SANYI

# SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631

## Interim Report 2017

SANYI

# Contents

# Financial Summary

| (RMB: '000) | Six months ended 30 June 2017 (Unaudited) | 2016 (Unaudited) | Increase (%) |
|---|---|---|---|
| Revenue | **1,200,529** | 859,455 | 39.7 |
| Gross profit | **396,832** | 272,728 | 45.5 |
| Profit/(loss) before tax | **184,331** | (52,823) | (449.0) |
| Net profit/(loss) | **131,558** | (40,846) | (422.1) |
| Profit/(loss) attributable to owners of the parent | **131,961** | (36,027) | (466.3) |
| Profit/(loss) attributable to owners of the parent (excluding one-off items and revaluation items)[1] | **131,961** | (36,027) | (466.3) |
| Total assets | **10,817,979** | 10,553,163 | 2.5 |
| Total equity | **6,263,885** | 6,751,161 | (7.2) |
| Cash flows of operating activities | **158,908** | 1,010,653 | (84.3) |
| Cash flows of investing activities | **(317,798)** | (134,354) | 136.5 |
| Cash flows of financing activities | **400,715** | (415,414) | (196.5) |
| Earnings/(loss) per share[2] | | | |
| – Basic (RMB Yuan) | **0.04** | (0.01) | |
| – Diluted (RMB Yuan) | **0.04** | (0.01) | |

| (Percentage) | Six months ended 30 June 2017 | 2016 | Increase (points) |
|---|---|---|---|
| Gross profit margin | **33.1%** | 31.7% | 1.4 |
| Percentage of profit/(loss) attributable to shareholders of the Company[3] | **15.4%** | (4.2%) | 19.6 |
| Percentage of profit/(loss) attributable to shareholders of the Company (excluding one-off items and revaluation items) | **15.4%** | (4.2%) | 19.6 |
| Assets turnover | **11.5%** | 7.9% | 3.6 |
| Asset – Liability ratio | **42.1%** | 36.0% | 6.1 |
| Average total asset (RMB'000) | **10,478,529** | 10,942,175 | |

1 The Group has no one-off item and revaluation item.

2 The weighted average number of ordinary shares for the six months ended 30 June 2017 was 3,041,025,000 (six months ended 30 June 2016: 3,041,025,000), details of which are set out in note 8 to the Interim Condensed Consolidated Financial Statements.

3 Profit/loss attributable to shareholders of the Company divided by revenue.

# Corporate Information

## Directors

### Executive Directors
Mr. Qi Jian *(Chairman)*
Mr. Zhang Zhihong (Appointed on 5 July 2017)

### Non-executive Directors
Mr. Tang Xiuguo
Mr. Xiang Wenbo
Mr. Mao Zhongwu

### Independent Non-executive Directors
Mr. Ng Yuk Keung
Mr. Poon Chiu Kwok
Mr. Hu Jiquan

## Joint Company Secretaries
Mr. Zhu Xiangjun
Mr. Yu Leung Fai

## Audit Committee
Mr. Poon Chiu Kwok *(Chairman)*
Mr. Ng Yuk Keung
Mr. Hu Jiquan

## Remuneration Committee
Mr. Poon Chiu Kwok *(Chairman)*
Mr. Ng Yuk Keung
Mr. Hu Jiquan

## Nomination Committee
Mr. Qi Jian *(Chairman)*
Mr. Poon Chiu Kwok
Mr. Hu Jiquan

## Strategic Investment Committee
Mr. Qi Jian *(Chairman)*
Mr. Zhang Zhihong
Mr. Mao Zhong Wu
Mr. Ng Yuk Keung
Mr. Poon Chiu Kwok

## Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## Principal Place of Business in Hong Kong
Room 2010
Landmark North
No. 39 of Lung Sum AV
Shengshui
New Territories
Hong Kong

## Principal Banks
Bank of China
Bank of Communications
Industrial and Commercial Bank of China
Agricultural Bank of China
China Guangfa Bank
China Construction Bank
China Everbright Bank
Industrial Bank
Hua Xia Bank
Bank of Yingkou

## Auditors
Ernst & Young
Certified Public Accountants

## Legal Advisers
Luk & Partners in association with Morgan, Lewis & Bockius
(as to Hong Kong law)
Jingtian & Gongcheng (as to PRC law)

## Stock Code
00631

## Hong Kong Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## Company Website
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## Investor Relations
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Postal code : 110027

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Sany Heavy Equipment International Holdings Company Limited ("Sany International" or the "Company"), I am pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017.

For the six months ended 30 June 2017, the Company's sales revenue amounted to approximately RMB1,200.5 million, representing an increase of approximately 39.7% against the same period of 2016; profit before tax amounted to approximately RMB184.3 million and net profit amounted to approximately RMB131.6 million, representing a turnaround from net loss as compared to the same period of last year. The Group's basic and diluted earnings per share were approximately RMB0.04 and RMB0.04, respectively.

In the first half of 2017, the global economy was moderately recovering and the domestic economy was stably improving. China's import and export trade and coal industry have also continued the stably improving trend since the second half of 2016, with a 20% increase in the total import and export value as compared to the same period of 2016. The gradual release of the production capacity of the coal industry and the fluctuation and improvement of the coal price also encouraged the development of the Company's port and coal machinery businesses. Meanwhile, with the strengthened implementation of national strategies such as the "Belt and Road Initiative" and "Marine Economy", the effects of the Company's internationalized development strategy also started to emerge while its export showed a growing trend.

In respect of research and development (the "R&D"), the Group accelerated the R&D experiment of port machinery such as container crane and quayside container crane, as well as heavy-duty forklift truck and railway crane, enhanced product delivery capacity and customer satisfaction, and completed the research on energy-saving technology, ergonomic, intelligent control technology and other aspects. In the meantime, the Group completed the design of STR200 roadheader and the design of the overall planning of mining excavator, and the design of the overall planning of SRT60S and SRT55S new mine tub. The Company actively carried out collaboration with scientific research institutes on non-ferrous metals, non-metals, chemical mines, tunnels, subway and other sectors in order to jointly enhance the design capacity and open up the market of new sectors.

In respect of market development, our port machinery successfully entered into the market of Saudi Arabia, Qatar, Malaysia and other countries, and commenced collaboration with domestic and overseas well-known ports such as Hutchison Whampoa and Dandong; the market share of mobile port machinery continued to maintain the leading position in the industry, and achieved the promotion and application of mobile port machinery in railway containers, and the market share of roadheader remained the largest.

In 2017, under the new economic environment, the Group's development has also faced new challenges. The Group will continue to carry forward its internationalized development strategy; focus on value of sales and strengthen the management capability on trade receivables; enhance cost control and risk management ability to continuously improve the quality of operations.

In 2017, despite the fact that the economic environment that we are facing is still very grim and complicated, we will still work together with the aim of contributing to the Group's long-term development. Finally, I, on behalf of the Board of the Company, would like to express my sincere gratitude to our shareholders and clients for their trust and support and to the management and all our employees for their diligence and contribution.

**Qi Jian**
*Chairman*

Hong Kong, 15 August 2017

# Management Discussion and Analysis

## BUSINESS REVIEW

In the first half of 2017, China's economy continued its stably improving trend. The Group's revenue and profit increased during the six months ended 30 June 2017. The effects of the Group's internationalized development strategy also started to emerge while its export showed a growing trend. The Group focused on value of sales and strengthened the management capability on trade receivables and enhanced cost control and risk management ability to continuously improve the quality of operations, which laid a solid foundation for the Group's long-term development.

### Major products

The Company originally classified all its products into four categories. However, since the revenue derived from engineering excavation equipment, mining transport vehicles and natural gas energy equipment accounted for a quite small portion of the total revenue of the Group, the Group decided to combine these businesses together with the traditional coal machinery business into "energy equipment business sector". As at the date of this report, the Group divides its products into two categories, namely (1) the marine engineering business sector, which includes port machinery products (reach stacker, empty container handler and quayside gantry crane) and offshore heavy machineries; and (2) the energy equipment business sector, which includes traditional coal mining and excavating equipment (all types of soft rock, hard rock roadheader, drilling machinery, integrated excavation, bolting and self-protection machine, mining and excavating equipment, coal mining machines (shearer), hydraulic support system, scraper conveyor, etc.) and engineering excavation equipment (tunnel series, etc.), mining transport vehicles (mechanical drive off-highway dump truck, electric drive off-highway dump truck, articulated truck and underground coal mining vehicle) and other products.

### Research and development capability

As a leading enterprise spearheading the industry's technological advances, the Group considered research and development ("**R&D**") as one of its most important competitive strengths and a main drive to provide customers with products of higher quality at a more reasonable price, which differentiates the Group from the peers in the industry. In the first half of 2017, the port machinery sector of the Group has completed the development of STS4038 lightweight quayside container crane product, STS5048 medium-weighted quayside container crane product, SRSC45S front loader, SDCY90K8S container stacking machine as well as SCP160S and SCP100S heavy-duty forklift truck. In the meantime, the Group completed the railway crane product development for railway system clients and constantly improved the international product spectrum of mobile port machinery for the markets in Europe and North America. As for energy equipment sector, the Group completed the design of STR200 roadheader, the overall planning of mining excavator and large inclined angle shearer, scraper conveyor and hydraulic support system. The Group also completed the design of SRT60S and SRT55S new mine tub and the design and promotion of 33T mixer and SRT55DM3V mine tub for clients in Argentina and India. For the six months ended 30 June 2017, the Group obtained 18 authorized patents, of which 14 are invention patents, 1 is utility model patent and 3 are exterior patents.

## Production and Manufacturing

Currently, the Group has production and manufacturing bases in Shenyang, Changsha and Zhuhai respectively. There are eight plants in the coal machinery industrial park located in Shenyang Economic and Technological Development Zone covering a total area of approximately 629,000 sq.m. The industrial park for small port equipment is located in Changsha Industrial Zone with covering a total area of approximately 100,000 sq.m., with several plants and commissioning fields. The industrial park for large port machinery is located in Zhuhai Gaolan Port Economic Area and commenced operation on 6 May 2015. Phase 1 of the project in Zhuhai Gaolan Port Economic Area occupies an area of 800 mu, equipped with a deep-water dock with a coastline of 3.5 km which has currently reached the production capability of full range large-scale port machinery. The Group focused on enhancement of processing and assembly techniques, and adopted various measures to cut production costs.

## Marketing and Service

The Group will adhere to its service philosophy of "All For Customers, All From Innovations", by providing first-class services and highly efficient responses to meet customers' needs and raise customers' satisfaction and addressing any concerns from our customers. The Group's superior product quality, attentive after-sales services and efficient responses have achieved high recognition from our customers.

# FINANCIAL REVIEW

## Revenue

For the six months ended 30 June 2017, the Group recorded revenue of approximately RMB1,200.5 million, with an increase of approximately RMB341.0 million from approximately RMB859.5 million for the six months ended 30 June 2016, representing an increase of approximately 39.7%. Such increase was mainly attributable to (1) the fact that in the first half of 2017, as the coal price rebounded, the coal industry was stabilizing and recovering, which led to the increase of the market demand for roadheaders; and (2) the increase of the international sales of port machinery.

## Other income and gains

For the six months ended 30 June 2017, the Group's other income and gains was approximately RMB87.7 million, which was basically stable as compared to approximately RMB81.8 million for the six months ended 30 June 2016.

## Cost of sales

For the six months ended 30 June 2017, the Group's cost of sales was approximately RMB803.7 million, representing an increase of approximately 37.0% against approximately RMB586.7 million for the six months ended 30 June 2016. The change was mainly due to the increase in the overall revenue of the Group.

## Gross profit and gross profit margin

For the six months ended 30 June 2017, the gross profit margin of the Group was approximately 33.1%, representing an increase of approximately 1.4 percentage points against approximately 31.7% for the six month ended 30 June 2016. Such increase was mainly due to the slight increase in the gross profit margin of large-scale port machinery products.

## Profit/profit margin before tax

For the six months ended 30 June 2017, the Group's profit margin before tax was approximately 15.4%, as compared to the Group's loss margin before tax of approximately 6.1% for the six month ended 30 June 2016. Such change was mainly due to (1) the increase in the revenue and gross profit for the six months ended 30 June 2017; (2) the decrease in the ratio of the Group's selling, distribution and administrative expenses; and (3) the decrease in the Group's provision for impairment of trade receivables in the first half of 2017.

## Selling and distribution expenses

For the six months ended 30 June 2017, the selling and distribution expenses were approximately RMB114.7 million, representing an increase of approximately 7.2% against approximately RMB107.0 million for the six months ended 30 June 2016. During the reporting period, the ratio of the Group's selling and distribution expenses to revenue was approximately 9.6%, representing a decrease of approximately 2.9 percentage points as compared to approximately 12.5% for the six months ended 30 June 2016. Such change was due to the adjustments to the Group's sales model which required fewer selling and distribution expenses than before.

## Research and development expenses

For the six months ended 30 June 2017, the research and development expenses of the Group were approximately RMB45.4 million, representing a decrease of approximately 17.3% as compared to approximately RMB54.9 million for the six months ended 30 June 2016. For the six months ended 30 June 2017, the ratio of research and development expenses of the Group to its revenue was approximately 3.8%, representing a decrease of approximately 2.6 percentage points as compared to approximately 6.4% for the six months ended 30 June 2016. Such change was mainly due to the decrease in the technological transformation and R&D experiment costs resulting from the Group's well-improved product technology and well-developed coal machinery products.

## Administrative expenses

For the six months ended 30 June 2017, administrative expenses of the Group were approximately RMB151.0 million (for the six months ended 30 June 2016: approximately RMB160.3 million). The administrative expenses excluding research and development expenses were approximately RMB105.6 million (for the six months ended 30 June 2016: approximately RMB105.5 million), which accounted for approximately 8.8% of revenue, representing a decrease of approximately 3.5 percentage points against approximately 12.3% for the six months ended 30 June 2016. Such change was mainly attributable to the strengthened control over management expenses and the decrease in the cost of human resources.

## Finance costs

For the six months ended 30 June 2017, finance costs of the Group were approximately RMB1.8 million (for the six months ended 30 June 2016: approximately RMB1.0 million), mainly due to the increase in the Group's bank borrowings.

## Taxation

For the six months ended 30 June 2017, the Group's effective tax rate was approximately 28.6% (for the six months ended 30 June 2016: the effective tax rate was approximately 22.7%). For details regarding income tax, please refer to note 7 on page 39 of this report.

## Profit/loss attributable to owners of the parent

For the six months ended 30 June 2017, the Group's profit attributable to owners of the parent was approximately RMB132.0 million, as compared to the Group's loss attributable to owners of the parent of approximately RMB36.0 million for the same period of last year. Such change was mainly because (1) the Group's revenue from port machinery products and coal machinery products increased for the six months ended 30 June 2017; and (2) the Group's impairment provision of trade receivables decreased in the first half of 2017 due to the overall improvement in coal mining industry, which resulted in the improvement in the collection of receivables from sales of the Group's coal mining machinery.

## Liquidity and financial resources

As at 30 June 2017, total current assets of the Group were approximately RMB4,739.6 million (31 December 2016: RMB4,246.4 million). As at 30 June 2017, total current liabilities of the Group were approximately RMB2,441.2 million (31 December 2016: RMB2,268.5 million).

As at 30 June 2017, total assets of the Group were approximately RMB10,818.0 million (31 December 2016: approximately RMB10,139.1 million), and total liabilities were approximately RMB4,554.1 million (31 December 2016: approximately RMB4,004.9 million). As at 30 June 2017, the gearing ratio (the asset to liability ratio) was approximately 42.1% (31 December 2016: approximately 39.5%).

## Trade and bills receivables

As of 30 June 2017, the Group's trade receivables and bills receivable recorded an increase of approximately 6.4% to approximately RMB1,970.0 million as compared to approximately RMB1,852.2 million as of 31 December 2016, in which trade receivables decreased by approximately 3.1% to approximately RMB1,588.6 million as compared to approximately RMB1,638.9 million as of 31 December 2016; and bills receivable increased by approximately 78.8% to approximately RMB381.4 million as compared to approximately RMB213.3 million as of 31 December 2016. Such change was mainly due to the increase in the Group's sales.

## Interest-bearing bank and other borrowings

As at 30 June 2017, interest-bearing bank and other borrowings of the Group were approximately RMB592.2 million (31 December 2016: approximately RMB161.4 million). Such change was due to the increase in bank borrowings.

## Cash flow

As at 30 June 2017, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB1,073.2 million in total.

For the six months ended 30 June 2017, the net cash inflow of the Group from operating activities was approximately RMB158.9 million (for the six months ended 30 June 2016: net cash inflow of approximately RMB1,010.7 million). Such change was mainly because the Group factored certain trade receivables without recourse in the first half of 2016.

For the six months ended 30 June 2017, the net cash outflow from investing activities was approximately RMB317.8 million (for the six months ended 30 June 2016: net cash outflow of approximately RMB134.4 million). Such change was mainly due to the prepayment of part of the consideration for the acquisition of a piece of land. For details, please refer to the announcement of the Company dated 5 June 2017.

For the six months ended 30 June 2017, the net cash inflow of the Group from financing activities was approximately RMB400.7 million (for the six months ended 30 June 2016: net cash outflow of approximately RMB415.4 million) mainly due to increase in bank borrowings.

## Turnover days

The Group's average turnover days of inventory were approximately 292.4 days as at 30 June 2017, representing a decrease of approximately 70.0 days from 362.4 days as at 30 June 2016. Such change was mainly due to the Group's strengthened control over inventories.

The turnover days of trade and bills receivables as at 30 June 2017 were approximately 408.0 days, representing a decrease of approximately 277.6 days from approximately 685.6 days as at 30 June 2016. Such change was mainly due to the overall improvement in coal mining industry, which resulted in the improvement in the collection of receivables from sales of the Group's coal mining machinery.

The turnover days of trade and bills payables as at 30 June 2017 were 225.7 days, representing a decrease of approximately 32.2 days from approximately 257.9 days as at 30 June 2016. Such change was mainly due to the increase in the proportion of settled bills resulted from the increase in the Group's cost of sales, which was in line with the increase of revenue.

## Contingent liabilities

As at 30 June 2017, the Group had contingent liability of approximately RMB138.1 million, being the financial guarantee under financing lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. (31 December 2016: approximately RMB156.8 million).

## Capital commitment

As at 30 June 2017, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB4,152.8 million (31 December 2016: approximately RMB3,941.8 million).

## Employees and remuneration policy

The Group persists in training and developing talents. Accordingly, it provides internal training, external training and correspondence courses to its staff according to their ranking and at different times with an aim to self-improving and enhancing their skills relevant to work as well as strengthening their senses of belonging. In addition, the Group paid year-end bonuses to staff to reward them for their contributions and dedication to the Group. The remuneration of the directors of the Group was determined with reference to their positions, responsibilities and experience and prevailing market conditions.

## Material acquisition, disposal and significant investment

There were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2017, nor was there any plan authorized by the Board for other material investments or additions of capital assets at the date of this report.

## Pledge on assets

As at 30 June 2017, the Group recorded pledged deposits with an aggregate value of approximately RMB23.8 million (31 December 2016: approximately RMB27.2 million), for the purpose of issuing bills payable and banking facilities. As at 30 June 2017, none of the Group's bank loans was secured by property, plant and equipment and prepaid land lease payments (31 December 2016: nil).

## Foreign exchange risk

As at 30 June 2017, the Group's cash and bank balances denominated in HK$, EUR$ and US$ were equivalent to approximately RMB446.4 million. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

## Social responsibility

The Group promotes good values of fraternity, mutual assistance and selfless contribution, and it advocates more people to get involved in charity activities with love and care. During the Spring Festival, the Group launched activities to give warmth and help staff mitigate their financial stress. The management visited staff with family difficulties and provided them with consolation money and items; presented family package insurance to staff; and organised staff health check. The Group also raised funds for staff requiring assistance and spread love and care to staff who were in need of support.

# Disclosure of Interests

## Interests and Short Positions of the Directors and Chief Executive of the Company in the Shares, Underlying Shares and Debentures of the Company or any of its associated corporation

As at 30 June 2017, the interests or short positions of each director of the Company and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Company (the "Model Code") as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

### Long positions in shares of Sany Heavy Equipment Investments Company Limited ("Sany BVI") (being the ultimate holding company of the Company)

| Name of Director | Nature of interest | Number of shares held | Percentage of issued share capital |
|---|---|---|---|
| Mr. Tang Xiuguo *(Note)* | Beneficial owner | 875 | 8.75% |
| Mr. Mao Zhongwu *(Note)* | Beneficial owner | 800 | 8.00% |
| Mr. Xiang Wenbo *(Note)* | Beneficial owner | 800 | 8.00% |

*Note:* Each of Mr. Tang Xiuguo, Mr. Mao Zhongwu and Mr. Xiang Wenbo holds 8.75%, 8.00% and 8.00% of the issued share capital of Sany BVI, respectively, which in turn holds the entire issued share capital of Sany Hongkong Group Limited ("Sany HK", a controlling shareholder of the Company).

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company or any of their spouses or children under the age of eighteen were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its holding company, subsidiaries or other associated corporation (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries been participated in any arrangements to enable the directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of shares or underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

## Interests and Short Positions of Substantial Shareholders and Other Parties in the Shares and Underlying Shares of the Company

As at 30 June 2017, so far as the Directors and chief executive of the Company were aware, the following persons and corporations (excluding the directors and chief executives of the Company) had interests or short positions in any of the shares or underlying shares of the Company which were required to be notified to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who, directly or indirectly, is interested in 10% or more of the nominal value of any class of share capital to vote in all circumstances at general meetings of any other member of the Group:

| Name of Shareholder | Capacity | Number of shares/ underlying shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| Sany HK *(Note 1)* | Beneficial owner | 2,614,361,222 | 85.97% |
| Sany BVI *(Note 2)* | Interest of a controlled corporation | 2,614,361,222 | 85.97% |
| Mr. Liang Wengen *(Note 3)* | Interest of a controlled corporation | 2,614,361,222 | 85.97% |

*Notes:*

1. The 2,614,361,222 shares and underlying shares consist of 2,134,580,188 ordinary shares and 479,781,034 underlying shares which may be issued pursuant to the conversion of the 479,781,034 convertible preference shares issued to Sany HK.

2. Sany BVI owns 100% of the issued share capital of Sany HK. Sany BVI is therefore deemed to be interested in all the shares of the Company held by Sany HK under the SFO.

3. Mr. Liang Wengen is interested in 56.42% of Sany BVI. Mr. Liang Wengen is therefore deemed to be interested in all the shares of the Company held by Sany HK under the SFO.

# Disclosure of Interests

## Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report, the Company has maintained sufficient public float required under the Listing Rules for the six months ended 30 June 2017 and up to as at the date of this interim report.

## Share Option Scheme

The Company has adopted the share option scheme (the "Share Option Scheme") on 16 February 2013 for the purpose of motivating eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 50,000,000 shares, representing approximately 1.61% of the issued share capital as at 16 February 2013, being the date of adoption of the Share Option Scheme and representing approximately 1.64% of the issued share capital as at the date of this report.

No option may be granted to any participant of the Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company RMB1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a share;

(b) the closing price of a share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of ten years from the adoption date, after which no further options will be granted or offered. As at the date of this report, the Share Option Scheme has a remaining life of approximately 5 years and 6 months.

Since the adoption, the Company granted 28,524,000 share options on 26 February 2013. Each share option shall entitle the holder of the share option to subscribe for one share upon exercise of such share option at an exercise price of HK$4.18 per share, which is higher than any of (1) the nominal value of a share; (2) the closing price of HK$3.23 per share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; and (3) the average closing price of HK$3.39 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

The vesting schedule is as follows:

| **Vesting date** | **Percentage of the share option to vest** |
|---|---|
| If the audited net profit for the year ending 31 December 2013 has an increase of 10% or more as compared to that of the year ended 31 December 2012 ("Target Performance I"), starting from the later of 1 March 2014 or the dispatch date of the Company's 2013 annual report(1) | 10% |
| If the audited net profit for the year ending 31 December 2014 has an increase of 10% or more as compared to the audited net profit of the year ended 31 December 2013 ("Target Performance II"), starting from the later of 1 March 2015 or the dispatch date of the Company's 2014 annual report(2)(4) | 35% |
| If the audited net profit for the year ending 31 December 2015 has an increase of 10% or more as compared to the audited net profit of the year ended 31 December 2014 ("Target Performance III"), starting from the later of 1 March 2016 or the dispatch date of the Company's 2015 annual report(3)(4) | 55% |

*Notes:*

(1) *If the Target Performance I is not achieved, then the 10% Share Options (the "First Tranche Options") cannot be exercised in the year of 2014. However, if Target Performance II is achieved, then the First Tranche Options will vest starting from the later of 1 March 2015 or the dispatch date of the Company's 2014 annual report. If neither of the Target Performance I or Target Performance II is achieved, then the First Tranche Options shall lapse;*

(2) *If the Target Performance II is not achieved, then the 35% Share Options (the "Second Tranche Options") cannot be exercised in the year of 2015. However, if the Target Performance III is achieved, then the Second Tranche Options will vest starting from the later of 1 March 2016 or the dispatch date of the Company's 2015 annual report. If neither of the Target Performance II or Target Performance III is achieved, then the Second Tranche Options shall lapse;*

(3) *If the Target Performance III is not achieved, then the 55% Share Options (the "Third Tranche Options") cannot be exercised in the year of 2016. However, if the audited net profit for the year ending 31 December 2016 has an increase of 10% or more as compared to the audited net profit of the year ending 31 December 2015 ("Target Performance IV")[(4)], then the Third Tranche Options will vest starting from the later of 1 March 2017 or the dispatch date of the Company's 2016 annual report. If neither of the Target Performance III or Target Performance IV is achieved, then the Third Tranche Options shall lapse; and*

(4) *The audited net profit for the year ended 31 December 2013, 2014 and 2015 under the Target Performance II, the Target Performance III and the Target Performance IV, respectively, refers to the lower of (i) the actual audited net profit of such year; and (ii) the amount equals to the actual audited net profit for the year ended 31 December 2012 compounded annually at a rate of 10%.*

Since the above mentioned vesting conditions were not satisfied, all share options had lapsed upon dispatch date of the Company's 2016 annual report. As at the date of this report, there are no outstanding share options which had been granted and yet to be exercised under the Share Option Scheme.

Save as disclosed above, no share option was granted, exercised, lapsed, or cancelled during the six months ended 30 June 2017.

# Corporate Governance and General Information

## Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

Except for the code provision A.2.1, the Company has complied with the code provisions under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") from 1 January 2017 to 30 June 2017.

In accordance with code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Further, the division of responsibilities between the chairman and chief executive officer should be clearly established. Mr. Qi Jian is both of the chairman of the Board and the chief executive officer of the Company. The Board considers vesting the role of both the chairman of the Board and the chief executive officer of the Company in Mr. Qi Jian because Mr. Qi Jian has in-depth knowledge in the business of the Company and can make appropriate decisions promptly and efficiently and this arrangement provides the Company with consistent leadership and facilitates effective and efficient planning and implementation of business decisions and strategies. The Board believes this structure did not impair the balance of power and authority between the Board and the management of the Company. As the Board comprises of experienced and qualified calibre (including sufficient number of independent non-executive Directors), balance between duty and right can be assured. The Board will continue to review the effectiveness of the Company's corporate governance structure to assess whether the separation of the positions of chairman of the Board and chief executive officer of the Company is necessary.

## Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the review period, they were in compliance with the required provisions set out in the Model Code.

## Review of Interim Financial Statements

The interim financial results for the six months ended 30 June 2017 have not been audited or reviewed by the Company's external auditor.

# Corporate Governance and General Information

## The Board

The Board consists of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Qi Jian and Mr. Zhang Zhihong (appointed on 5 July 2017). The non-executive Directors are Mr. Tang Xiuguo, Mr. Xiang Wenbo and Mr. Mao Zhongwu. The independent non-executive Directors are Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok (possessing professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules) and Mr. Hu Jiquan. The functions and duties conferred on the Board include convening Shareholders' meetings and reporting on the work of the Board to the Shareholders at Shareholders' meetings as may be required by applicable laws, implementing resolutions passed at Shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions as well as exercising other powers, functions and duties as conferred on it by the articles of association of the Company (the "Articles") and applicable laws. The senior management is delegated with the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive directors bring a variety of experience and expertise to the Company.

### Audit Committee

The audit committee (the "Audit Committee") of the Company was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group and to provide advice and comments to the Board. The members meet regularly with the external auditors and the Company's senior management for the review, supervision and discussion of the Company's financial reporting, internal control and risk management procedures and ensure that management has discharged its duty to have effective internal control and risk management systems. The audit committee consists of three members, namely Mr. Poon Chiu Kwok, Mr. Ng Yuk Keung and Mr. Hu Jiquan, all of them are independent non-executive Directors. Mr. Poon Chiu Kwok, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the audit committee.

The audit committee has held meetings to discuss the internal controls, risk management, and financial reporting matters including the review of the unaudited interim condensed financial statements of the Group for the six months ended 30 June 2017.

### Remuneration Committee

The remuneration committee (the "Remuneration Committee") was established with written terms of reference in compliance with the CG Code. The principal responsibilities of the remuneration committee are to determine the policies in relation to human resources management, to review the compensation strategies, to determine the remuneration packages of the senior executives and managers, to approve the term of the service contract of the executive Directors, to assess the performance of the executive Directors, to recommend and establish annual and long-term performance criteria and targets as well as to review and supervise the implementation of all executive compensation packages and employee benefit plans. The Board expects the remuneration committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration. The Remuneration Committee consists of three members, namely Mr. Poon Chiu Kwok, Mr. Ng Yuk Keung and Mr. Hu Jiquan. Mr. Poon Chiu Kwok is the chairman of the Remuneration Committee.

## Nomination Committee

The nomination committee (the "Nomination Committee") was established with written terms of reference in compliance with the CG Code. The nomination committee is responsible for reviewing the structure, size and composition of the Board; making recommendation to the Board on selection of candidates for directorships, appointment, reappointment of Directors and Board succession and assessing the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the board diversity policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the board diversity policy, so as to develop and review measurable objectives for the implementing the board diversity policy and to monitor the progress on achieving these objectives. The Nomination Committee consists of three members, namely Mr. Qi Jian, Mr. Poon Chiu Kwok and Mr. Hu Jiquan. Mr. Qi Jian is the chairman of the Nomination Committee.

## Strategic Investment Committee

The strategic investment committee (the "Strategic Investment Committee") of the Company was established on 4 October 2012. The Strategic Investment Committee is responsible for the recommendation and analysis to the Board on the development of the businesses and the investments of the Company. The chairman is Mr. Qi Jian and the other four members are Mr. Zhang Zhihong (appointed on 5 July 2017), Mr. Mao Zhongwu, Mr. Ng Yuk Keung and Mr. Poon Chiu Kwok.

## Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the CG Code, which includes (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

# Directors and Senior Management

## Executive Directors

**Mr. Qi Jian (戚建)**, aged 57, was appointed as an executive Director, chairman of the Board and chief executive officer of the Company on 6 August 2015.

Mr. Qi joined Sany Group Co., Ltd. ("Sany Group") since May 2001. He served as the deputy dean of the research institute of Sany Heavy Industry Co., Ltd. ("Sany Heavy Industry"), a subsidiary of Sany Group and a company listed on the Shanghai Stock Exchange (stock code: 600031), from May 2001 to May 2003, overseeing the research and development of road machinery products. He served as the deputy general manager of Sany Automobile Manufacturing Co., Ltd., a subsidiary of Sany Group, from May 2003 to November 2006, overseeing the research and development and the production and manufacturing of commercial vehicles and passenger vehicles. From November 2006 to July 2015, he served as the general manager of Sany Automobile Lifting Machinery Co., Ltd ("Sany Automobile Lifting"). During his term of service, Sany Automobile Lifting grew rapidly and became a core business of Sany Group with a sales amount ranked second in lifting machinery industry in 2014.

From 1982 to May 2001, Mr. Qi had taken positions such as the deputy chief engineer and the deputy director of China BlueStar Changsha Design and Research Institute, engaged in product design and contracting of engineering projects. He participated in over 30 projects of chemical engineering, light industry and mechanical engineering designs. He was in charge of and completed over 20 engineering designs, which received various provincial and ministerial excellent achievement awards. Mr. Qi is a senior engineer at the level of researcher, who has over 30 years of experience in design and technical management and over 10 years of experience as senior management.

Mr. Qi graduated from Qingdao Chemical Engineering Academy (青島化工學院) in 1982 with a bachelor degree in chemical machinery. He also received a degree of executive master of business administration at Wuhan University in 2005.

**Mr. Zhang Zhihong (張志宏)**, aged 46, was appointed as an executive Director and a member of the Strategic Investment Committee of the Company on 5 July 2017.

Mr. Zhang was appointed as the general manager of Sany Heavy Equipment Co., Ltd.* (三一重型裝備有限公司) ("Sany Heavy Equipment"), a wholly-owned subsidiary of the Company, on 31 May 2017. During the period from July 2016 to May 2017, Mr. Zhang also served various positions in Sany Heavy Energy Machinery Co., Ltd.* (三一重型能源裝備有限公司), a subsidiary of Sany Group, including the deputy general manager of the marketing department and the general manager. During the period from February 2010 to June 2016, Mr. Zhang also served various positions in Sany Heavy Equipment, including the director of manufacturing operations and the deputy general manager. Mr. Zhang worked in Sany Group, and its subsidiaries from May 2000 to January 2010 including the digging machine plant of the research institute of Sany Heavy Industry (三一重工研究院挖機所), Sany Heavy Machinery Co., Ltd.* (三一重機有限公司), Sany Heavy Road Machine* (三一重工路面機械), pump business department of Sany Heavy Industry* (三一重工泵送事業部), Lean Quality Headquarter* (精益品質總部) and Loudi Zhongxing Hydraulic Parts. Co., Ltd.* (婁底市中興液壓件有限公司). Before joining Sany Group in May 2000, Mr. Zhang had worked in Changsha Heavy Machinery Plant* (長沙重型機械廠) for seven years.

Mr. Zhang studied in Hunan Agricultural University* (湖南農業大學) from September 1990 to June 1994 majoring in mechanical design and manufacturing and obtained a bachelor's degree in June 1994, and he studied EMBA in Huazhong University of Science and Technology* (華中科技大學) from November 2006 to December 2011 and obtained a master's degree in December 2011.

## Non-executive Directors

**Mr. Tang Xiuguo (唐修國)**, aged 54, was appointed as the non-executive Director of the Company on 28 September 2014. Mr. Tang was one of the four founders of Sany Group, has been the director and president of Sany Group since 2002. From 1997 to 2002, Mr. Tang worked in Sany Group as general administration manager. From 1992 to 1997, he was the deputy general manager of Sany Group and the director of Sany Heavy Industry. From 1991 to 1992, Mr. Tang participated in the foundation of Sany Group. From 1989 to 1991, he participated in the foundation of Hunan Lianyuan Spaeial Welding Materials Factory (湖南漣源特種焊接材料廠) and from 1986 to 1988, he specialised in the development and manufacture of special welding materials.

Mr. Tang has been granted numerous awards, including "Sany Group Distinguished Contribution Award of the Year" for eight successive years, "Top Ten Outstanding Contribution Private Corporation in Hunan Province" and "Excellent Entrepreneur of the State". Also, he is a director of China Institute for Quality Excellence.

Mr. Tang graduated with a bachelor degree in metallic materials from Central South University (中南大學) in July 1983. He is currently a senior engineer.

**Mr. Xiang Wenbo (向文波)**, aged 55, was appointed as a non-executive Director of the Company on 23 July 2009. He has also been a non-executive director of Sany Heavy Equipment since January 2004. Mr. Xiang has over 20 years of experience in the machinery industry. Mr. Xiang joined Sany Group in 1991 and was a standing director and general manager of the marketing department and executive president of Sany Group. He is currently the president and vice-chairman of Sany Heavy Industry.

Mr. Xiang graduated in 1982 from the Department of Casting of Hunan University (湖南大學) with a Bachelor's degree in Engineering Science and graduated from Materials Department of Dalian University of Technology (大連理工大學) with a master's degree in Engineering in 1988. Mr. Xiang holds the title of senior engineer and is an expert entitled to government allowance from the State Council.

Mr. Xiang has also held a number of social positions such as vice president of China International Chamber of Commerce for Private Sector (中國民營經濟國際合作商會), a council member of China Machinery Industry Confederation (中國機械工業聯合會), a vice chairman of China Construction Machinery Industry Association (中國工程機械工業協會) and Industrial and Commercial Union in Hunan Province (湖南省工商聯合會).

Mr. Xiang was awarded "2002 Bauhinia Cup Outstanding Entrepreneur Awards (2002年紫荊花杯傑出企業家獎)", "2007 China's top ten leaders in manufacturing (2007中國製造業十大領袖)", "2008 Top Ten Outstanding CEO in China (2008年度中國十大傑出CEO)", "Forbes 2010 Best CEO in China (福布斯2010年中國最佳CEO)" and "Forbes 2011 A-share listed companies non-state Best CEO (福布斯2011年A股非國有上市公司最佳CEO)".

# Directors and Senior Management

**Mr. Mao Zhongwu (毛中吾)**, aged 55, was redesigned from an executive Director to a non-executive Director of the Company from 28 September 2014. He was the executive Director of the Company from 12 October 2012 to 28 September 2014 and the chairman of the Company from 23 July 2009 to 12 October 2012. From July 2009 to April 2010, he was also the chief executive officer of the Company. Mr. Mao has been the managing director and general manager of Sany Heavy Equipment since July 2006, and has been an executive director of Sany Group Shenyang Mining Transportation Equipment Co., Ltd. ("Sany Transportation") since its establishment in September 2009. Mr. Mao has over 25 years of experience in the machinery industry.

Mr. Mao is a non-executive director of Sany Group and has held no executive position in Sany Group. He founded the Sany Group in 1989 and was mainly responsible for its business development. Since then, he held various posts in the subsidiaries of the Sany Group, and he has been a director of the Sany Group since 2000. He was appointed as the vice president of the Sany Group from June 2005 to June 2006. During his tenure with the Sany Group, Mr. Mao was awarded the honor of "Pioneering Star (創業之星)" by the Research & Development Centre of the State Council (國務院發展研究中心). Mr. Mao was also elected as the vice president of the Loudi Industrial and Commercial Union, Hunan Province (湖南省婁底工商聯) in 2000.

Mr. Mao received professional training in Economics and Management at the National University of Singapore (新加坡國立大學) in 1999.

## Independent non-executive Directors

**Mr. Ng Yuk Keung (吳育強)**, aged 52, was appointed as an independent non-executive Director of the Company on 5 November 2009. Mr. Ng is currently the Executive Director and chief financial officer of Kingsoft Corporation Limited (金山軟件有限公司) and the honorary adviser of China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司) both of which are listed on the Hong Kong Stock Exchange. Mr. Wu is the Director of Cheetah Mobile Inc., (獵豹移動公司) which is listed on the New York Stock Exchange.

Mr. Ng worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2001 to 2003, he was the chief financial officer of Beijing International School (北京國際學校), and was the accounting adviser of Australian Commercial Lawyers Agency (澳洲商務律師機構) in 2004. From November 2004 to August 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (彩虹集團電子股份有限公司). He was the independent non-executive director of Xinjiang Xinxin Mining Industry Company Limited (新疆新鑫礦業股份有限公司) from February 2007 to October 2011. He was the executive director, chief financial officer and company secretary of China NT Pharma Group (中國泰凌醫藥集團) from March 2010 to 1 July 2012. He had also served as the independent non-executive director of Beijing Capital Land Limited (首創置業股份有限公司), Zhongsheng Group Holdings Limited (中升集團控股有限公司) and is currently the independent non-executive director of Winsway Coking Coal Holdings Limited (永暉焦煤股份有限公司).

Mr. Ng graduated from The University of Hong Kong (香港大學) with a bachelor's degree in Management Studies and Economics and a master's degree in Global Business Management and E-commerce. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

**Mr. Poon Chiu Kwok (潘昭國先生)**, aged 55, was appointed as an independent non-executive Director of the Company on 18 December 2015.

Mr. Poon has over 26 years of experience in regulatory affairs, corporate finance, listed companies governance and management. He is also an executive director and the company secretary of Huabao International Holdings Limited (華寶國際控股有限公司), a company listed on the Stock Exchange (stock code: 336). At at the latest practicable date, he serves as an independent non-executive director of the following public companies listed on the Stock Exchange: Sunac China Holdings Limited (融創中國控股有限公司) (stock code: 1918), Yuanda China Holdings Limited (遠大中國控股有限公司) (stock code: 2789), Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流有限公司) (stock code: 1292), Tonly Electronics Holdings Limited (通力電子控股有限公司) (stock code: 1249), Aux International Holdings Limited (奧克斯國際控股有限公司) (formerly known as Magnum Entertainment Group Holdings Limited) (stock code: 2080), TUS International Limited (錦恆汽車安全技術控股有限公司) (formerly known as Jinheng Automotive Safety Technology Holdings Limited) (stock code: 872), Jinchuan Group International Resources Co. Ltd (金川集團國際資源有限公司) (stock code: 2362), Honghua Group Limited (宏華集團有限公司) (stock code: 196) (effective since 15 June 2017) and Yanzhou Coal Mining Company Limited (兗州煤業股份有限公司) (stock code: 1171) (effective since 29 June 2017).

Mr. Poon is a fellow of CPA Australia, a fellow member of the Hong Kong Securities and Investment Institute, a fellow member of both the Institute of Chartered Secretaries and Administrators, and the Hong Kong Institute of Chartered Secretaries and a member of its Technical Consultation Panel and Professional Development Committee. Mr. Poon was awarded the postgraduate diploma in laws by the University of London (倫敦大學) in December 2010 and also received a bachelor's degree in laws at University of Wolverhampton (沃爾沃漢普敦大學) in October 2004, a bachelor's degree in business studies at City University of Hong Kong (香港城市大學) in December 1994 and a master's degree in international accounting at City University of Hong Kong (香港城市大學) in November 1997.

**Hu Jiquan (胡吉全)**, aged 59, was appointed as an independent non-executive Director of the Company on 11 December 2016.

Mr. Hu is a researcher (professor) and a tutor of doctorate candidate. Currently, he is the director of the engineering center of department of education for port logistic technology and equipment and the associate dean of the institute of logistic engineering of Wuhan University of Technology (武漢理工大學).

Mr. Hu graduated from Wuhan School of Marine Transportation Engineering (武漢水運工程學院) with a diploma in lifting transportation machinery in January 1982. He was an assistant lecturer, a lecturer and an associate professor in Wuhan School of Marine Transportation Engineering (武漢水運工程學院), Wuhan Transportation University (武漢交通科技大學) and Wuhan University of Technology (武漢理工大學) respectively between 1982 and 2004. He served as a researcher (professor) in the institute of logistics engineering of Wuhan University of Technology (武漢理工大學) in 2005, a tutor of doctorate candidate in 2006, and was appointed as a distinguished professor for production academic and research and served as a member of academic committee by Wuhan University of Technology (武漢理工大學) in 2012. Currently, he also serves as the managing director of the port machinery branch of the Chinese Mechanical Engineering Society (中國工程機械學會), the director of the Logistics Technology Committee of the Mechanical Engineering Society of Hubei (湖北省機械工程學會物流技術專業委員會) and a member of National Standardised Technology of Lifting Machinery Committee (全國起重機標準化技術委員會). He principally engaged in the research of design theory and method of modern port loading and unloading, research on port logistic equipment and logistics system automation. He participated in a number of projects supported by the State, the National Transportation Readiness and Military Key Project, Science and Technology Key Project of Hubei Province, production, academic and research cooperation projects of Guangdong Province, enterprise science and technology cooperation projects. He presided over the development of various types of port machinery products. He won 6 awards of scientific and technological progress at the provincial and ministerial level and obtained more than 20 invention patents and utility model patents. He published more than 40 SCI/EI papers and participated in preparing 3 teaching materials and 4 mechanical design manuals.

## Joint Company Secretaries

**Mr. Zhu Xiangjun (朱向軍)**, aged 33, was appointed as the chief financial officer and the joint company secretaries of the Company on 12 September 2016. He joined the Company in November 2008 and fully participated in the initial public offering of the Company on the Hong Kong Stock Exchange in 2009 and the Putzmeister acquisition project of Sany Heavy Industry in 2012. Mr. Zhu served as the general leger accountant of the Company from April 2009 to March 2010, mainly responsible for the preparation of the financial statements and budgets of the Company. He then served as the manager and head of the accounting department of the Company from April 2010 to March 2012, mainly responsible for the budget, performance assessment, financial analysis and information disclosure of the Company. He also served as the head of the marketing finance department and the assistant director of the finance department of the Company from April 2012 to September 2016. Mr. Zhu obtained the bachelor's degree and the master's degree in accounting from Shenyang University of Technology (瀋陽工業大學) in July 2006 and April 2009, respectively. Mr. Zhu obtained his qualification as a certified public accountant of China in June 2009.

**Mr. Yu Leung Fai (余亮暉)**, aged 39, one of the Company's joint companies secretaries, has extensive experience in the corporate services field. Mr. Yu has joined the Fung, Yu & Co. CPA Limited since 2011 and is currently the company's partner. He holds a Degree of Bachelor of Commerce (Hon.) from the University of Toronto (多倫多大學) and a Degree of Bachelor of Laws from the University of London (倫敦大學), and is a member of the American Institute of Certified Public Accountants, Certified Public Accountants of Australia and the Hong Kong Institute of Certified Public Accountants.

Mr. Yu has also been the joint company secretary and authorised representative of China National Materials Company Limited (中國中材股份有限公司) (stock code: 1893) since May 2009; the company secretary and alternative authorised representative of Beijing Media Corporation Limited (北青傳媒股份有公司) (stock code: 1000) since March 2010; the company secretary and authorised representative of Yuanda China Holdings Limited (遠大中國控股有限公司) (stock code: 2789) since June 2012; the independent non-executive directors of Realord Group Holdings Limited (偉祿集團控股有限公司) (stock code: 1196) since June 2014; the company secretary and authorised representative of Haichang Holdings Ltd. (海昌控股有限公司) (stock code: 2255) from March 2014 to March 2015; the company secretary of Group Sense (International) Limited (權智(國際)有限公司) (stock code: 601) from August 2014 to August 2015; the company secretary and authorised representative of Vale S.A. (淡水河谷) (stock code: 6210 for Common Depositary Receipts and 6230 for Class A Preferred Depositary Receipts) from 2010 to 2016, all of which are listed companies in Hong Kong, except that Vale S.A. was delisted from the Hong Kong Stock Exchange in July 2016.

## Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

## Purchase, Sale or Redemption of the Company's Shares

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company (for the six months ended 30 June 2016: nil).

# Interim Condensed Consolidated Statement of Profit or Loss

*Six months ended 30 June 2017*

| | *Notes* | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|---|
| **REVENUE** | *4* | **1,200,529** | 859,455 |
| Cost of sales | | **(803,697)** | (586,727) |
| **Gross profit** | | **396,832** | 272,728 |
| Other income and gains | *4* | **87,653** | 81,761 |
| Selling and distribution expenses | | **(114,676)** | (107,035) |
| Administrative expenses | | **(150,985)** | (160,338) |
| Other expenses | | **(32,715)** | (138,979) |
| Finance costs | *6* | **(1,778)** | (960) |
| **Profit/(loss) before tax** | *5* | **184,331** | (52,823) |
| Income tax expense | *7* | **(52,773)** | 11,977 |
| **PROFIT/(LOSS) FOR THE PERIOD** | | **131,558** | (40,846) |
| Attributable to: | | | |
| Owners of the parent | | **131,961** | (36,027) |
| Non-controlling interests | | **(403)** | (4,819) |
| | | **131,558** | (40,846) |
| **EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic (RMB Yuan) | *8* | **0.04** | (0.01) |
| Diluted (RMB Yuan) | *8* | **0.04** | (0.01) |

# Interim Condensed Consolidated Statement of Comprehensive Income

*Six months ended 30 June 2017*

| | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|
| **PROFIT/(LOSS) FOR THE PERIOD** | **131,558** | (40,846) |
| **OTHER COMPREHENSIVE (LOSS)/INCOME** | | |
| *Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:* | | |
| Exchange differences on translation of foreign operations | **(1,809)** | 2,256 |
| **Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods** | **(1,809)** | 2,256 |
| **OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX** | **(1,809)** | 2,256 |
| **TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAX** | **129,749** | (38,590) |
| Attributable to: | | |
| Owners of the parent | **130,152** | (33,771) |
| Non-controlling interests | **(403)** | (4,819) |
| | **129,749** | (38,590) |

# Interim Condensed Consolidated Statement of Financial Position

*30 June 2017*

| | Notes | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 9 | **2,745,983** | 2,756,773 |
| Prepaid land lease payments | 10 | **671,693** | 679,438 |
| Goodwill | 11 | **1,129,520** | 1,129,520 |
| Intangible assets | 12 | **10,533** | 21,366 |
| Trade receivables | 15 | **63,517** | 81,996 |
| Available-for-sale investment | 13 | **10,636** | 10,636 |
| Non-current prepayments | 16 | **999,383** | 736,305 |
| Deferred tax assets | 17 | **447,139** | 476,692 |
| Total non-current assets | | **6,078,404** | 5,892,726 |
| **CURRENT ASSETS** | | | |
| Inventories | 14 | **992,307** | 915,140 |
| Trade receivables | 15 | **1,525,100** | 1,556,871 |
| Bills receivable | 15 | **381,362** | 213,315 |
| Prepayments, deposits and other receivables | 16 | **353,790** | 310,665 |
| Available-for-sale financial investments | 18 | **390,000** | 390,000 |
| Pledged deposits | 19 | **23,838** | 27,200 |
| Cash and cash equivalents | 19 | **1,073,178** | 833,162 |
| Total current assets | | **4,739,575** | 4,246,353 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 20 | **1,059,693** | 955,559 |
| Other payables and accruals | 21 | **990,949** | 944,138 |
| Interest-bearing bank and other borrowings | 22 | **3,561** | – |
| Tax payable | | **298,073** | 289,509 |
| Provision for warranties | 23 | **7,566** | 9,485 |
| Government grants | 24 | **81,362** | 69,800 |
| Total current liabilities | | **2,441,204** | 2,268,491 |
| **NET CURRENT ASSETS** | | **2,298,371** | 1,977,862 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **8,376,775** | 7,870,588 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | 17 | **24,700** | 20,160 |
| Interest-bearing bank and other borrowings | 22 | **588,606** | 161,422 |
| Government grants | 24 | **1,499,584** | 1,554,870 |
| Total non-current liabilities | | **2,112,890** | 1,736,452 |
| Net assets | | **6,263,885** | 6,134,136 |

# Interim Condensed Consolidated Statement of Financial Position

*30 June 2017*

| | Notes | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | *25* | **302,214** | 302,214 |
| Reserves | | **5,905,117** | 5,774,965 |
| | | **6,207,331** | 6,077,179 |
| **Non-controlling interests** | | **56,554** | 56,957 |
| Total equity | | **6,263,885** | 6,134,136 |

Director: Qi Jian

Director: Zhang Zhihong

# Interim Condensed Consolidated Statement of Changes in Equity

*Six months ended 30 June 2017*

| | Attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | | | | | | | | | | | |
| | Ordinary shares RMB'000 (note 25) | Convertible preference shares RMB'000 (note 25) | Share premium account RMB'000 | Contributed surplus RMB'000 | Share option reserve RMB'000 (note 26) | Reserve funds RMB'000 | Exchange fluctuation reserve RMB'000 | Capital redemption reserve* RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2017 (Audited) | 264,366 | 37,848 | 2,239,502 | 1,332,316 | 13,850 | 372,857 | (35,231) | 5,744 | 1,845,927 | 6,077,179 | 56,957 | 6,134,136 |
| Profit/(loss) for the period | - | - | - | - | - | - | - | - | 131,961 | 131,961 | (403) | 131,558 |
| Other comprehensive income for the period: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | (1,809) | - | - | (1,809) | - | (1,809) |
| Total comprehensive (loss)/income for the period | - | - | - | - | - | - | (1,809) | - | 131,961 | 130,152 | (403) | 129,749 |
| At 30 June 2017 (Unaudited) | 264,366 | 37,848 | 2,239,502# | 1,332,316# | 13,850# | 372,857# | (37,040)# | 5,744# | 1,977,888# | 6,207,331 | 56,554 | 6,263,885 |

# These reserve accounts comprise the consolidated reserves of RMB5,905,117,000 (31 December 2016: RMB5,774,965,000) in the interim condensed consolidated statement of financial position.

* Capital redemption reserve represents the nominal amount of the shares repurchased and cancelled.

# Interim Condensed Consolidated Statement of Changes in Equity

*Six months ended 30 June 2017*

| | Attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | | | | | | | | | | | |
| | Ordinary shares RMB'000 (note 25) | Convertible preference shares RMB'000 (note 25) | Share premium account RMB'000 | Contributed surplus RMB'000 | Share option reserve RMB'000 (note 26) | Reserve funds RMB'000 | Exchange fluctuation reserve RMB'000 | Capital redemption reserve* RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2016 (Audited) | 264,366 | 37,848 | 2,239,502 | 1,332,316 | 12,510 | 372,857 | (37,339) | 5,744 | 2,490,302 | 6,718,106 | 70,862 | 6,788,968 |
| Loss for the period | – | – | – | – | – | – | – | – | (36,027) | (36,027) | (4,819) | (40,846) |
| Other comprehensive income for the period: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | – | 2,256 | – | – | 2,256 | – | 2,256 |
| Total comprehensive income/(loss) for the period | – | – | – | – | – | – | 2,256 | – | (36,027) | (33,771) | (4,819) | (38,590) |
| Share-based payments | – | – | – | – | 783 | – | – | – | – | 783 | – | 783 |
| Transfer from retained profits | – | – | – | – | – | 5,721 | – | – | (5,721) | – | – | – |
| At 30 June 2016 (Unaudited) | 264,366 | 37,848 | 2,239,502 | 1,332,316 | 13,293 | 378,578 | (35,083) | 5,744 | 2,448,554 | 6,685,118 | 66,043 | 6,751,161 |

# Interim Condensed Consolidated Statement of Cash Flows

*Six months ended 30 June 2017*

| | Note | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|---|
| Net cash flows from operating activities | | **158,908** | 1,010,653 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | **7,511** | 2,786 |
| Purchases of items of property, plant and equipment | | **(69,426)** | (79,454) |
| Payment for consideration of acquired subsidiaries | | **–** | (114,834) |
| Proceeds from disposal of items of property, plant and equipment | | **7,195** | 32,148 |
| Proceeds of disposal of non-current assets classified as held for sale | | **–** | 20,000 |
| Prepayment for prepaid land lease payments | | **(263,078)** | – |
| Receipt of government grants | | **–** | 5,000 |
| Net cash flows used in investing activities | | **(317,798)** | (134,354) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Borrowings from National Development Fund | | **–** | 160,000 |
| Repayment of borrowings from a fellow subsidiary | | **(31,614)** | (607,992) |
| New bank loans | | **429,789** | 77,184 |
| Repayment of bank loans | | **–** | (46,959) |
| Decrease of pledged deposits | | **3,362** | 2,839 |
| Interest paid | | **(822)** | (486) |
| Net cash flows from/(used in) financing activities | | **400,715** | (415,414) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **241,825** | 460,885 |
| Effect of foreign exchange rate changes, net | | **(1,809)** | 2,256 |
| Cash and cash equivalents at beginning of period | | **833,162** | 522,796 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **1,073,178** | 985,937 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 19 | **1,073,178** | 985,937 |
| | | **1,073,178** | 985,937 |

## 1. Corporate Information

Sany Heavy Equipment International Holdings Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 23 July 2009. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business of the Company is located at No.25, 16 Kaifa Road, Economic and Technological Development Area, Shenyang City, Liaoning Province, the People's Republic of China (the "PRC"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of roadheader, combined coal mining unit ("CCMU"), mining transport equipment (including underground and surface), port machinery, spare parts and the provision of related service in Mainland China.

In the opinion of the directors of the Company (the "Directors"), as at the date of these interim condensed consolidated financial statements, the immediate holding company and the ultimate holding company of the Company are Sany Hongkong Group Limited ("Sany HK"), a company incorporated in Hong Kong, and Sany Heavy Equipment Investments Company Limited ("Sany BVI"), a company incorporated in the British Virgin Islands, respectively.

## 2.1 Basis of Preparation

The interim condensed consolidated financial statements for six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

## 2.2 Changes In Accounting Policies and Disclosures

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of the revised International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations that the Group has adopted for the first time for the current period as disclosed below.

| | |
|---|---|
| Amendments to IAS 7 | *Disclosure Initiative* |
| Amendments to IAS 12 | *Recognition of Deferred Tax Assets Under Unrealised Losses* |
| *Annual Improvements 2014-2016 Cycle* | Amendments to IFRS12 |

The adoption of these revised IFRSs has no significant effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

## 2.3 Issued but not yet Effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the interim condensed consolidated financial statements:

| | |
|---|---|
| Amendments to IFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to IFRS 4 | *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1] |
| IFRS 9 | *Financial Instruments*[1] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*[3] |
| IFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to IFRS 15 | *Revenue from Contracts with Customers (Clarifications to IFRS 15)*[1] |
| IFRS 16 | *Leases*[2] |
| IFRIC 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| Amendments to IAS 40 | *Transfers of Investment Property*[1] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to IFRS1 and IAS28[1] |
| IFRIC23 | *Uncertainty over Income Tax Treatments*[2] |
| IFRS17 | *Insurance Contracts*[4] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption
4 Effective for annual periods beginning on or after 1 January 2021

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not in a position to state whether these new and revised IFRSs will have a significant impact on the Group's results of operations and financial position.

## 3. Operating Segment Information

For management purposes, the Group operates in two business units based on its products, and has two reportable operating segments as follows:

### (a) Coal mining equipment segment

The coal mining equipment segment engages in the production and sale of roadheader, CCMU, mining transport equipment (including underground and surface), spare parts and the provision of related services; and

### (b) Port machinery segment

The port machinery segment engages in the production and sale of large-size port machinery (including gantry crane, ship to shore crane and yard crane) and small-size port machinery (including reach stacker, empty container handler and heavy duty forklift truck), spare parts and the provision of related services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, deferred tax liabilities, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

## 3. Operating Segment Information (continued)

| | Coal mining equipment RMB'000 | Port machinery RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Period ended 30 June 2017 (Unaudited)** | | | |
| **Segment revenue** | | | |
| Sales to customers | 532,070 | 668,459 | 1,200,529 |
| Other revenue | 48,399 | 22,575 | 70,974 |
| Revenue from operations | 580,469 | 691,034 | 1,271,503 |
| **Segment results** | 36,446 | 132,984 | 169,430 |
| Interest income | | | 16,679 |
| Finance costs | | | (1,778) |
| Profit before tax | | | 184,331 |
| Income tax expense | | | (52,773) |
| Profit for the period | | | 131,558 |
| **Segment assets** | 7,024,369 | 4,061,518 | 11,085,887 |
| *Reconciliation:* | | | |
| Elimination of intersegment receivables | | | (1,812,063) |
| Corporate and other unallocated assets | | | 1,544,155 |
| Total assets | | | 10,817,979 |
| **Segment liabilities** | 1,438,677 | 4,174,918 | 5,613,595 |
| *Reconciliation:* | | | |
| Elimination of intersegment payables | | | (1,812,063) |
| Corporate and other unallocated liabilities | | | 752,562 |
| Total liabilities | | | 4,554,094 |
| **Other segment information:** | | | |
| Depreciation and amortisation | 85,190 | 39,582 | 124,772 |
| Capital expenditure* | 69 | 363,361 | 363,430 |
| Gain on disposal of items of property, plant and equipment | 2,247 | – | 2,247 |
| Impairment losses recognised in profit or loss | – | 30,526 | 30,526 |

* Capital expenditure consists of additions to property, plant and equipment and prepayment for a piece of land included in "non-current prepayments" in the interim condensed consolidated statement of financial position.

## 3. Operating Segment Information (continued)

| | Coal mining equipment RMB'000 | Port machinery RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Period ended 30 June 2016 (Unaudited)** | | | |
| **Segment revenue** | | | |
| Sales to customers | 386,221 | 473,234 | 859,455 |
| Other revenue | 9,669 | 72,092 | 81,761 |
| Revenue from operations | 395,890 | 545,326 | 941,216 |
| **Segment results** | (186,850) | 132,201 | (54,649) |
| Interest income | | | 2,786 |
| Finance costs | | | (960) |
| Loss before tax | | | (52,823) |
| Income tax expense | | | 11,977 |
| Loss for the period | | | (40,846) |
| **Segment assets** | 7,243,512 | 3,540,262 | 10,783,774 |
| *Reconciliation:* | | | |
| Elimination of intersegment receivables | | | (1,661,099) |
| Corporate and other unallocated assets | | | 1,430,488 |
| Total assets | | | 10,553,163 |
| **Segment liabilities** | 1,523,130 | 3,421,636 | 4,944,766 |
| *Reconciliation:* | | | |
| Elimination of intersegment payables | | | (1,661,099) |
| Corporate and other unallocated liabilities | | | 518,335 |
| Total liabilities | | | 3,802,002 |
| **Other segment information:** | | | |
| Depreciation and amortisation | 80,466 | 14,766 | 95,232 |
| Capital expenditure* | 4,302 | 98,787 | 103,089 |
| Loss on disposal of items of property, plant and equipment | 1,522 | 17 | 1,539 |
| Impairment losses recognised in profit or loss | 133,743 | 1,377 | 135,120 |

### Geographical information

As the revenue from individual foreign country did not exceed 10% of the Group's revenue, over 89% of which is derived from customers based in Mainland China, and most of the Group's identifiable assets and liabilities are located in Mainland China, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

## 3. Operating Segment Information (continued)

### Information about major customers

Revenue of approximately RMB47,717,000 for the six months ended 30 June 2016 was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer. No such revenue incurred for the six months ended 30 June 2017.

Revenue of approximately RMB161,015,000 (six months ended 30 June 2016: RMB394,022,000) was derived from sales to a fellow subsidiary, including sales to a group of entities which are known to be under common control with that customer.

## 4. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold and services rendered, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2017 RMB'000 (Unaudited)** | 2016 RMB'000 (Unaudited) |
| **Revenue** | | |
| Sale of goods | **1,185,179** | 850,770 |
| Rendering of services | **15,350** | 8,685 |
| | **1,200,529** | 859,455 |
| **Other income** | | |
| Interest income | **16,679** | 2,786 |
| Government grants | **63,517** | 75,346 |
| Others | **5,210** | 3,629 |
| | **85,406** | 81,761 |
| **Gains** | | |
| Gain on disposal of items of property, plant and equipment | **2,247** | – |
| | **87,653** | 81,761 |

## 5. Profit/(Loss) before Tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

| | Notes | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|---|
| Cost of inventories sold | | **716,417** | 450,687 |
| Cost of services provided | | **87,280** | 126,853 |
| Depreciation | 9 | **106,194** | 76,262 |
| Amortisation of land lease prepayments** | 10 | **7,745** | 7,546 |
| Amortisation of intangible assets** | 12 | **10,833** | 11,424 |
| Auditors' remuneration | | **430** | 430 |
| Reversal of warranties, net* | 23 | **(85)** | (919) |
| Research and development costs** | | **45,400** | 54,880 |
| Minimum lease payments under operating leases: | | **4,279** | 2,962 |
| Employee benefit expenses (including directors and chief executive's remuneration): | | | |
| Wages and salaries | | **118,704** | 98,533 |
| Share-based payment | | **–** | 783 |
| Pension scheme contributions | | **11,073** | 5,006 |
| Other staff welfare | | **5,370** | 2,378 |
| | | **135,147** | 106,700 |
| Foreign exchange differences, net*** | | **3,456** | 233 |
| Impairment of trade receivables*** | 15 | **28,439** | 125,676 |
| Impairment of other receivables*** | | **285** | 257 |
| Loss from sale of scrap materials*** | | **533** | – |
| Provision against slow-moving and obsolete inventories# | | **1,802** | 9,187 |
| (Gain)/loss on disposal of items of property, plant and equipment*** | | **(2,247)** | 1,539 |

* Included in "Selling and distribution expenses" in the interim condensed consolidated statement of profit or loss.

** Included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss.

*** Included in "Other income and gains" or "Other expenses" in the interim condensed consolidated statement of profit or loss.

\# Included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

## 6. Finance Costs

| | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|
| Interest on interest-bearing bank and other borrowings | **956** | 715 |
| Interest on discounted bills | **822** | – |
| Interest on documentary bills | **–** | 245 |
| | **1,778** | 960 |

## 7. Income Tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China were subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the year ended 30 June 2017.

Two (2016: Three) of the Group's principal operating companies, Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") and Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry"), were recognised as the High and New Technology Enterprise and were therefore subject to CIT at a rate of 15% for six months ended 30 June 2017.

| | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|
| Current – Mainland China | | |
| Charge for the period | **18,680** | (45,978) |
| Deferred | **34,093** | 34,001 |
| Total tax charge/(credit) for the period | **52,773** | (11,977) |

## 8. Earnings/(Loss) per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share is based on the profit for six months ended 30 June 2017 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (six months ended 30 June 2016: 3,041,025,000) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for six months ended 30 June 2017 attributable to ordinary equity holders of the parent, adjusted to reflect the preferred distribution on the convertible preference shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings/loss per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

| | Six months ended 30 June | |
|---|---|---|
| | **2017 RMB'000 (Unaudited)** | 2016 RMB'000 (Unaudited) |
| **Earnings/(loss)** | | |
| Earnings/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation | **131,961** | (36,027) |
| Preferred distribution to the convertible preference shares | **24** | 24 |
| Earnings/(loss) attributable to ordinary equity holders of the parent, used in the diluted earnings/(loss) per share calculation | **131,985** | (36,003) |

| | Number of shares | |
|---|---|---|
| | **30 June 2017 (Unaudited)** | 30 June 2016 (Unaudited) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation | **3,041,025,000** | 3,041,025,000 |
| Effect of dilution – convertible preference shares | **479,781,034** | 479,781,034 |
| Weighted average number of ordinary shares used in the diluted earnings/(loss) per share calculation | **3,520,806,034** | 3,520,806,034 |

The Company's share options have no dilution effect for six months ended 30 June 2017 and 2016 as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/loss per share amounts presented.

## 9. Property, Plant and Equipment

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Carrying amount at 1 January | **2,756,773** | 2,732,946 |
| Additions | **100,352** | 222,693 |
| Disposals | **(4,948)** | (38,469) |
| Depreciation charged for the period/year | **(106,194)** | (160,397) |
| Carrying amount at 30 June/31 December | **2,745,983** | 2,756,773 |

Assets with a net book value of RMB4,948,000 were disposed of by the Group during six months ended 30 June 2017 (six months ended 30 June 2016: RMB33,687,000), resulting in a net profit on disposal of RMB2,247,000 (six months ended 30 June 2016: a net loss of RMB1,539,000).

The Group's buildings are located in Mainland China.

Certificates of ownership in respect of buildings of the Group with a net carrying amount of approximately RMB563,732,000 as at 30 June 2017 (31 December 2016: RMB580,448,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

## 10. Prepaid Land Lease Payments

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Carrying amount at 1 January | **694,930** | 710,422 |
| Recognised during the period/year | **(7,745)** | (15,492) |
| Carrying amount at 30 June/31 December | **687,185** | 694,930 |
| Current portion included in prepayments, deposits and other receivables | **(15,492)** | (15,492) |
| Non-current portion | **671,693** | 679,438 |

## 10. Prepaid Land Lease Payments (continued)

On 22 February 2012, Sany Marine Heavy Industry, a subsidiary of the Group, entered into an agreement with China Zhuhai Government to purchase two parcels of land (the "Agreement"), which are situated in Mainland China and held under a medium term lease.

As at 30 June 2017, Sany Marine Heavy Industry has received one parcel of land with a carrying amount of approximately RMB238,806,000 and acquired the land use right certificate. Another parcel of land, acquired at a consideration of RMB544,665,000, has not yet been provided to Sany Marine Heavy Industry by China Zhuhai Government up to the date of these financial statements.

According to the Agreement, the total investment in these two parcels of land shall be no less than RMB5.1 billion in 2 years after the parcels of land are provided. As at 30 June 2017, the Group has invested RMB1,523,010,000 and the remaining investment of RMB3,598,391,000 was a capital commitment as disclosed in note 29. In the event that Sany Marine Heavy Industry fails to meet such investment commitment, Sany Marine Heavy Industry should bear a penalty for breach of contract which is calculated based on the actual shortage in percentage of the total investment multiplied by the total consideration for the land. In the opinion of the Directors, Sany Marine Heavy Industry strictly abides by the terms of the Agreement and no breach of any terms in the Agreement was noted up to the date of approval of these financial statements.

## 11. Goodwill

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Carrying amount at 30 June/31 December | **1,129,520** | 1,129,520 |

## 12. Intangible Assets

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Carrying amount at 1 January | **21,366** | 44,218 |
| Amortised during the period/year | **(10,833)** | (22,852) |
| Carrying amount at 30 June/31 December | **10,533** | 21,366 |

## 13. Available-for-sale Investment

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Unlisted equity investment, at cost less impairment | **10,636** | 10,636 |

The unlisted equity investment of the Group is not stated at fair value but at cost less any accumulated impairment losses, because it does not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. The Group does not intend to dispose of it in the near future.

## 14. Inventories

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Raw materials | **506,047** | 494,612 |
| Work in progress | **350,058** | 263,443 |
| Finished goods | **484,162** | 512,709 |
| | **1,340,267** | 1,270,764 |
| Less: provision against slow-moving and obsolete inventories | **(347,960)** | (355,624) |
| | **992,307** | 915,140 |

## 15. Trade and Bills Receivables

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Trade receivables | **2,401,567** | 2,445,963 |
| Impairment | **(812,950)** | (807,096) |
| | **1,588,617** | 1,638,867 |
| Less: Trade receivables due after one year | **(63,517)** | (81,996) |
| | **1,525,100** | 1,556,871 |
| Bills receivable | **381,362** | 213,315 |

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At 30 June 2017, the Group had certain concentrations of credit risk as 27% (31 December 2016: 34%) of the Group's trade receivables were due from a single customer, including a group of entities which are known to be under common control with that customer. Included in the trade receivables was an amount due from fellow subsidiaries in aggregate of RMB427,293,000 as at 30 June 2017 (31 December 2016: RMB515,503,000) for sales of products by the Group, which accounted for 28% (31 December 2016: 25%) of the Group's trade receivables at the end of the reporting period. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Within 180 days | **601,723** | 645,072 |
| 181 to 365 days | **394,416** | 179,762 |
| 1 to 2 years | **264,545** | 486,262 |
| 2 to 3 years | **201,980** | 271,852 |
| Over 3 years | **125,953** | 55,919 |
| | **1,588,617** | 1,638,867 |

## 15. Trade and Bills Receivables (continued)

The movements in the provision for impairment of trade receivables are as follows:

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| At 1 January | 807,096 | 443,887 |
| Impairment losses recognised | 28,439 | 462,113 |
| Amount written off as uncollectible | (22,585) | (98,904) |
| At 30 June/31 December | 812,950 | 807,096 |

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Neither past due nor impaired | 1,037,908 | 934,373 |
| Past due but not impaired: | | |
| Within 1 year past due | 285,470 | 382,731 |
| 1 to 2 years past due | 143,942 | 243,511 |
| Over 2 years past due | 121,297 | 78,252 |
| Total | 1,588,617 | 1,638,867 |

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The Directors are of the opinion that no provision for impairment is necessary in respect of these balances as they were subsequently settled before the date of these financial statements or there has not been a significant change in credit quality and the balances are still considered fully recoverable based on past experience. Included in the balances which were past due but not impaired, the Group holds collaterals over balances due from certain customers amounting to RMB50,652,000 as at 30 June 2017 (31 December 2016: RMB60,824,000).

## 15. Trade and Bills Receivables (continued)

The maturity profile of the bills receivable of the Group as at the end of the reporting period is as follows:

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Within six months | **346,432** | 201,937 |
| Over six months | **34,930** | 11,378 |
| | **381,362** | 213,315 |

Included in the bills receivable was an amount of RMB12,586,000 as at 30 June 2017 (31 December 2016: RMB6,500,000) which was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

### Transfer of financial assets that are not derecognised in their entirety

At 30 June 2017, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB81,492,000 (31 December 2016: RMB53,833,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was RMB81,492,000 (31 December 2016: RMB53,833,000) as at 30 June 2017.

### Transfer of financial assets that are derecognised in their entirety

At 30 June 2017, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB313,385,000 (31 December 2016: RMB266,041,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

## 16. Prepayments, Deposits and Other Receivables

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Non-current prepayments | **999,383** | 736,305 |
| Current assets: | | |
| Prepayments | **118,711** | 117,424 |
| Deposits and other receivables | **156,210** | 136,450 |
| Loans to third parties | **138,997** | 116,634 |
| Gross balance | **413,918** | 370,508 |
| Impairment | **(60,128)** | (59,843) |
| | **353,790** | 310,665 |

Non-current prepayments represent prepayment for the acquisition of land and property, plant and equipment. On 5 June 2017, a subsidiary of the Group, Sany Marine Heavy Industry, entered into an agreement with China Zhuhai Government to purchase a parcel of land at a consideration of RMB624,999,500, RMB263,078,500 of which has been prepaid to China Zhuhai Government as at 30 June 2017.

Included in the current prepayments was an amount of RMB392,000 as at 30 June 2017 (31 December 2016: RMB62,000) due from fellow subsidiaries for purchasing raw materials by the Group. Included in other receivables was an amount due from fellow subsidiaries of RMB70,454,000 as at 30 June 2017 (31 December 2016: RMB56,952,000), which is non-interest-bearing and has no fixed terms of repayment.

Loans to third parties of RMB85,097,000 as at 30 June 2017 (31 December 2016: RMB62,734,000) are unsecured, repayable within one year and bearing interest at the prevailing market rate.

## 17. Deferred Tax

### Deferred tax assets

| | Deductible temporary differences RMB'000 | Losses available for offsetting against future taxable profits RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2016 (Audited) | 400,540 | 62,980 | 463,520 |
| Credited to the consolidated statement of profit or loss | 27,858 | 41,456 | 69,314 |
| Utilised | – | (56,142) | (56,142) |
| At 31 December 2016 and 1 January 2017 (Audited) | 428,398 | 48,294 | 476,692 |
| Charged to the interim condensed consolidated statement of profit or loss (note 7) | (12,098) | (17,455) | (29,553) |
| At 30 June 2017 (Unaudited) | 416,300 | 30,839 | 447,139 |

### Deferred tax liabilities

| | Withholding taxes on dividend RMB'000 | Fair value adjustments arising from acquisition of subsidiaries RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2016 (Audited) | 14,851 | 1,436 | 16,287 |
| Charged/(credited) to the consolidated statement of profit or loss | 3,902 | (29) | 3,873 |
| At 31 December 2016 and 1 January 2017 (Audited) | 18,753 | 1,407 | 20,160 |
| Charged/(credited) to the interim condensed consolidated statement of profit or loss (note 7) | 4,555 | (15) | 4,540 |
| At 30 June 2017 (Unaudited) | 23,308 | 1,392 | 24,700 |

## 17. Deferred Tax (continued)

### Deferred tax liabilities (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 30 June 2017, the Group has not recognised deferred tax liabilities of RMB70,084,000 (31 December 2016: RMB61,410,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB1,049,981,000 (31 December 2016: RMB960,243,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

## 18. Available-for-Sale Financial Investments

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Available-for-sale financial investments | **390,000** | 390,000 |

Available-for-sale financial investments in financial products were purchased from a third party in Mainland China at a total consideration of RMB390,000,000 in 2016. The available-for-sale financial investments were measured at amortised cost, which bears interest at a fixed rate of 3.83% per annum and the principal is guaranteed. The available-for-sale financial investments will mature in July 2017.

## 19. Cash and Cash Equivalents, Time Deposits and Pledged Deposits

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Cash and cash equivalents | **1,073,178** | 833,162 |
| Time deposits | **23,838** | 27,200 |
| | **1,097,016** | 860,362 |
| Less: Pledged time deposits for banking facilities | **(23,838)** | (27,200) |
| Cash and cash equivalents | **1,073,178** | 833,162 |
| Cash and cash equivalents, time deposits and pledged deposits denominated in | | |
| – RMB | **650,655** | 832,026 |
| – European dollars ("EUR$") | **426,910** | – |
| – United States dollars ("US$") | **19,171** | 27,726 |
| – Hong Kong dollars ("HK$") | **280** | 610 |
| | **1,097,016** | 860,362 |

At the end of the reporting period, the cash and bank balances of the Group were denominated in RMB, EUR$, US$ and HK$. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Pledged bank deposits represent balances pledged to banks for the issuance of the Group's bills payable and letters of credits.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 20. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Within 30 days | 261,962 | 257,432 |
| 31 to 90 days | 469,329 | 349,348 |
| 91 to 180 days | 209,513 | 235,606 |
| 181 to 365 days | 46,073 | 40,883 |
| Over 1 year | 72,816 | 72,290 |
| | 1,059,693 | 955,559 |

The trade payables are non-interest-bearing and are normally with credit terms of 30 to 120 days.

The bills payable are all due within 180 days.

Included in the trade and bills payables was an amount due to fellow subsidiaries in aggregate of RMB132,143,000 as at 30 June 2017 (31 December 2016: RMB108,989,000) for purchasing raw materials by the Group.

## 21. Other Payables and Accruals

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Deposits received from customers | 374,227 | 465,385 |
| Other payables | 553,358 | 475,592 |
| Accruals | 63,364 | 3,161 |
| | 990,949 | 944,138 |

Included in the deposits received from customers was an amount of RMB76,509,000 as at 30 June 2017 (31 December 2016: RMB75,714,000) payable to a fellow subsidiary for the purchase of products. Included in the other payables was an amount due to fellow subsidiaries in aggregate of RMB10,053,000 as at 30 June 2017 (31 December 2016: RMB102,731,000), which is non-interest-bearing and has no fixed terms of repayment.

## 22. Interest-Bearing Bank and Other Borrowings

| | 30 June 2017 (Unaudited) | | | 31 December 2016 (Audited) | | |
|---|---|---|---|---|---|---|
| | Effective interest rate (%) | Maturity | RMB'000 | Effective interest rate (%) | Maturity | RMB'000 |
| **Current** | | | | | | |
| Bank loans – unsecured | 2-3 | 2017 | 3,561 | | | – |
| **Non-current** | | | | | | |
| Bank loans – secured | 0.6 | 2019 | 426,228 | | | – |
| Other borrowings – unsecured | 1.18 | 2020-2026 | 162,378 | 1.18 | 2020-2026 | 161,422 |
| | | | 588,606 | | | 161,422 |

(a) A fellow subsidiary of the Group has guaranteed certain of the Group's bank loans of RMB165,939,000 as at 30 June 2017 (31 December 2016: RMB161,422,000).

(b) Certain of the Group's Standby Letter of Credit has been pledged for the Group's bank loans of RMB426,228,000 at the end of the reporting period (31 December 2016: Nil).

(c) The non-current bank loans of RMB426,228,000 are denominated in Euro, and the current bank loan of RMB3,561,000 and other borrowings of RMB162,378,000 are denominated in RMB.

(d) On 8 March 2016, two subsidiaries of the Group, Sany Marine Heavy Industry and Sany Marine Industry International Holdings Co., Ltd., one fellow subsidiary of the Group, Sany Group Co., Ltd. and National Development Fund Co., Ltd. ("National Development Fund") entered into an investment agreement, pursuant to which National Development Fund agreed to invest an amount of RMB160 million (the "Investment") in Sany Marine Heavy Industry, which bears interest at a fixed rate of 1.2% per annum. This agreement will expire in 2026. According to the Investment Agreement, National Development Fund does not appoint any director to Sany Marine Heavy Industry and has no right to influence the daily operation of Sany Marine Heavy Industry. National Development Fund has the right to adopt any of three different approaches of exit upon and after 13 March 2019. Further details of the Investment have been set out in the announcements of the Company dated 8 March 2016 and 21 March 2016 and the circular of the Company dated 6 May 2016.

On 14 March 2016, the Group received the amount of RMB160 million in cash from National Development Fund. According to a valuation report issued by an independent third party valuer on 18 March 2016, the Investment subscribed for 14.56% of the enlarged registered capital of Sany Marine Heavy Industry. In the opinion of the Directors, the Investment was recorded as financial liability of the Group. As at 30 June 2017, the registration with the relevant authorities in the PRC for the change in shareholding of Sany Marine Heavy Industry was still in process.

## 22. Interest-Bearing Bank and Other Borrowings (continued)

The balance of borrowings from National Development Fund was as follows:

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Amounts repayable: | | |
| In the third to fifth years, inclusive | **7,680** | 7,680 |
| Beyond five years | **168,640** | 168,640 |
| Total payables | **176,320** | 176,320 |
| Future finance charge | **(13,942)** | (14,898) |
| Net borrowing balance | **162,378** | 161,422 |

## 23. Provision for Warranties

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| At 1 January | **9,485** | 14,148 |
| Provided for the period/year | **724** | 9,485 |
| Reversal for the period/year | **(809)** | (9,631) |
| Amounts utilised during the period/year | **(1,834)** | (4,517) |
| At 30 June/31 December | **7,566** | 9,485 |

The Group provides warranties (one-year for coal mining machinery, and two-year or 4000 hours during usage which is earlier for port machinery) for repair and maintenance of the products sold to its customers. The amount of the warranty provision is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised when appropriate.

## 24. Government Grants

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| At 1 January | **1,624,670** | 1,647,998 |
| Grants received during the period/year | **19,793** | 126,927 |
| Recognised as income during the period/year | **(63,517)** | (150,255) |
| At 30 June/31 December | **1,580,946** | 1,624,670 |
| Current portion | **(81,362)** | (69,800) |
| Non-current portion | **1,499,584** | 1,554,870 |

## 25. Share Capital

| | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Authorised: | | |
| 4,461,067,880 (31 December 2016: 4,461,067,880) ordinary shares of HK$0.10 each | **446,107** | 446,107 |
| 538,932,120 (31 December 2016: 538,932,120) convertible preference shares of HK$0.10 each | **53,893** | 53,893 |
| Total authorised capital | **500,000** | 500,000 |
| Issued and fully paid: | | |
| 3,041,025,000 (31 December 2016: 3,041,025,000) ordinary shares of HK$0.10 each | **304,103** | 304,103 |
| 479,781,034 (31 December 2016: 479,781,034) convertible preference shares of HK$0.10 each | **47,978** | 47,978 |
| Total issued and fully paid capital | **352,081** | 352,081 |
| Equivalent to RMB'000 | **302,214** | 302,214 |

## 26. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive directors and other employees of the Group. The Scheme became effective on 26 February 2013 (the "Date of Grant"). The fair value of the share options at the time of grant was HK$28,671,200 (HK$1.22 each) (equivalent to RMB23,501,000). As the Group had not achieved the required performance target according to the Scheme in the prior years, all share options granted were lapsed as at 31 December 2016 and the remaining share option expense of HK$1,569,000 (equivalent to RMB1,340,000) was recognised during year 2016. Accordingly, no share option expenses was recognized in profit or loss during the current period.

## 27. Contingent Liabilities

(a) Hunan Sany Port Equipment enters into sales agreements with the end-user customers directly on the sales of port machinery. The end-user customers usually enter into equipment mortgage loan agreements with banks to obtain funding to pay for the port equipment, using the port equipment as collateral. As the seller, Hunan Sany Port Equipment is usually required to enter into a separate agreement with banks under which it has the obligation to repay the outstanding loan from relevant banks if the end-user customers default loan repayments.

Contingent liabilities not provided for in the financial statements were as follows:

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Guarantees given to banks in connection with loans granted to customers | **5,193** | 56,109 |

(b) Hunan Sany Port Equipment sells port machineries directly to end-user customers and the end-user customers can seek assistance from two fellow subsidiaries of the Group namely China Kangfu Finance Lease Co., Ltd. (中國康富國際租賃有限公司, "Kangfu Leasing") or Hunan Zhonghong Finance Lease Co., Ltd. (湖南中宏融資租賃有限公司, "Hunan Zhonghong") to obtain financing from certain third party finance lease companies (the "Leasing Companies").

In addition, Hunan Sany Port Equipment, the Leasing Companies and Kangfu Leasing or Hunan Zhonghong entered into an agreement (the "Agreement") and pursuant to the terms of the Agreement:

- Kangfu Leasing or Hunan Zhonghong and Hunan Sany Port Equipment are obliged to pay to the Leasing Companies if the end-user customers defaulted on repayments to the Leasing Companies in the manner as specified in the Agreement; and

- Hunan Sany Port Equipment is obliged to repurchase the unsettled leased amounts due by the end-user customers to the Leasing Companies, if the above parties do not fulfil their obligations in the manner as specified in the Agreement. Under such circumstances, Hunan Sany Port Equipment is also liable for the costs and related expenses.

## 27. Contingent Liabilities (continued)

(b) (continued)

The unsettled lease receivables due by the end-customers under these arrangements were as follows:

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Guarantees given to the Leasing Companies in connection with the unsettled lease amounts due from customers | **132,881** | 100,649 |

In the opinion of the Directors, the fair values of the financial guarantee contracts above are insignificant at initial recognition and the Directors consider that the probability of defaults by most of the parties involved is remote, accordingly, no provision has been made at the inception of the guarantee contracts and as at 30 June 2017 and 31 December 2016.

## 28. Operating Lease Arrangements

### (a) As lessor

The Group leases its buildings and plant under operating lease arrangements, with leases negotiated for terms ranging from six to nine years.

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Within one year | **4,657** | 4,450 |
| In the second to third years, inclusive | **4,789** | 9,307 |
| Above three years | **17,991** | 12,835 |
| | **27,437** | 26,592 |

### (b) As lessee

The Group leases certain of its dormitories, warehouses and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Within one year | **2,390** | 16 |

## 29. Commitments

In addition to the operating lease commitments as set out in note 28(b) above, the Group had the following capital commitments as at the end of the reporting period:

| | 30 June 2017 RMB'000 (Unaudited) | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Contracted, but not provided for: | | |
| Buildings | 172,513 | 200,084 |
| Plant and machinery | 3,617,722 | 3,741,689 |
| Land | 362,600 | – |
| | 4,152,835 | 3,941,773 |

## 30. Related Party Transactions

In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

### (1) Recurring transactions

| | Notes | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|---|
| Sales of products to: | | | |
| Sany Group Co., Ltd. (三一集團有限公司) | *(i)&(v)* | 148,454 | 290,973 |
| Sany International Development Limited. (三一國際發展有限公司) | *(i)&(v)* | 52,698 | 86,192 |
| Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司) | *(i)&(v)* | 5,077 | – |
| Beijing Sany Shengneng Investment Co., Ltd. (北京三一盛能投資有限公司) | *(i)&(v)* | 669 | 10,209 |
| Sany Heavy Industry Co., Ltd. (三一重工股份有限公司) | *(i)&(v)* | – | 6,648 |
| Others | *(i)&(v)* | 226 | – |
| | | 207,124 | 394,022 |

## 30. Related Party Transactions (continued)

### (1) Recurring transactions (continued)

| | Notes | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|---|
| Sales of raw materials to: | | | |
| Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司) | (i)&(v) | 3,997 | 4,409 |
| Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司) | (i)&(v) | 3,305 | 3,994 |
| Sany Northwest Heavy Industry Co., Ltd. (三一西北重工有限公司) | (i)&(v) | 2,786 | – |
| Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司) | (i)&(v) | 962 | 1,377 |
| Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司) | (i)&(v) | 877 | 4,590 |
| Beijing Sany Shengneng Investment Co., Ltd. (北京三一盛能投資有限公司) | (i)&(v) | 507 | 481 |
| Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司) | (i)&(v) | 213 | 1,234 |
| Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司) | (i)&(v) | 158 | 4,856 |
| Sany Heavy Machinery Co., Ltd. (三一重機有限公司) | (i)&(v) | 1 | 4,858 |
| Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司) | (i)&(v) | – | 562 |
| Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司) | (i)&(v) | – | 178 |
| Others | (i)&(v) | 287 | 290 |
| | | 13,093 | 26,829 |
| Purchases of raw materials from: | | | |
| Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司) | (ii)&(v) | 30,791 | 19,975 |
| Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司) | (ii)&(v) | 23,198 | 25,244 |
| Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司) | (ii)&(v) | 10,007 | 8,845 |
| Beijing sany motor system co., LTD（北京三一電機系統有限責任公司） | (ii)&(v) | 7,127 | – |
| Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司) | (ii)&(v) | 6,981 | 5,976 |
| Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司) | (ii)&(v) | 4,275 | 3,313 |
| Sany Intelligent Control Equipment Co., Ltd. (三一智能控制設備有限公司) | (ii)&(v) | 3,268 | 1,485 |
| Sany Germany GmbH (三一德國有限公司) | (ii)&(v) | 3,151 | – |
| Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司) | (ii)&(v) | 2,419 | – |
| Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司) | (ii)&(v) | 1,471 | – |
| Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司) | (ii)&(v) | 386 | 657 |
| Zhejiang Sany Foundry Co., Ltd. (浙江三一鑄造有限公司) | (ii)&(v) | 206 | 2 |
| Sany Heavy Machinery Co., Ltd. (三一重機有限公司) | (ii)&(v) | 170 | 615 |
| Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司) | (ii)&(v) | 117 | 186 |
| Beijing Sany Heavy Machinery Co., Ltd. (北京市三一重機有限公司) | (ii)&(v) | 4 | 274 |
| Sany Electric Co., Ltd. (三一電氣有限責任公司) | (ii)&(v) | – | 2,788 |
| Hong Kong Winternity International Trade Co., Ltd. (香港中興恒遠國際貿易有限公司) | (ii)&(v) | – | 920 |
| Kunshan Sany Machinery Co., Ltd. (昆山三一機械有限公司) | (ii)&(v) | – | 39 |
| Others | (ii)&(v) | 217 | 233 |
| | | 93,788 | 70,552 |

## 30. Related Party Transactions (continued)

### (1) Recurring transactions (continued)

| | Notes | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|---|
| Purchases of equipment from: | | | |
| Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司) | (ii)&(v) | 4,606 | – |
| Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司) | (ii)&(v) | 789 | – |
| Others | (ii)&(v) | 55 | – |
| | | 5,450 | – |
| Operating rental fee paid to: | | | |
| Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司) | (iii)&(v) | 3,476 | 2,222 |
| Service fee paid to: | | | |
| Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司) | (iv)&(v) | 1,946 | 2,822 |
| Hunan zhongtai equipment engineering co., LTD (湖南中泰設備工程有限公司) | (iv)&(v) | 1,388 | – |
| Sany America Inc. (三一美國有限公司) | (iv)&(v) | – | 1,430 |
| Others | (iv)&(v) | – | 146 |
| | | 3,334 | 4,398 |
| Purchases of logistics service from: | | | |
| Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司) | (iv)&(v) | 16,799 | 14,548 |

Notes:

(i) The sales to companies owned and controlled by the Controlling Shareholders* were made at prices and conditions as mutually agreed.

(ii) The purchases from companies owned and controlled by the Controlling Shareholders* were made at prices and conditions as mutually agreed.

(iii) The rentals were made at prices and conditions as mutually agreed.

(iv) The services were made at prices and conditions as mutually agreed.

(v) The above companies are owned and controlled by the Controlling Shareholders*.

* The Controlling Shareholders refer to the 15 individual shareholders: Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Zhao Xiangzhang, Duan Dawei, Wang Zuochun, Zhai Xian, Liang Linhe, Zhai Chun and Huang Jianlong, who hold 56.42%, 8.75%, 8.00%, 8.00%, 4.75%, 3.50%, 3.00%, 3.00%, 1.00%, 1.00%, 1.00%, 0.60%, 0.50%, 0.40% and 0.08% of the equity interests in Sany BVI, respectively.

In the opinion of the Directors, the above transactions were carried out in the ordinary course of business of the Group and will continue in the future.

## 30. Related Party Transactions (continued)

### (2) Non-recurring transactions

| | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|
| Acquired equipment from: | | |
| Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司) | – | 630 |
| Beijing Sany Heavy Machinery Co., Ltd. (北京市三一重機有限公司) | – | 491 |
| Sany Heavy Industry Co., Ltd. (三一重工股份有限公司) | – | 21 |
| | – | 1,142 |
| Research and development fees paid to: | | |
| Sany Germany GmbH (三一德國有限公司) | 553 | – |
| Solar energy fees paid to: | | |
| Sany Solar Energy Co., Ltd (三一太陽能有限公司) | 1,115 | – |
| Supervisor fees paid to: | | |
| Hunan Xinxiang Construction Consultation Co., Ltd. (湖南興湘建設監理諮詢有限公司) | 377 | – |
| Operating rental fee paid to: | | |
| Shenyang Zhushengyuan Real Estate Co., Ltd (瀋陽竹勝園地產有限公司) | 28 | – |
| Service fee paid to: | | |
| Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司) | 896 | – |
| Hunan Sany Construction Engineering Co., LTD. (湖南三一築工有限公司) | 127 | – |
| Sany Group Co., Ltd. (三一集團有限公司) | 72 | – |
| Sany America Inc. (三一美國有限公司) | – | 1,430 |
| Others | 24 | 17 |
| | 1,119 | 1,447 |
| Agency fee paid to: | | |
| Sany International Development Limited. (三一國際發展有限公司) | 412 | – |
| Sales of equipment to: | | |
| Sany Group Co., Ltd. (三一集團有限公司) | 81 | – |
| Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司) | 3 | – |
| Sany Heavy Machinery Co., Ltd. (三一重機有限公司) | – | 82 |
| | 84 | 82 |

## 30. Related Party Transactions (continued)

### (2) Non-recurring transactions (continued)

| | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|
| Service fees from: | | |
| Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司) | **14** | – |
| Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司) | **10** | – |
| | **24** | – |
| Purchases of logistics service from: | | |
| Sany South America Co., Ltd. (三一南美有限公司) | **407** | – |
| Purchase of Products from: | | |
| Sany Group Co., Ltd. (三一集團有限公司) | **612** | – |

The services and purchases were made at prices and conditions as mutually agreed.

### (3) Other transaction with a related party:

Sany Group Co., Ltd. has guaranteed certain interest-bearing bank and other borrowings made to the Group of up to RMB165,939,000 (31 December 2016: RMB161,422,000) as at the end of the reporting period.

### (4) Compensation of key management personnel

| | Six months ended 30 June 2017 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) |
|---|---|---|
| Salaries, allowances and benefits in kind | **1,734** | 1,975 |
| Employee retirement benefits and other staff welfare | **240** | 103 |
| Total compensation paid to key management personnel | **1,974** | 2,078 |

## 31. Fair Value Measurement

Management has assessed that the carrying amounts of the Group's financial instruments including cash and cash equivalents, pledged deposits, trade receivables, bills receivable, available-for-sale financial investments, trade and bills payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximated to their fair value as at the end of the reporting period values due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The manager reports directly to the chief financial officer and the audit committee. At each reporting date, the department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of trade receivables, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2017 was assessed to be insignificant.

### Fair value hierarchy

As at 30 June 2017, no financial asset was measured at fair value (31 December 2016: Nil).

## 32. EVENTS AFTER THE REPORTING PERIOD

In July 2017, the Group purchased financial products from a licensed bank in Mainland China, with total principal amounts of RMB410,000,000, which were guaranteed by the bank. The financial products bear variable interest return rates and will mature in three months.

## 33. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 15 August 2017.