. The financial statements of the Target Group will be consolidated into the financial statements of the Company after Completion.

INFORMATION ON THE PARTIES

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.

The Vendor

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

As at the date of this announcement, the Vendor is beneficially owned as to approximately 43.167% by Throne Eagle Limited, 18.609% by Meng Hao Capital Investment Company Limited, 8.920% by Sany New Energy Unions Holdings Company Limited, 6.657% by Bei Qing Investment Company Limited, 6.087% by See Long Holdings Limited, 6.087% by Double Good International Holdings Company Limited, 2.663% by China Red Capital International Holdings Company Limited, 2.283% by Yi Tongda Investment Company Limited, 2.283% by Thick Base Industrial Limited, 0.761% by Billion Ruby Capital Investment Limited, 0.761% by Yi Lin Industrial Company Limited, 0.521% by Water Fore Investment Limited, 0.457% by Yuan Zu Company Limited, 0.380% by Jupiter Machinery Company Limited, 0.304% by Wintrend Technology Company Limited and 0.061% by Bright Unison Investments Limited.

Throne Eagle Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Liang.

Meng Hao Capital Investment Company Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Yuan Jinhua.

Sany New Energy Unions Holdings Company Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. As of the date of this announcement, Sany New Energy Unions Holdings Company Limited is owned as to approximately 19.058% by Mr. Miao Xionghui, 15.695% by Mr. Yu Xuyang, 12.556% by Mr. Yu Zhijie, 8.408% by Mr. Peng Letao, 8.408% by Mr. Li Jianjun, 5.605% by Mr. Tan Haibo, 4.765% by Mr. Wang Anwei, 4.484% by Mr. Zhang Ti, 4.484% by Ms. Li Xiaoyu, 2.859% by Mr. Liu Cunyong, 1.906% by Mr. Xu Xianhua, 1.906% by Mr. Yang Xin, 1.121% by Mr. Liang Cong, 1.121% by Mr. Xie Wang, 1.065% by Mr. Liu Xiaopeng, 1.065% by Mr. Liu Lijun, 1.065% by Mr. Chen Mingkai, 0.953% by Mr. Jiang Guoping, 0.953% by Mr. Zhi Haijun, 0.953% by Mr. Han Lusheng, 0.953% by Mr. Xie Xuezhi, 0.561% by Ms. Wang Li and 0.056% by Meng Hao Capital Investment Company Limited. To the best of the

knowledge, information and belief of the Board after making all reasonable enquiries, each of the beneficial owners of Sany New Energy Unions Holdings Company Limited are Independent Third Parties.

Bei Qing Investment Company Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Tang Xiuguo.

See Long Holdings Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Xiang Wenbo.

Double Good International Holdings Company Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Mao Zhongwu.

China Red Capital International Holdings Company Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Zhou Fugui.

Yi Tongda Investment Company Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Yi Xiaogang.

Thick Base Industrial Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Ms. Wang Haiyan.

Billion Ruby Capital Investment Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Zhao Xiangzhang.

Yi Lin Industrial Company Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Wang Zuochun.

Water Fore Investment Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Duan Dawei.

Yuan Zu Company Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Zhai Xian.

Jupiter Machinery Company Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Liang Linhe.

Wintrend Technology Company Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Ms. Zhai Chun.

Bright Unison Investments Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Huang Jianlong.

Meng Hao Capital Investment Company Limited is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. It is wholly owned by Mr. Yuan Jinhua.

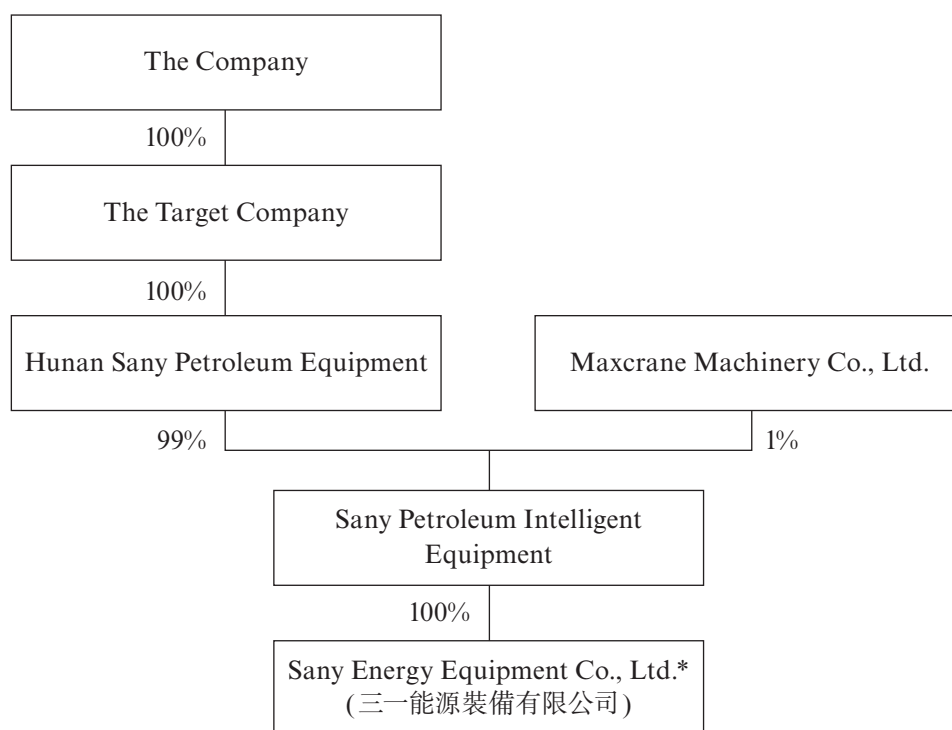
Save for Mr. Liang who is a controlling shareholder of the Company, Mr. Liang Linhe who is the nephew of Mr. Liang, each of Mr. Tang Xiuguo and Mr. Xiang Wenbo who is a non-executive Director, to the best of the knowledge, information and belief of the Board after making all reasonable enquiries, each of Mr. Mao Zhongwu, Mr. Yuan Jinhua, Mr. Zhou Fugui, Mr. Yi Xiaogang, Ms. Wang Haiyan, Mr. Zhao Xiangzhang, Mr. Wang Zuochun, Mr. Duan Dawei, Mr. Zhai Xian, Ms. Zhai Chun and Mr. Huang Jianlong are Independent Third Parties.

The Target Company and The Target Group

The Target Company is a company incorporated in Hong Kong with limited liability and is wholly owned by the Vendor. It is principally engaged in investment holding. The Target Company was incorporated by the existing shareholders of the Vendor (except for Sany New Energy Unions Holdings Company Limited) in 2015 with an issued but unpaid share capital of RMB800,000. As of the date of the announcement, the issued share capital of the Target Company is RMB290.72 million, among which, RMB289.92 million has been paid up.

The Target Group is principally engaged in the research and development, production and sales of frac spreads and spare parts for oil and gas field, as well as oil and gas field cementing and stimulation technical services. Its principal businesses are operated by Sany Petroleum Intelligent Equipment and its subsidiaries. The main business types of the Target Group can be classified into: (i) research and development, production and sales of frac spreads and spare parts; (ii) research and development, production and sales of drilling, workover and automated pipe handling equipment; and (iii) after-market business and oil & gas field technical services.

Group Structure of the Target Group upon Completion



Hunan Sany Petroleum Equipment is a company established in the PRC with limited liability and wholly owned by the Target Company. It is principally engaged in investment holding. Hunan Sany Petroleum Equipment was established by the Target Company in 2016 with a registered capital of RMB800,000. In 2022, the registered capital of Hunan Sany Petroleum Equipment was increased to RMB289.92 million. In 2022, the Target Company has fully paid up the registered capital of Hunan Sany Petroleum Equipment.

Sany Petroleum Intelligent Equipment is a company established in the PRC with limited liability and owned as to 99% by Hunan Sany Petroleum Equipment and 1% by Maxcrane Machinery Co., Ltd. In 2022, the registered capital of Sany Petroleum Intelligent Equipment was increased to RMB133,131,313. It is principally engaged in the research and development, production and sales of frac spreads and spare parts for oil and gas field, as well as oil and gas field cementing and stimulation technical services. Maxcrane Machinery Co., Ltd is a company incorporated in Thailand and is principally engaged in the business of construction machinery and equipment. To the best of the knowledge, information and belief of the Board after making all reasonable enquiries, the ultimate beneficial owners of Maxcrane Machinery Co. Ltd are Independent Third Parties. The original cost of acquisition of 99% equity interest in Sany Petroleum Intelligent Equipment by Hunan Sany Petroleum Equipment, in 2022, was approximately RMB289.6 million.

Sany Energy Equipment Co., Ltd.* (三一能源裝備有限公司) is a company established in the PRC with limited liability and wholly owned by Sany Petroleum Intelligent Equipment. It is principally engaged in the research and development, production and sales of frac spreads and spare parts for oil and gas field.

Financial Information of the Target Group

Set out below is the audited consolidated financial information of the Target Group for the three years ended 31 December 2022:

	For the year ended 31 December		
	2020	2021	2022
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Revenue	894.5	1,740.3	2,087.0
Net profit before taxation	71.3	348.1	427.7
Net profit after taxation	69.5	304.4	385.6
Total assets	1,310.9	1,657.4	2,301.3
Net assets	307.0	611.9	566.6
Total liabilities	1,003.9	1,045.5	1,734.7
Cost of sales	637.8	1,121.0	1,346.4
Administrative expenses	155.4	186.2	198.1
Selling and distribution expenses	48.1	104.6	121.2
Finance costs	14.4	14.0	7.5

Based on the audited consolidated financial information of the Target Group, the net assets value of the Target Group was approximately RMB566.634 million as at 31 December 2022.

REASONS FOR AND BENEFIT OF THE ACQUISITION


Information on the Target Company and the Target Group


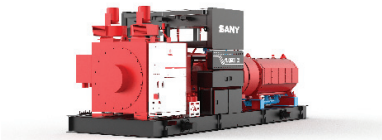
Information on the Target Group's Business



The Target Company is a holding company, and the principal business of the Target Group is operated by Sany Petroleum Intelligent Equipment Company Ltd.* (三一石油智能裝備有限公司) and its subsidiaries. The Target Group is principally engaged in the research and development, production and sale of frac spreads and spare parts for oil and gas field, as well as oil and gas field cementing and stimulation technical services. It is committed to protecting national energy security and providing customers with safe, efficient, intelligent and environmentally friendly complete sets of petroleum equipment as well as comprehensive solutions and integrated services.



The main business of the Target Group could be classified to: 1) research and development, production and sales of frac spreads and spare parts, 2) research and development, production and sales of drilling, workover and automated pipe handling equipment, and 3) after-market business and oil & gas field technical services. The Target Group has all series of frac spreads (mechanical transmission, hydraulic transmission and electric drive) and industry-leading drilling, workover and automated pipe handling equipment and possesses the relevant core technologies.



A number of products of the Target Group lead the Chinese market. In 2021 and 2022, the Target Group's truck-mounted fracturing equipment maintained the first in the industry in terms of sales and market share for two consecutive years, and the sales of drilling, workover and automated pipe handling equipment, such as monkey board pipe handling manipulator, drill floor pipe handling manipulator and hydraulic station, also held leading positions in the industry. Major products for sale by the Target Group are as follows:



Product name	Representative models	Product illustrations	Product description
Mechanical fracturing truck	2500HP mechanical fracturing truck		<ul style="list-style-type: none"> ● For continuous fracturing operation under harsh working condition in shale gas and tight oil ● Independently developed oilfield-specific chassis and unibody plunger pump housing ● Maximum pressure 140MPa, with high strength stainless steel fluid end as standard, more suitable for harsh working condition




Product name	Representative models	Product illustrations	Product description
Hydraulic fracturing truck	1500HP hydraulic fracturing truck		<ul style="list-style-type: none"> ● For pressure test, water injection, coil tubing drilling and grinding and accurate working condition ● Hydraulic transmission with no-gearshift impact and continuously adjustable displacement ● Multiple engines can back up each other and the number of start/stop units can be freely selected according to working conditions, making it highly adaptable
Electric frac pumper	6000HP electric frac pumper		<ul style="list-style-type: none"> ● For unconventional oil & gas fracturing scenarios such as shale gas, shale oil, tight oil and tight sandstone gas ● Equipment is compact in structure, small in size and light in weight, fully meet the transportation standards ● Frequency variable electric drive, stepless speed regulation, precise and continuously adjustable displacement

Product name	Representative models	Product illustrations	Product description
Fracturing blender truck	130BBL fracturing blender truck		<ul style="list-style-type: none"> ● For mixing, stirring and conveying sand-fluid for fracturing operations ● Highly accurate densimeter and mass flowmeter for precise measurement, eliminating the influence of different liquids such as viscosity and density on measurement ● Sufficient power with total installed power of 903KW, high safety and reliability
Hydration truck	75 BPM hydration truck		<ul style="list-style-type: none"> ● Used in scenarios such as continuous fracturing operation with hydroxypropyl guar gum or polymers as fracturing-fluid for shale gas, tight oil, coal bed methane, and conventional oil well production increase, etc. ● Large volume of mixing the gel powder and water operation, with a maximum volume of more than 5,000m³ in a single day ● Timely mixing, ready to use, uniform and excellent mixing results

Product name	Representative models	Product illustrations	Product description
Intelligent data truck	Type-C intelligent data truck		<ul style="list-style-type: none"> ● For continuous fracturing operation under harsh working condition in shale gas and tight oil ● Visual management of the frac spreads, one-click configuration of the unit's IP address and real-time monitoring ● Statistical analysis of key information on fracturing trucks and fracturing blender trucks, providing predictive assessments and maintenance reminders
Coil tubing truck	LGC630 coil tubing truck		<ul style="list-style-type: none"> ● For acidizing, sand-flushing operation, gas-lift drainage, fishing, drilling and grinding, well-logging and other scenarios ● Highly compatible modular design of the main components, which can be mixed and matched according to customer requirements ● Customised drum capacity design for a wide range of tubing sizes and different drums

Product name	Representative models	Product illustrations	Product description
Cementing truck	600GPM cementing truck		<ul style="list-style-type: none"> ● For the slurry mixing and high-pressure pumping scenarios ● Hydraulic stepless speed regulation for automatic control mode, precise and continuously adjustable flowrate ● Independently developed hydraulic transmission plunger pump, eliminating sudden load changes caused by gearshift in conventional products
Monkey board pipe handling manipulator	/		<ul style="list-style-type: none"> ● For tubing string of workover & pipe operation on monkey board ● It reduces safety risks and labour intensity by enabling unmanned operation on racking platform ● Multiple interlock, no leakage at high altitude, safe and reliable ● Instead of derrick workers, arrange and place drilling tools automatically

Product name	Representative models	Product illustrations	Product description
Drilling manipulator	/		<ul style="list-style-type: none"> ● For tubing string of workover & pipe operation on drill floor ● Replaces drillers with intelligent discharge at the touch of a button, with no manual work in between ● Automatic linkage with monkey board pipe handling manipulator to improve drilling and tripping efficiency
Mobile centralized-hydraulic station	/		<ul style="list-style-type: none"> ● Applied to the scenarios of centralized supply of hydraulic oil for well pad hydraulic system ● Solve the issues of resources waste, high energy consumption and handling difficulties caused by separate hydraulic stations for individual machine under traditional operating conditions ● Accurate fluid supply in real time according to the needs of the machines, reducing pressure loss of hydraulic systems, improving hydraulic fluids heat management performance and the efficiency of hydraulic station

Product name	Representative models	Product illustrations	Product description
Automated power tong	/		<ul style="list-style-type: none"> ● For automatic loading and unloading operation of drilling and workover pipes ● Non-stop auto-shifting, fast and automatic matching, one-key makeup and breakout ● Mechanical self-energizing, no damage to drill pipes, drill collars or tubing
Power catwalk	/		<ul style="list-style-type: none"> ● Developing for automatic transport of the drilling tools between the ground and drill floor ● Controls the automatic back and forth operation of drill pipe from pipe rack to drill floor with a single button, reduces the complexity of operation and prevent faulty operation through preset pathway
Integrated drilling control system	/		<ul style="list-style-type: none"> ● Developing to realize intelligent remote control for drilling & workover pipe handling operation ● Integrated control, fault diagnosis, data monitoring, optimal path planning, multi-machine synergy and overall efficiency improvement

Target Group Investment Highlights

(i) Protecting energy security through the development of unconventional oil & gas and penetrating the market of solid pressure equipment

China imports a relatively high proportion of oil and gas resources. According to public data, in 2022, China's crude oil imports account for more than 70%, and natural gas imports account for more than 40%. Besides, China is rich in unconventional oil & gas resources reserves, of which shale gas reserves are the first in the world and shale oil reserves are the third in the world. Currently, relevant policy support has increased domestic oil and gas exploration and development, and in the context of "stabling the supply of oil and increasing the supply of gas" policy, the development of unconventional oil & gas is increasingly important. In addition, since 2020, oil price has remained at a high level, which is expected to boost upstream capital expenditures for oil and gas exploration and production. In 2023, the total expected capital expenditures of CNPC, Sinopec and CNOOC are expected to exceed RMB500 billion, driving the continuous improvement of the prosperity of the oil and gas exploration and production industry, and the fracturing equipment will have vast market space. The market size of China's fracturing equipment market is expected to exceed RMB10 billion in 2025.


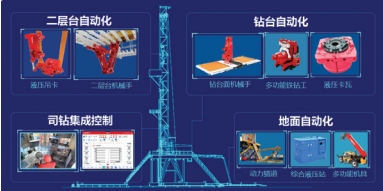
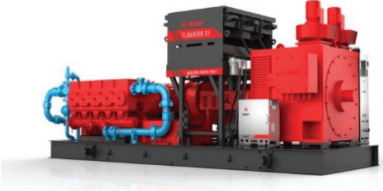
(ii) With high barriers to competition in the industry, the Target Group's competitive advantages continue to grow

The fracturing equipment industry has high barriers to competition and a high degree of industry concentration, with the top five companies in the fracturing equipment industry accounting for a combined market share of over 75% in 2022. Therefore, the profit margin of the fracturing equipment industry is higher than the average level of the special equipment industry. The barriers to competition of the fracturing equipment industry are mainly reflected in the following areas:

- (a) High capital requirements — as a capital-intensive industry, the demands for operating capital and capital investment in R&D are relatively high. Therefore, it's difficult for ordinary industry players to meet the capital requirements.
- (b) High technical requirements — due to various operating environments and operating habits of customers, industry players are required to produce customized products, which required stronger R&D and design capabilities.
- (c) High reliability requirements — there is a wide variety of fracturing equipment that requires high levels of safety and reliability, and any issues with the equipment during operation could result in wellbore abandoned and economic losses.

- (d) High entry barriers — customers tend to procure products from established industry players with excellent reputation and high credibility, making it more difficult for new entrants to gain market to downstream customers.

The Target Group has launched a number of competitive products to solidify its industry position. The Target Group’s sale of truck-mounted fracturing equipment from 2020 to 2022 were 131, 224 and 181 units, respectively, with market shares of 17.10%, 29.83% and 26.89%, respectively, ranking first in terms of sales and market share in 2021 and 2022. In particular, in 2022, the market share of the Target Group’s fracturing trucks was 25.35%, the market share of its fracturing blender truck was 33.33% and the market share of its intelligent data truck was 39.02%. The main features of the Target Group’s superior products are as follows:

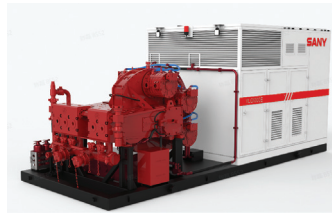
Product Type	Illustrations	Key features
Frac spreads		<ul style="list-style-type: none"> ● Industry-exclusive AT automatic chassis ● Remote control for easy start/stop, over 10 times more efficient than similar products in the industry ● Apply adaptive fuel saving technology and reduce the use of fuel by more than 5%
Automated pipe handling system		<ul style="list-style-type: none"> ● Multi-machine synergy for over 30% increase in overall efficiency ● Reduction in the number of drillers by more than 25% ● Machine vision technology enhances well site safety management
High power electric frac pumper		<ul style="list-style-type: none"> ● All-round six-fold protection with dual IP54 design inverter skids for further protection ● Inverter with IGCT (Insulated Gate Commutated Thyristor) technology route with high power capacity ● Intelligent maintenance system, fault code visualisation analysis system, real-time online diagnosis of equipment information

Product Type

Illustrations

Key features

Distributed electric frac pumper



- Distributed multi-motor drive, easy to achieve continuous high load operation, 36% lower investment cost, single machine operating cost savings of at least RMB300,000/year
- Greater reliability with IP68 protection rating, which could far exceed the conventional rating IP44
- Permanent magnet synchronous motor with wider speed range and higher efficiency

Hybrid crawler-mounted rig



- Diesel-electric hybrid powered with more than 15% increase in total power
- Ultra-powerful powerhead with 278kW powerhead
- Independently developed automatic pressure adjustment technology
- Multiple interlocking, patented floating device, safe and convenient

Hybrid crawler-mounted pipework unit



- Variable gauge chassis, good load stability, safe and reliable
- 360-degree view system for full vehicle monitoring without blind spot
- Two-stage electric leakage protection for on-site electrical safety

(iii) Innovative application of digital production mode to lead the smart manufacturing revolution

The traditional oil and gas equipment industry is facing pain points such as low flexibility in production, low efficiency in information transfer, and hidden safety hazards in production. The Target Group is committed to improving manufacturing capabilities in various aspects including automation of production lines, digitalization of operations, networked collaboration and intelligent decision making, and solving difficulties in the traditional production process.

- (a) The automation of production lines is enhanced by the establishment of flexible production lines, standardised work processes and automatic distribution systems. The Target Group's production lines are highly automated and can be quickly adjusted to fit different product types.
- (b) Digital operation management is achieved by establishing the IVS (Intelligent Vision Surveillance), PMC (Production Material Control) and AMS (Asset Management Solutions). On one hand, the timeliness and accuracy of data collection are improved, and the visualisation of data throughout the entire process smoothens information sharing, which in return improves decision-making and work efficiency. On the other hand, AI visual recognition technology is applied to achieve all-round monitoring of personnel safety, equipment safety and material safety, and production safety is safeguarded by the real-time alerts of the safety supervision system.
- (c) Synergies among various operations are enhanced through internal systems integration, equipment interconnection and the use of the "Production Dash-board" system.
- (d) Through the application of big data technology, the Target Group will soon launch the APS (Advanced Planning and Scheduling), MES (Manufacturing Execution System) and QCS (Quality Control System) to achieve intelligent decision-making.

The Target Group has achieved high quality yet cost reduction development during manufacturing by applying digital production modes. By compared with the period prior to the completion of the smart factory construction, the overall production cycle has been shortened by 12%, the manufacturing cost has been reduced by 13%, the failure rate has been reduced by 28%, while the monthly production capacity has been increased by 20% and the inventory turnover rate of work-in-progress has been increased by 39%.

(iv) Excellent R&D capabilities that empower continuous innovation and sustainable development

Focusing on improving its R&D capabilities, the Target Group has continued to bring in high-end talents and improve the incentive mechanism. The scale of its R&D team has expanded rapidly and an established R&D team is in place. In terms of research organization structure, the Target Group's research group has 15 research institutes, including 9 major product development institutes, 5 major technology enabling institutes and 1 international institute. The Target Group has four R&D bases in Changsha, Zhuzhou, Beijing and Chengdu, and has realised product R&D synergy and digital management through off-site collaboration and digital R&D management platforms. Its Research Group has over 200 R&D staff, with over 99% of them possessing bachelor's degree and 42% with master's degree or above. In addition, the Target Group places high importance on the cooperation with universities and other enterprises to strengthen its cutting-edge technology research, and has established good cooperation with six universities including Harbin Institute of Technology, China University of Petroleum, Huazhong University of Science and Technology, Southwest Petroleum University, Yanshan University and National University of Defense Technology.

The Target Group has strong independent research and development capabilities as well as complete experimental and testing capabilities, and has developed integrated R&D capabilities in planning, simulation, testing and trial production:

- (a) In terms of planning, the Target Group has a comprehensive and well-developed planning system with a product planning committee and a product planning department, consisting of a number of planners with experienced professional backgrounds, who are responsible for planning management in areas from demand management to product definition. Every year, the planning system implements at least 20 strategic plans and industry analyses, 2 plans in new products and 5 plans in top-selling products.
- (b) In terms of simulation, the Target Group has been equipped with various simulation capabilities such as vehicle reliability test, multidisciplinary collaborative simulation, thermal management, secondary development of simulation software and digital twin, etc. It has a high-performance computing platform and a simulation management platform, and has achieved online simulation process, as well as over 90% coverage of simulation capabilities and over 50% of mechanics-experiment alternatives ratio. In addition, the Target Group has developed a digital twin model for the all modules of skid-mounted fracturing equipment, enabling fault diagnosis and online monitoring of core products such as plunger pump.

- (c) In terms of testing, the Target Group has abundant testing resources, and has the largest fracturing-test site in China, as well as a special vehicle test site, a 140MPa class special purpose test site and a well-mechanization test site in the Zhuzhou campus. The relevant test sites are equipped with sophisticated data measurement equipment.
- (d) In terms of trial production, the Target Group has independent trial production systems, including a specialised trial production workshop and a comprehensive production equipment management system. The Target Group's trial production system ensures efficient trial production. It can shorten the trial production time by 10%–15%, achieving full coverage of prototype acceptance and prototype management.

Since its establishment, the Target Group has highly focused on the investment and experience accumulation of R&D in core technologies and products. From 2020 to 2022, the Target Group's average R&D expense ratios were approximately 10%, which is in leading levels among the participants in the industry. Through continuous independent R&D, the Target Group has obtained 678 valid patents and 42 software copyrights. Benefiting from the Target Group's rich talent pool, its substantial investment in R&D and the strategy which is in line with its development, the Target Group's R&D capability has been at the leading position in the industry, which results in high quality and reliability of its products and a leading position in the industry. In addition, the Target Group has obtained a number of honorary awards, including the Second Prize of Beijing Science and Technology Progress, Beijing Specialized and New "Small Giant" Enterprise, Hunan Innovative SMEs, Zhuzhou City Gazelle Enterprise in Science and Technology, etc. In the future, the Target Group will continue to increase its investment in R&D to empower innovation and sustainable development.

(v) Equipped with a top-notch digitally integrated procurement platform

Relying on its mature management experience and comprehensive supply chain system, the Target Group has built a leading digitalized integrated procurement platform, effectively reducing procurement costs. In addition, the key components used in the Target Group's products, such as automobile chassis, engines, oil pumps and plunger pumps, are all either manufactured independently or having a safe and controllable supply chain. The Target Group's supply chain system has achieved industry leadership in:

- (a) The Target Group adopts digitalization management throughout its procurement process, and achieves visualization of materials management throughout the whole process through systems. For traditional routine purchasing, systems are digitally upgraded to facilitate management. For strategic procurement that requires global optimisation of the supply chain to achieve integration of resources and total cost reduction, the optimal solutions are identified through digitalized system to achieve intelligent procurement.

- (b) The Target Group has strengthened intra-group synergies in its procurement process and has achieved industry leading position in terms of procurement efficiency.
- (c) The Target Group's procurement system provides comprehensive and in-depth analysis and intelligent calculation of the cost data, and applies global procurement layout reasonably in order to achieve optimal cost control.
- (d) The Target Group has a flexible supply chain system, which can realize the early alert of inventory shortage, online risk warning and integrated production and sales collaboration, thus avoiding the problem of inventory backlog caused by the traditional procurement system.
- (e) The Target Group has established a comprehensive supply chain ecosystem with efficient collaboration with upstream and downstream partners, facilitating real time online interaction with suppliers to solve procurement problems efficiently.

(vi) Industry leader in electrification and intelligentisation with a promising future

Capitalising on the trend of electrification and intelligentisation in the industry, the Target Group has continued to develop cutting-edge technologies in energy-efficiency, automation, unmanned and intelligent oil and gas field centralization, and has now become the industry leader in electrification and intelligentisation.

(a) Electrification

The prospect for electrically driven fracturing equipment market is promising. Equipment for fracturing consists of two main categories: traditional energy-driven and new energy-driven. The traditional energy-driven equipment is mainly diesel-driven, while new energy-driven equipment is mainly electric-driven powered by grid or by gas turbine generator sets. The demand for new energy fracturing equipment will continue to grow both domestically and globally. The market penetration rate of new energy fracturing equipment in China will continue to increase.

The Target Group expects that “replacing diesel with electricity” will become a trend in the petroleum equipment industry and the proportion of electric equipment will continue to increase. The Target Group attaches great importance to the R&D of electrification technology for various products. It has achieved a number of technological breakthroughs, such as: 1) in terms of electric drive fracturing equipment, it has achieved multiple-motor group control coordination to optimise efficiency, and has mastered multiple core technologies such as automatic voltage regulation and integration of power transformation and distribution; 2) for monkey board pipe handling manipulator, it has achieved complete electric-driven with the application of

servo drive technology; 3) for electric drilling manipulator, it has adopted the one-key positioning control technology; and 4) for mobile centralized-hydraulic station, it has adopted the dynamic refuelling and powering control technology to solve the problem of high hydraulic fluid temperature. In the future, the Target Group will continue to make efforts in the development of technologies such as energy-saving electric drive fracturing, electrification of piping equipment and electrification of automation products.

In 2022, the Target Group completed the development and upgrade of 11 electric drive fracturing products, and its electric drive fracturing products have been commercialised. The 6000HP electric frac pumper and substation and distribution kits launched by the Target Group in the third quarter of 2022 are highly intelligent, with two times higher power density, one time higher construction efficiency, 46% lower energy consumption and 29% lower noise compared to the 2500HP diesel-driven fracturing equipment. With these advantages, the product became an instant hit in the market, achieving an operating income of RMB377 million in the same year. Because of the technology development, the independent research and development of core components, such as substation, distribution and converter, the improvement of the product quality and the reduction of costs, the gross profit margin of the product was over 40% in 2022. In addition, the Target Group has also completed model projects with its electric drive fracturing products while cooperating with customers.

The Target Group is also actively developing cutting-edge products for electric drive fracturing equipment: 1) the development and market launch of the 1000HP electric frac pumper with an APU (Auxiliary Power Unit) can solve the problem of no electricity supply at the construction site, which improves the operation efficiency significantly. 1000HP distributed electric frac pumper has achieved full localisation for the components, and has adopted the use of new energy motors for commercial vehicles, providing stable performance and high cost-performance ratio. 2) The 8000HP & 10000HP electric frac pumpers are currently under development. Being the industry's leading high power electric fracturing equipment, it applies IGCT which has larger power capacity ensuring higher reliability with application of AI recognition technology to realise automatic construction.

(b) Intelligentisation

The Target Group aims to create integrated intelligent solutions through two major directions: product intelligentisation and operation intelligentisation. On the one hand, the Target Group applies technologies such as the Internet of Things and artificial intelligence to replace manpower and enhance product capabilities, while on the other hand, the Target Group insists on empowering intelligent network connectivity and O&M with software and empowering business operations with intelligent system platforms.

In the area of product intelligentisation, the Target Group has achieved: 1) remote control of fracturing operation — the intelligent data trailer can remotely control the hydration trailer and realise the dual transmission of monitoring data and control signals, and is equipped with an operation management system to monitor the operating parameters of the whole group of equipment, and an operation fault diagnosis system to statistically analyse the key data of fracturing trucks and sand blending; 2) data visualization — through a data dashboard to monitor equipment information in real time and could be accessed by various devices simultaneously, such as mobile phones, PCs and tablet devices; 3) remote data transmission — with the application of remote data transmission technology to speed up production deployment and perform remote fault diagnosis by means of wireless base stations; 4) compatibility technology — which enables the network operation of different brands of equipment to be activated with single-button to enhance efficiency; 5) visual recognition technology — with visual recognition technology for group of equipment to identify abnormalities in a timely manner; and 6) the pipe handling intelligent control technology and one-key collaboration technology.

In the area of business operation intelligence, the Target Group is committed to building an intelligent operation management platform, including an operation data dash-board system, an oil & gas field intelligent supervision system, an operation management system and a site operation management system, etc., supplemented by hardware devices such as intelligent sensors, to carry out operation management and support site execution according to the three major process flows of “decision support — operation management — site execution”. With the help of intelligent operation and management platforms, the Target Group has formed a positive interaction with customers, equipment suppliers, technical service providers, logistics providers and engineering service providers, establishing a win-win ecosystem.

The Target Group's intelligent integrated solution has achieved the following results: 1) intelligent operation of products: improve operation efficiency and reduce safety risks; 2) operational cost reduction: reduce expenses such as manpower cost; 3) standardised management of the complete business flow and the significant improve of digitalisation of the equipment management business; 4) operational quality and efficiency improvement: improve business flow efficiency and performance management, for example, the end-to-end business flow efficiency of closed-loop handling of equipment abnormalities has been improved by over 15%.

The Target Group will continue to develop core technologies such as intelligent equipment collaboration, AI recognition and intelligent algorithms in the future to gradually achieve breakthroughs in operation modes from complex auxiliary operations, semi-automatic operations, highly automated operations to fully automated operations, and ultimately providing a full range of intelligent oil & gas field services and solutions.

(vii) New products and new business contributed to second growth curve

The Target Group adheres to the development strategy of new products and new businesses, continues to expand its product spectrums and deepens the layout of its oil services business by leveraging its own advantages. New products and new businesses will expand the growth potentials for the Target Group and constitutes its second growth curve.

(a) New Products

The Target Group will expand drilling and extraction automation, oilfield engineering equipment and natural gas engineering segments, and rely on its products to enhance engineering operation and service capabilities. In the drilling automation segment, considering the current industry trend of energy saving and emission reduction in petroleum industries, the Target Group has developed hybrid crawler-mounted rig for coal bed methane and geothermal drilling, which are currently in commercial testing stage, and will also be deeply engaged in electrified truck-mounted well repair. In addition, the Target Group will bring in cooperation resources in electric control of drilling rigs and intelligent technology, while enhancing its brand image with high-quality products such as monkey board pipe handling manipulator, hydraulic station and drill floor pipe handling manipulator. In the oilfield engineering equipment segment, the Target Group has completed the development of welding engineering vehicles, which can achieve remote driving, high efficiency and fuel saving. In the future, the Target Group will focus on intelligent pipe handling equipment and automatic welding equipment to further improve the product spectrum of oilfield pipeline construction. In the natural gas engineering segment, the Target Group will take natural gas liquefaction plant as the starting point to form a business structure of equipment, engineering and

operation, with R&D focusing on fracturing equipment, natural gas gathering and transmission equipment, natural gas liquefaction equipment and hybrid crawler-mounted pipework unit. Engineering services will be laid out in the field of gathering and transmission engineering EPC and liquefaction engineering EPC. In terms of operation, it will deepen the industrial layout with the dual modes of cooperative development and independent development.

(b) New Businesses

Relying on its own advantages and capabilities, the Target Group will continue to develop new businesses in oil services. Industry drivers for China's oil services market include the continued growth of energy demand, the growth potential of unconventional oil & gas exploration, the support of high oil prices, strong support from government policies and the Belt and Road Initiative. China's oil services industry has high entry barriers, including adequate capitalization, efficient operations and cost control, technical infrastructure, good brand recognition and customer relationships and so on. The Target Group has successfully entered the China oil services market with multiple advantages including strong capital capabilities, leading supply chain management capabilities, advanced manufacturing capabilities, excellent R&D capabilities, the Sany brand name effect and quality customer resources. It will continue to deepen its oil services business layout in the future.

(viii) A visionary and experienced management team

The Target Group has established a visionary and professional management team, with a number of industry experts with rich experience in machinery manufacturing, oil & gas technical services and other related fields. The management team steadily implements the development strategies, timely adjusts its market strategies, and improves R&D capabilities and operational vitality in the course of business management. Under the leadership of the management team, the Target Group has continued to explore promising business areas and built a business layout of "equipment + oil services", creating a corporate culture conducive to innovation, setting out the prospective layout of digital intelligence and electrification, and defining a clear direction of future development. In the process of product development, the management team has selected the route of advanced technology and has established outstanding product advantages. Owing to the excellent leadership of the management team, the Target Group has achieved rapid growth and will continue to create value for shareholders.

Future Development Strategies of the Target Group

(i) Diversified new product layout

In addition to its current mature products, the Target Group will continue to develop new products in various fields of oil and gas equipment to enhance product competitiveness. The major new products planned to be developed include:

- (a) In terms of complete sets of electric equipment, investments in R&D in electric frac spreads will be increased to build the leading brand of frac spreads nationwide.
- (b) In terms of hybrid crawler-mounted pipework unit, the Target Group will break through the field with products such as welding workstations and pipe handlers, and is gradually developing into the businesses of pipeline inspection, subsea pipeline laying equipment and engineering services.
- (c) In terms of well logging and test equipment, the Target Group is entering the field through products such as electric well-logging trucks.
- (d) In terms of drilling, workover and automated pipe handling equipment, the Target Group has been expanding from automated pipe handling equipment such as monkey board pipe handling manipulator to automated drilling & workover pipe handling systems and complete sets of automated well drilling and workover equipment, focusing on building hybrid crawler-mounted and truck-mounted rig as well as electric well workover equipment.
- (e) In the area of natural gas liquefaction equipment and engineering, it focuses on the development of small and medium-sized LNG equipment, and will gradually develop in oil and gas gathering and transmission engineering, and expand into the international business of oil and gas engineering and new areas such as offshore oil and gas processing equipment.

(ii) Focusing on expanding the customer base of state-owned enterprise customers and overseas customers to promote continued growth in revenue

The Target Group has adopted a development strategy focusing on increasing state-owned enterprise customers and overseas customers in order to drive sales and increase market share. The Target Group's revenue of state-owned enterprise customers rose from approximately RMB154 million in 2020 to approximately RMB596 million in 2022, representing a CAGR of approximately 97%, with revenue share increased from approximately 17% to approximately 29%. It is expected that state-owned enterprise customers will remain at a level between 30% and 40% for the Target Group in the future. In addition, the Target Group is committed to developing new markets for overseas customers and has already reached intentional orders with customers in countries and regions including Central Asia, Japan, the

Middle East, Africa and Latin America. It also aims at entering the European and American markets in the future, and achieving overseas business growth with supportive policies of the Belt and Road Initiative.

(iii) Overall layout of internationalisation

The international market space for oil and gas services and equipment is vast. The Target Group plans to launch its flagship products such as fracturing equipment for the international market and to develop international oil service business at the same time, forming a two-pronged advance in equipment as well as in services. In addition, the Target Group will establish international marketing companies, international product research institutes, and a R&D centre in the United States, and build an international R&D, marketing and service team. In the short term, the Target Group will create benchmark projects to penetrate through Asian, African and Latin American markets; in the medium term, it will continue to promote the construction of an international team and establish an international brand image; and in the long term, it will benchmark with international oil service companies, to promote customer stickiness and complete its in-depth layout of international markets.

(iv) Deepening its efforts in the four major areas to enhance comprehensive competitiveness

In 2022, the Target Group's oil and gas equipment business recorded an operating revenue of RMB1,854 million, and its oil service business recorded an operating revenue of RMB226 million. In the future, the Target Group will deepen its efforts in the four major fields: oil and gas equipment, oil and gas services, oil and gas engineering and oil and gas investment, to enhance its comprehensive competitiveness and improve its revenue and profitability. The Target Group will continue to adhere to the two-pronged development strategy of equipment and oil and gas services, by strengthening the three foundations of digitalization, electrification, intelligentisation, by relying on the four R&D capabilities of planning, simulation, trial production and testing, by depending on the five core pillars of manufacturing, commerce, quality assurance, technology and services, and by resorting to the six core businesses of diesel-driven fracturing, complete sets of electric equipment, oil and gas gathering and transmission, pipeline engineering, intelligent drilling rigs and oil & gas technical services and spare parts, it aims to maintain its No. 1 position in terms of market share of frac spreads and to become the No.1 brand of oil and gas equipment in China.

(v) Becoming a world-leading provider of products and services in oil & gas field

The Target Group's strategic objective is to become the world's leading provider of integrated oil and gas solutions. Its short-term goal is to expand its product portfolio of oil and gas equipment horizontally to fully cover the oil and gas field equipment segment, including geophysical exploration equipment, drilling rig and workover rig, completion & stimulation equipment, oil and gas gathering and transmission equipment and decarbonizing equipment, and at the same time to expand into the international market. Its medium-term goal is to deepen the vertical layout of its technology and engineering services to fully cover the oil and gas services segment, including geophysical exploration services, drilling services, oil & gas field technical services, oil & gas engineering services and oil & gas field digitalization services, while establishing a global sales network at the same time. In the future, the Target Group will continue to contribute to the development of China's oil and gas equipment and services industry and strive to build in-depth strategic partnerships with both global and domestic giants in energy industry to become a first-class global provider of integrated oil and gas solutions.

The Board believes that the Acquisition is strategically attractive and will bring the following benefits:

(i) Creation of synergies by continued diversification of industrial layout and expansion into various energy equipment business segments

Before the Acquisition, the Company's business can be divided into three major sectors: the mining equipment sector covering coal machinery, non-coal mining, mining vehicles and smart mine products business; the logistics equipment covering container equipment, bulk material equipment and general equipment business; and the robotics sector covering robotic system integration, mobile robot and electric forklift business. The Target Group is deeply engaged in the R&D, production and sales of complete sets of equipment and spare parts for oil and gas field, as well as oil and gas field cementing and stimulation technical services. After the Acquisition, the Company will further expand its coal mining machinery and other energy equipment business, to achieve a diversified industrial layout, enhance its business scale, and add revenue drivers. The Company and the Target Group will be able to create synergies in their businesses, especially in coal bed methane mining. The Company's coal mining machinery business and the Target Group's oil and gas equipment business will be able to achieve synergies in terms of integrated business development, customer resource sharing and market scale expansion.

(ii) Resource integration to enhance intelligent manufacturing capabilities and to improve equipment manufacturing capacity

Before the Acquisition, the Company's Lighthouse Factory projects, namely widebodied vehicles, hydraulic supports, small port machinery and large port machinery, have successively commenced operation. The completion of the Lighthouse Factory Projects has increased the production automation rate, shortened the manufacturing cycle, achieved a significant increase in production capacity and less manual operation in the manufacturing and assembly process, all fulfilling a rapid growing demand for the Company's products. The Target Group has completed the Zhuzhou Intelligent Manufacturing Centre, achieving improved manufacturing capabilities in terms of automation of production lines, digitalisation of operations, networking of collaboration and intelligent decision-making. Upon completion of the Acquisition, the Company and the Target Group will integrate the automation of production lines and enhance the flexibility of production capacity, thereby effectively improving production efficiency and reducing production costs. Besides, the integration of the Company and the Target Group will promote the rapid improvement of equipment manufacturing capacity, thus increasing their competitiveness in the market.

(iii) Complementary technologies and R&D capabilities in electrification and intelligentisation to accelerate product commercialization and incubation

The Company has made significant achievements in intelligentisation and electrification. For the mining equipment segment, sales of intelligent roadheaders doubled, and the development of integrated mining intelligent control system based on digital twin technology has been aligned with leading national standard, achieving full spectrum coverage of intelligent coal mining machine types. The unmanned operating mileage of smart mining exceeded 300,000 kilometres, and the integrated operation efficiency reaches 88%. For the logistics equipment segment, the Company secured nearly RMB1 billion worth of orders for automated Rail-Mounted Gantry, all equipped with advanced design such as automatic scanning of cargo area, and the operation aligned with leading national standard. The Company delivered 14 automated rubber-tyred cranes to Tianjin Port, breaking its record for operating efficiency. The Company has also completed its first successful operation of automated rail-mounted gantry cranes project in China, which was regarded as an industry innovated model. For robotic products, the Company has continuously launched new products that lead the development in the industry, such as the development of the flagship product C6 electric forklift equipped with intelligent system.

The Target Group has become a leader in the domestic petroleum equipment industry in terms of electrification and intelligentisation. The Target Group has completed the R&D and iterative upgrade of 11 electrified mainframe products, and the 6000HP electric fracturing equipment it launched has become a popular product in the market by virtue of its high power density, low energy consumption, low noise and other product features. The Target Group provides integrated intelligent solutions in the field of oil equipment, which include two major aspects such as product intelligence and business operation intelligence. In terms of product intelligentisation, the Target Group has mastered a number of intelligent technologies such as remote operation control, data visualisation and compatibility control, which to improve operational efficiency and reduce safety risks. In terms of business operation intelligentisation, the Target Group aims to build an operation management platform for oil fracturing business, which supports intelligent operation in various aspects including decision support, operation management and site execution, so as to achieve improved quality and cost reduction in operation. The new energy fracturing equipment market has huge potential both domestically and globally, and the penetration rate will continue to increase. In the future, the Target Group will continue to deepen its electrification layout, continue to increase the proportion of electrified products, and enhance the level of product intelligentisation as well as business operation intelligentisation.

After the completion of the Acquisition, the Company and the Target Group can share their R&D results in electrification and intelligentisation, integrate their R&D capabilities, promote R&D innovation of whole product lines and accelerate commercialization.

(iv) Jointly promote internationalization strategy and integrate and expand sales channels

The Company's strategy of digitalisation, electrification and internationalization achieved outstanding results. In 2022, the Company's revenue from overseas sales continued to grow, with a year-on-year increase of 101.5%. The Target Group has continued to increase its revenue from state-owned enterprise customers in recent years, promoted the commercialisation of new products and gradually expanded into overseas markets, and has now achieved intentional orders in Central Asia, Japan, the Middle East, Africa, Latin America and other regions.

Upon completion of the Acquisition, the Company and the Target Group can further improve their market development capabilities, enhance product diversity and international coverage, meet the needs of domestic and international customers and achieve a steady increase in sales scale through the integration of sales networks and channels.

(v) Increase the revenue scale and profitability of the Group

From 2020 to 2022, the Target Group's revenue was RMB894 million, RMB1,740 million and RMB2,087 million, respectively, with net profits of RMB70 million, RMB304 million and RMB386 million, respectively. The Target Group will actively develop new products in the drilling and extraction automation segment, natural gas engineering and other business segments, expand new businesses such as professional and technical services for oil and gas, and create new growth drivers by penetrating the international market.

Upon completion of the Acquisition, the Target Group will become a wholly-owned subsidiary of the Company. The integration of the Target Group and the Company will further enhance the comprehensive competitiveness of the Company in the field of energy equipment, drive revenue growth and enhance overall competitiveness of the Company.

The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the Independent Financial Adviser) consider that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

BOARD APPROVAL

At the Board meeting held to approve the Agreement, due to Mr. Liang, Mr. Tang Xiuguo and Mr. Xiang Wenbo's equity interests (directly or indirectly) in the Vendor, each of Mr. Liang Zaizhong, who is the son of Mr. Liang, Mr. Tang Xiuguo and Mr. Xiang Wenbo has abstained from voting on the relevant board resolutions of the Company. Save as disclosed above, none of the other Directors has or is deemed to have a material interest in the Agreement and is required to abstain from voting on the relevant Board resolutions approving the Agreement.

LISTING RULES IMPLICATIONS

The Acquisition

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but all of which are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Liang is a controlling shareholder of the Company who is entitled to exercise or control the exercise of approximately 66.47% voting rights in the ordinary share capital of the Company and indirectly holds 479,781,034 Convertible Preference Shares which represent approximately 13.13% issued

share capital of the Company (as enlarged) upon full conversion. As the Vendor is ultimately and beneficially owned as to 43.167% by Mr. Liang, the Vendor is an associate of Mr. Liang and therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be convened and held to consider and, if thought fit, approve the ordinary resolution in relation to Agreement and the transactions contemplated respectively thereunder by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules.

GENERAL

An Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders on whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder. Furthermore, the Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the above matters.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) the notice of the EGM; and (v) other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 12 May 2023, as additional time is required to prepare and finalise the circular.

Completion of the Acquisition is conditional upon fulfilment of the condition precedents set out in the Agreement. There is no assurance that Completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares, being the entire issued share capital of the Target Company, by the Company from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 12 April 2023 entered into between the Vendor and the Company in respect of the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	means a day (other than Saturdays, Sundays and on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
“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)
“Completion”	the completion of the Acquisition in accordance with the terms of the Agreement
“Completion Date”	within 10 Business Days immediately following the day of the fulfilment (or waiver, as applicable) of all the conditions precedent or on such other date as the Company and the Vendor may agree in writing pursuant to the Agreement
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“connected transaction(s)”	has the same meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sale Shares, being RMB2,980 million payable by the Company to the Vendor

“controlling shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Convertible Preference Shares”	the convertible preference shares of the Company
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Sany Petroleum Equipment”	Hunan Sany Petroleum Equipment Co., Ltd.* (湖南三一石油裝備有限公司), a company established in the PRC with limited liability
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors formed for the purpose of advising the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholders other than those who are involved or interested in the Acquisition
“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
“Long Stop Date”	30 September 2023 or such later date as the parties to the Agreement may agree in writing

“Mr. Liang”	Mr. Liang Wengen, a controlling shareholder of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	3,634,000 ordinary shares in the share capital of the Target Company, being the entire issued share capital of the Target Company held by the Vendor
“Sany HK”	Sany Hongkong Group Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
“Sany Petroleum Intelligent Equipment”	Sany Petroleum Intelligent Equipment Co., Ltd.* (三一石油智能裝備有限公司), a company established in the PRC with limited liability
“Share(s)”	the shares of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Company”	Sany Oil Technology Hongkong Limited, a company incorporated in Hong Kong with limited liability which is wholly-owned by the Vendor as at the date of the Agreement
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Sany Perpetual Enterprise Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent.

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

Hong Kong, 12 April 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 purposes only*