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)

PROFIT WARNING
ONE-OFF IMPAIRMENT LOSSES

This announcement is made by Sany Heavy Equipment International Holdings Company Limited (the "**Company**" and together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the "**Board**") of the Company wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that, based on the preliminary review of the Group's unaudited consolidated management accounts for the year ended 31 December 2024 (the "**Year**") and other information currently available to the Board, it is expected that (i) the Group will record an impairment loss on goodwill for the oil & gas equipment business (the "**Oil & Gas Equipment Business**") cash-generating unit of approximately RMB470.0 million; and (ii) the Group's impairment loss on properties for sale of approximately RMB280.0 million.

As a result of the aforementioned expected impairment losses, the net profit of the Group for the Year is expected to decrease by approximately 25% to 45% to approximately RMB1,379.0 million to approximately RMB1,011.0 million when compared to the net profit of approximately RMB1,838.8 million for the same period in 2023. As the financial results of the Group for the Year, including the aforementioned impairments losses are subject to, among others, finalisation of the valuation amount by the valuer, review of the audit committee of the Company and audit by the auditor of the Company, and therefore may be subject to further adjustments.

The Board would like to state that the aforementioned impairment losses are one-off non-cash expenses which do not have impact on the Group's cash flow. Reasons for the aforementioned impairment losses are further elaborated below.

REASONS FOR IMPAIRMENT LOSS ON GOODWILL IN THE OIL & GAS EQUIPMENT BUSINESS

Background

In 2023, the Company acquired the entire issued share capital of Sany Oil Technology Hongkong Limited ("**Sany Oil**") at the consideration of RMB2,980.0 million.

Further details of the acquisition of Sany Oil are set out in the Company's announcements dated 12 April 2023 and 19 July 2023 and the Company's circular dated 23 May 2023.

Expected impairment of goodwill — Management's preliminary assessment

In 2024, the Group conducted an impairment test on the goodwill of the Oil & Gas Equipment Business, considering the macroeconomic factors in China in 2024 and the changes in market conditions in the oil and gas equipment industry, which resulted in the operating results of the Oil & Gas Equipment Business for the year of 2024 being lower than expected. Some of the major reasons are summarised below:

(1) *Strict control of receivable risks, enhancement of closing conditions and proactive abandonment of some high-risk orders*

The Group adheres to the principle of high-quality operation and development, and strictly controls the operation risk. The Oil & Gas Equipment Business was conducted with a comprehensive assessment of the long-term operation ability and settlement and payment ability of customers with transaction intention in 2024. The Group screened and selectively gave up the orders with high operation risk, capital risk and settlement risk and without additional credit enhancement measures, so as to realise the control of the risk of trade receivable.

(2) *Decrease in total industry demand led to a decrease in operating income of the Oil & Gas Equipment Business*

Based on the Company's research and forecast at the end of 2024, the capital expenditures of oil and gas development of China's major oil and gas development companies are expected to decline by 11% year-on-year. As oil and gas development companies are the ultimate purchasers of products and services of the Oil & Gas Equipment Business, the decrease in its capital expenditure of oil and gas development will lead to a decrease in the level of demand in the industry, and the operating revenue of the Oil & Gas Equipment Business of the Group experienced a decrease in 2024.

(3) *Decrease in market share and gross profit margin of the Oil & Gas Equipment Business due to intensified competition in the industry*

In 2024, major oil and gas development companies in China have put forward the target of reducing crude oil costs successively and adjusted the settlement policy of supply chain companies related to oil and gas development by extending the original settlement cycle. The oil and gas development supply chain companies, being the direct customers of the Oil & Gas Equipment Business, were affected by the aforesaid policies, resulting in a significant decrease in its profitability and cash flow. As a result, the oil and gas development supply chain companies further reduced their total demand for purchases and sought for equipment suppliers with more favourable transaction prices and conditions, which resulted in a decrease in market share and gross profit margin of the Oil & Gas Equipment Business of the Group.

(4) *Late start in internationalisation business, unable to hedge against the declining trend of domestic demand*

With the rapid changes in the international geopolitical environment from 2022 to 2024, the oil and gas industry achieved a significant increase in demand in the international market. However, internationalisation team of the Oil & Gas Equipment Business was established in 2023 and failed to deliver results in that year. Although the internationalisation team made some progress in 2024, it was still unable to effectively hedge against the trend of declining domestic demand.

Overall, considering the adverse impact of these factors on the assumptions applied in the valuation model, and under the principles of prudence, reasonable forecasts were made for the Oil & Gas Equipment Business by the Group. The valuers engaged by the Group for this purpose employed the income approach to calculate the impairment of goodwill and anticipated that the Oil & Gas Equipment Business would experience the impairment loss of goodwill.

Although the operating results of the Oil & Gas Equipment Business for 2024 were not as expected, its product strength, innovation capability and brand value are still outstanding. The Oil & Gas Equipment Business remains an important part of the Group's consolidated business, and the Group will steadfastly continue to invest in the relevant fields and adhere to its strategies of globalization, digital intellectualization and low-carbonization. In order to cope with the increasingly severe market and competitive environment in the future, the Group has formulated a three-year strategic development plan for the Oil & Gas Equipment Business for the period from 2025 to 2027, which includes the establishment of a long-term performance assessment and incentive mechanism; in-depth reform of the R&D and marketing systems to stimulate the vitality of product R&D as well as marketing and promotional efforts; adjustments to the organisational structure to further reduce management costs; and the concentration of superior resources on the development of new products and the international market while regarding the oil and gas full industry chain and the internationalization business as the core of long-term strategic development.

REASONS FOR IMPAIRMENT LOSS ON PROPERTIES FOR SALE

Background

In 2017, the Company, through a subsidiary, acquired the state-owned land use right in respect of the land (the "**Land**") located in Zhuhai, Guangdong Province, the PRC with a total site area of approximately 50,000 sq. m. for a consideration of RMB624,999,500. Details are set out in the announcement of the Company dated 5 June 2017.

The Land was used for developing the Sany Blue Ocean Garden project on the Land. The project contains 1,043 residential units, approximately 5,800 sq. m. of commercial real estate, and 986 parking spaces. Sales of the Sany Blue Ocean Garden project has commenced since August 2020.

Expected impairment loss on properties for sale — Management's preliminary assessment

In 2024, considering the average price and volume of residential property transactions around the Gaolangang Economic Zone, Zhuhai, where the Sany Blue Ocean Garden project is located, have significantly decreased in 2024, the Group has, under the principle of prudence, made a reasonable forecast for the Sany Blue Ocean Garden project (i.e. the properties for sale) and the valuers engaged by the Group for this purpose to calculate the impairment of the properties for sale using the market approach and income approach respectively for residential units and commercial carparks, and has estimated that there will be an impairment loss on the properties for sale. Impairment loss on properties for sale are calculated based on the difference between the carrying amount and the net realisable value and are included in the statement of profit or loss.

Despite these challenges, the Group has continued to adopt proactive measures in order to quickly reduce the number of houses for sale and to recover cash. Specific sales and management measures include attracting customers through various means such as "experiential sales and package sales" and increasing promotional efforts in a targeted manner.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024 WILL BE PUBLISHED BY THE END OF MARCH 2025

The Company is still in the process of finalizing the consolidated financial statements of the Group for the year ended 31 December 2024. The information contained in this announcement is only based on the Board's preliminary assessment with reference to the Group's unaudited consolidated management accounts for the year ended 31 December 2024 and other information currently available, subject to change after further review. Shareholders and potential investors are advised to read the details of the annual results announcement of the Company for the year ended 31 December 2024, which is expected to be published by the end of March 2025.

Shareholders and potential investors are advised to exercise caution when dealing in shares of the Company.

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

Hong Kong, 8 January 2025

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