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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)

**MAJOR TRANSACTION
FUND ENTRUSTMENT AGREEMENT
(PRINCIPAL-GUARANTEED IN NATURE)**

THE FUND ENTRUSTMENT AGREEMENT

Sany Heavy Equipment, a directly wholly-owned subsidiary of the Company, entered into the Fund Entrustment Agreement with Tibet Trust on 27 July 2016, pursuant to which Sany Heavy Equipment agreed to entrust Tibet Trust to manage the fund with a principal amount of RMB390 million on behalf and for the benefit of Sany Heavy Equipment on a principal-guaranteed basis.

IMPLICATION UNDER THE LISTING RULES AND NON-COMPLIANCE WITH THE LISTING RULES

As one or more of the applicable percentage ratios exceed 25% but none of them exceeds 100%, the transaction contemplated thereunder constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

However, at the relevant time, as the transaction under the Fund Entrustment Agreement is principal-guaranteed in nature, accordingly the finance staff of Sany Heavy Equipment believed that the entering into of the Fund Entrustment Agreement was similar in nature to fixed deposits which do not constitute "transactions" under Chapter 14 of the Listing Rules. As a result of such belief, the finance staff of Sany Heavy Equipment did not seek internal legal advice or promptly report the entering into of the Fund Entrustment Agreement to the Company, which eventually caused the Company to fail to comply with the reporting, announcement and Shareholders' approval requirements for major transactions under Chapter 14 of the Listing Rules.

REMEDIAL ACTIONS

The Company has (i) convened a Board meeting on 23 January 2017 to approve, confirm and ratify the entering into of the Fund Entrustment Agreement and the transaction contemplated thereunder; and (ii) obtained a confirmation letter on 23 January 2017 from Sany HK (the controlling Shareholder who holds 2,134,580,188 Shares, representing approximately 70.19% of the issued share capital of the Company as at the date of this announcement) that Sany HK has approved, confirmed and ratified the entering into of the Fund Entrustment Agreement and the transaction contemplated thereunder.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Fund Entrustment Agreement and no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Fund Entrustment Agreement and the transaction contemplated thereunder. As such, the Fund Entrustment Agreement will be approved by written Shareholder's approval in accordance with Rule 14.44 of the Listing Rules. The Company has obtained the written Shareholder's approval on 23 January 2017 from Sany HK who holds 2,134,580,188 Shares, representing approximately 70.19% of the issued share capital of the Company as at the date of this announcement, that Sany HK has approved, confirmed and ratified the entering into of the Fund Entrustment Agreement and the transaction contemplated thereunder.

CIRCULAR

Pursuant to Rule 14.41 of the Listing Rules, the Company will despatch the circular containing, inter alia details of the transaction contemplated under the Fund Entrustment Agreement to the Shareholders as soon as practicable, but in any event not later than 15 February 2017.

THE FUND ENTRUSTMENT AGREEMENT

The principal terms and conditions of the Fund Entrustment Agreement are set out as follows:

Transaction date:	27 July 2016
Parties:	Sany Heavy Equipment (as the trustor and the beneficiary) Tibet Trust (as the trustee)
Subject:	Sany Heavy Equipment agreed to entrust Tibet Trust to manage a fund with the principal amount of RMB390 million on behalf and for the benefit of Sany Heavy Equipment on a principal-guaranteed basis.
Principal amount:	RMB390 million

Trust period:	One (1) year
Principal guaranteed:	Tibet Trust guaranteed to return 100% of the principal amount, being RMB390 million, upon the expiry of the trust period.
Return:	The return rate under the Fund Entrustment Agreement, deducting the relevant trust expenses, is fixed at 3.83% per annum and as such the total annual return will be RMB 14,937,000.
Trust fee:	The aggregate annual trust fee under the Fund Entrustment Agreement shall be payable by Tibet Trust calculated as below: Annual Trust Fee = 0.1% * the entrusted fund
Right of early redemption of principal and return	Sany Heavy Equipment has no right of early redemption of principal and return under the Fund Entrustment Agreement.

CURRENT STATUS

As of 31 December 2016, Sany Heavy Equipment has received a return of an aggregate of RMB6,099,275 and an additional return of 8,837,725 will be received by Sany Heavy Equipment upon the expiry of the trust period.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The transaction contemplated under the Fund Entrustment Agreement is principal-guaranteed upon maturity and enables Sany Heavy Equipment to enjoy higher return than demand deposits generally offered by PRC commercial banks. The Directors are of the view that (i) the transaction contemplated under the Fund Entrustment Agreement provided the Group with a better return than demand deposits generally offered by PRC commercial banks; (ii) the transaction contemplated under the Fund Entrustment Agreement was funded from the Group's temporarily idle funds, which would not affect the working capital or the operation of the Group; and (iii) the investment return in connection with the transaction contemplated under the Fund Entrustment Agreement increases the Group's earnings. Accordingly, the Directors (including the independent non-executive Directors) believe that the transaction contemplated under the Fund Entrustment Agreement is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES AND NON-COMPLIANCE WITH THE LISTING RULES

As one or more of the applicable percentage ratios exceed 25% but none of them exceeds 100%, the transaction contemplated thereunder constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

However, at the relevant time, as the transaction under the Fund Entrustment Agreement is principal-guaranteed in nature, accordingly the finance staff of Sany Heavy Equipment believed that the entering into of the Fund Entrustment Agreement was similar in nature to fixed deposits which do not constitute “transactions” under Chapter 14 of the Listing Rules. As a result of such belief, the finance staff of Sany Heavy Equipment did not seek internal or external legal advice or promptly report the entering into of the Fund Entrustment Agreement to the Company, which eventually caused the Company to fail to comply with the reporting, announcement and Shareholders’ approval requirements for major transactions under Chapter 14 of the Listing Rules.

REMEDIAL ACTIONS

The Company deeply regrets its non-compliance with the Listing Rules (the “**Non-Compliance**”) but the Company would like to stress that the Non-Compliance was inadvertent and the Company had no intention to withhold any information relating to the entering into the Fund Entrustment Agreement from disclosure.

The Company has taken the following steps when it became aware of the Fund Entrustment Agreement and the Non-Compliance:

- (1) the management of the Company has reported to all the Directors (including the independent non-executive Directors) and the audit committee of the Company on the details of the Fund Entrustment Agreement as well as the Non-Compliance;
- (2) the Company has sought internal and external legal advice in relation to the Fund Entrustment Agreement as well as the Non-Compliance;
- (3) the Company, through its Hong Kong legal advisers, has reported the Non-Compliance to the Stock Exchange;
- (4) the Company has convened a Board meeting on 23 January 2017 to approve, confirm and ratify the entering into the Fund Entrustment Agreement and the transaction contemplated thereunder;
- (5) the Company has obtained a confirmation letter on 23 January 2017 from Sany HK (the controlling Shareholder who holds 2,134,580,188 Shares, representing approximately 70.19% of the issued share capital of the Company as at the date of this announcement), that Sany HK has approved, confirmed and ratified the entering into of the Fund Entrustment Agreement and the transaction contemplated thereunder; and
- (6) the Company has made this announcement to timely disclose the details of the Fund Entrustment Agreement as well as the Non-Compliance.

To prevent similar non-compliance from occurring in the future, the Company has taken the following measures:

- (1) the relevant departments of the Company (including legal, audit and supervision and treasury departments) shall work closer to oversee and monitor the Company's on-going compliance with the Listing Rules;
- (2) the business and finance departments at the subsidiary level shall promptly report any proposed transactions (including the transactions with the licensed banks or financial institutions) or events involving significant expenditure, to the Company. No such transaction or event shall be allowed to proceed unless it has been duly approved by the management of the Company in accordance with the Company's internal approval process;
- (3) the Company should seek external legal or other professional advice to confirm the compliance requirements for any proposed transactions or events if it considers necessary; and
- (4) the Company will organize internal training sessions for the management of the Company and each of its subsidiaries in relation to the compliance requirements under the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Fund Entrustment Agreement and no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Fund Entrustment Agreement and the transaction contemplated thereunder. As such, the Fund Entrustment Agreement will be approved by written Shareholder's approval in accordance with Rule 14.44 of the Listing Rules. The Company has obtained the written Shareholder's approval on 23 January 2017 from Sany HK who holds 2,134,580,188 Shares, representing approximately 70.19% of the issued share capital of the Company as at the date of this announcement, that Sany HK has approved, confirmed and ratified the entering into of the Fund Entrustment Agreement and the transaction contemplated thereunder.

CIRCULAR

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INFORMATION ON THE GROUP

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

INFORMATION ON TIBET TRUST

Tibet Trust is principally engaged in the provision of trust management and asset management services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Tibet Trust and its ultimate beneficial owners are third parties independent of each of the Company and its connected persons.

DEFINITIONS

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

“Board”	the board of Directors
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Sany Heavy Equipment International Holdings Company Limited (三一重裝國際控股有限公司), a company incorporated with limited liability on 23 July 2009 under the laws of the Cayman Islands and the Shares of which are listed on the Stock Exchange (stock code: 631)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Fund Entrustment Agreement”	the fund entrustment agreement entered into by and between Sany Heavy Equipment and Tibet Trust dated 27 July 2016
“Group”	the Company and its subsidiaries as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People's Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Sany Heavy Equipment”	Sany Heavy Equipment Co., Ltd.* (三一重型裝備有限公司), a company established under the laws of the PRC and a directly wholly-owned subsidiary of the Company
“Sany HK”	Sany Hongkong Group Limited (三一香港集團有限公司), a company incorporated in Hong Kong on 14 October 2005 with limited liability under the Companies Ordinance
“Share(s)”	the ordinary share(s) with nominal value of HK\$0.01 each in the capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tibet Trust”	Tibet Trust Co., Ltd.* (西藏信託有限公司), a company established under the laws of the PRC
“%”	per cent

* *for identification purpose only*

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

Hong Kong, 23 January 2017

As at the date of this announcement, the executive Directors are Mr. Qi Jian and Mr. Wu Likun, the nonexecutive Directors are Mr. Tang Xiuguo, Mr. Xiang Wenbo and Mr. Mao Zhongwu, and the independent non-executive Directors are Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan.