SANYI

SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631

INTERIM REPORT 2018

Contents

Financial Summary

(RMB: '000)	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)	Increase (%)
Revenue	**2,196,043**	1,200,529	82.9
Gross profit	**710,104**	396,832	78.9
Profit before tax	**444,939**	184,331	141.4
Net profit	**358,931**	131,558	172.8
Profit attributable to owners of the parent	**357,998**	131,961	171.3
Total assets	**11,337,142**	10,817,979	4.8
Total equity	**6,220,371**	6,263,885	(0.7)
Cash flows of operating activities	**66,770**	158,908	(58.0)
Cash flows of investing activities	**(145,518)**	(314,436)	(53.7)
Cash flows of financing activities	**(290,167)**	397,353	(173.0)
Earnings per share[1]			
– Basic (RMB Yuan)	**0.12**	0.04	200.0
– Diluted (RMB Yuan)	**0.10**	0.04	150.0

(Percentage)	Six months ended 30 June 2018	2017	Increase (points)
Gross profit margin	**32.3%**	33.1%	(0.8)
Percentage of profit before tax attributable to shareholders of the Company[2]	**20.3%**	15.4%	4.9
Assets turnover	**19.5%**	11.5%	8.0
Gearing ratio	**45.1%**	42.1%	3.0
Average total assets (RMB'000)	**11,268,096**	10,478,529	7.5

1 The weighted average number of ordinary shares for the six months ended 30 June 2018 was 3,041,025,000 (six months ended 30 June 2017: 3,041,025,000), details of which are set out in note 8 to the Interim Condensed Consolidated Financial Statements.

2 Profit before tax attributable to shareholders of the Company divided by revenue.

Corporate Information

Directors

Executive Directors

Mr. Qi Jian *(Chairman)*
Mr. Fu Weizhong (appointed on 13 March 2018)
Mr. Zhang Zhihong

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. Fu Weizhong (appointed on 13 March 2018)
Mr. Zhang Zhihong
Mr. Mao Zhongwu
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
Sheung Shui
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
Minsheng Bank

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

www.sanyhe.com

Investor Relations

Ms. Tang Lin

Direct Line	:	+86 24 89318111
Fax	:	+86 24 89318111
E-mail	:	tanglin@sany.com.cn
Address	:	No. 25, 16 Kaifa Road, Shenyang Economic and Technological Development Zone, Shenyang, Liaoning Province, PRC
Postal code	:	110027

Chairman's Statement

Dear Shareholders,

In the first half of 2018, the overall economic situation of China remained sound, and the coal enterprises continued to generate profit, which in turn promoted a continued substantial growth of the energy equipment business of Sany Heavy Equipment International Holdings Company Limited (hereafter "Sany International" or the "Company"). Meanwhile, with the recovery of the global shipping industry and the rising proportion of railway containerization, the port machinery business and overseas sales of the Company also maintained a growth trend. At the same time, the Company was committed to improving the quality of its operations and greatly enhanced the product delivery capability through accelerating the transformation of intellectualization and digitalization.

The Company valued research and development innovation and talent cultivation, and continuously created new advantages in sustainable development. On one hand, we persisted in the promotion of value-orientated marketing, established brand merits and deepened the international market expansion; on the other hand, we strengthened the internal control, improved the management mechanism, optimized the production and operations, and improved the risk resistance capacity, enabling the Company to record substantial growth in its operating results in the first half of the year.

In the first half of 2018, the Company achieved a revenue of approximately RMB2.2 billion, representing an increase of approximately 82.9% against the same period last year. Net profit attributable to shareholders of the Company amounted to approximately RMB358 million, representing an increase of approximately 171.3%. As of 30 June 2018, total assets of the Company were approximately RMB11.34 billion and the net assets were approximately RMB6.22 billion with a gearing ratio of approximately 45.1%.

Since the beginning of the year, the Company has actively promoted the research and development and innovation-driven strategy, and implemented flagship products type strategy based on our recognition for the market, customers' demand and future trend of technology development. By focusing on the research and development and upgrading of "Smart Mine" and "Intelligent terminal", we adhered to the core status of research and development as well as product innovation, and continuously optimized the product structure and product performance to improve the market competitiveness of products. In the first half of the year, the Company made remarkable achievements in innovation with the launch of a number of innovative products in the market, which created new profit growth points.

In the first half of 2018, the Company continued to deepen the overseas market expansion and achieved rapid growth in the international market sales, with sales revenue of approximately RMB546 million, representing an increase of approximately 32.1% against the same period last year and accounting for approximately 24.9% of total sales revenue for the first half of 2018. Among them, the energy equipment segment entered into the international markets including India, Russia, Australia and Argentina; the port machinery segment make its debut in Thailand PSA, and entered for the first time the international markets including Korea, Indonesia, Qatar, and the United States, with its presence in the international markets expanding steadily.

Since the beginning of the year, the Company has increased its market share of dominant products at a steady pace by virtue of innovative product upgrading, stable product quality, prompt customer response and comprehensive after-sales services. We continued to maintain the market leading position for our competitive products such as roadheader, loader and container stacking machine, and significantly increased the market share of our emerging products such as integrated mining equipment.

Looking into the second half of the year, the Company's development is also facing new challenges and opportunities under the complex economic environment. The Company will continue to promote the research and development innovation and upgrading, further promote internationalization and build up our international brand image, leading Sany International to reach new heights in its development.

Finally, I would like to take this opportunity to express my sincere gratitude to all the shareholders, members of the community, our valued customers and our hard-working staff for their care and support.

Qi Jian
Chairman

Hong Kong, 15 August 2018

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2018, the steady growth of the overall economy of the PRC has driven the continued increase in profits of coal enterprises as well as the significant growth of the Group's energy equipment business. Meanwhile, with the recovery of the global shipping industry and the increase in the proportion of logistics containerization, the Group's port machinery business and overseas sales also maintained a substantial growth momentum.

The Group continues to build its core competitiveness with emphasis on R&D and innovation and achieve intelligent and automated upgrades. The successful launching of new products such as automated terminal equipment, gripper, telehandler, electric truck and mining transport equipment to the market brought new profit growth opportunities to the Group. Also, the Group focuses on improving the quality of operations and products, thereby steadily improving product competitiveness and market share of major products.

Major products

The Group divides its products into two categories, namely (1) the energy equipment business sector, which includes coal mining machinery business products, such as roadheaders (all types of soft rock, hard rock roadheader and integrated excavation, bolting and self-protection machine) and mining equipment (hydraulic support system, coal mining machines (shearer), scraper conveyor (ArmoredFace Conveyer), etc.); and the non-coal business products, such as mining transport equipment (mechanical drive off-highway dump truck and electric drive off-highway dump truck) and excavation equipment (tunnel and excavation series) and other relevant products; and (2) the marine engineering business sector, which includes port machinery products (reach stacker, empty container handler and quayside gantry crane) and offshore heavy machineries.

Research and development capability

The Group actively promoted the strategy of drawing on the driving force of research and development and innovation, and implemented a strategy of ace models based on the demand from the market and customers as well as the knowledge on the future trend of technology development. In the first half of 2018, as for energy equipment sector, the Group developed 200 series integrated excavation, bolting and self-protection machine, which resulted in a more efficient and safer excavating operation. With its extremely high cost effectiveness, 730C thin-seam coal mining series coal mining machines gained the recognition of customers, resulting in a significant increase in the number of orders. The pioneer CS pure water hydraulic support made several breakthroughs in core technologies and realized green mining, and the Group successfully entered into a sales contract of hundred million yuan with a globally renowned coal enterprise. SCR260 and SCR520 coal mining machineries brought revolutionary changes to the traditional mining technique and were massively introduced to the international market so as to double the efficiency of mining and significantly decrease the costs. SRT55D mine tub with minimal energy consumption as highly recognized by the customers from the international markets such as India and Argentina, and built up competitive edges.

For the port machinery sector, SRSC45V front loader gained the access to the market with its extremely well controllability, low fuel consumption and high level of safety and built up competitive edges. SMH40 gripper quickly gained the access to international markets such as Thailand and Indonesia due to its superior performance and low operating costs. The newly developed electric truck for port gained the access to Qingdao Port and built up competitive edges with its strong endurance and low operating costs. STS8070, the newly developed and the largest quayside container crane in the world, was put into operation in Qingdao Port, representing the future trend of technology development on quayside container crane. Since its delivery and operation, Hutchison Whampoa's STS7065 heavy-weighted quayside container crane set the highest record of Mean Time Between Failures of quayside container crane for HIT wharf. The newly developed RTG made several breakthroughs in core technologies and exceeded the targets of reduction of one-third of weight and 20% of energy consumption. The automated container yard RMG container crane had gained orders from major ports such as Tianjin, Tangshan, Hangzhou and Suzhou. For the six months ended 30 June 2018, the Group obtained 13 authorized patents, including 11 invention patents, 1 utility model patent and 1 software copyright.

Production and manufacturing

Currently, the Group has production and manufacturing bases in Shenyang, Zhuhai and Changsha respectively. There are eight plants in the energy equipment industrial park located in Shenyang Economic and Technological Development Zone covering a total area of approximately 950 mu. The industrial park for large port equipment is located in Zhuhai Gaolan Port Economic Area and commenced operation on 6 May 2015. Phase 1 of the project 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 industrial park for small port equipment is located in Changsha Industrial Zone with covering a total area of approximately 150 mu, with several plants and commissioning fields. The Group focused on enhancement of processing and assembly techniques, and adopted various measures to cut production costs.

Marketing and service

The Group has reshaped the marketing service concept into "going beyond customer expectations and industry standards", so as to create the best customer experience throughout the process. The Group provides customized services such as overhaul, maintenance and training for the actual needs of customers, and provides customers with a complete solution. 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.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, the Group recorded revenue of approximately RMB2,196.0 million, representing an increase of approximately RMB995.5 million, or 82.9%, from approximately RMB1,200.5 million for the six months ended 30 June 2017. Such increase was mainly attributable to the fact that: (1) the Group had taken enhanced measures on innovation and after-sales service, which resulted in stability in quality of products and improvement in customer satisfaction, thus facilitating a steady increase in market share of major products; (2) the Group actively expanded international market and thus sales revenue derived overseas increased significantly; and (3) with the coal mining industry market recovered, coal prices remained at high level, leading to a substantial increase in the Group's coal mining machinery orders during the six months ended 30 June 2018. The sales revenue of integrated coal mining products for the six months ended 30 June 2018 increased by approximately 300% as compared with that for the six months ended 30 June 2017.

Other income and gains

For the six months ended 30 June 2018, the Group's other income and gains was approximately RMB182.3 million, with an increase of approximately RMB94.6 million from approximately RMB87.7 million for the six months ended 30 June 2017. The change was mainly due to the increase in government subsidies, tax refund and financial product income.

Cost of sales

For the six months ended 30 June 2018, the Group's cost of sales was approximately RMB1,485.9 million, representing an increase of approximately 84.9% against approximately RMB803.7 million for the six months ended 30 June 2017. The increase was mainly due to increased sales as a result of a significant increase in the Group's product orders.

Gross profit margin

For the six months ended 30 June 2018, the gross profit margin of the Group was approximately 32.3%, representing a decrease of approximately 0.8 percentage point against approximately 33.1% for the six months ended 30 June 2017. Such decrease was mainly due to the change in the composition of product sales arising from the increase in the proportion of sales generated from integrated coal mining and large-scale port machinery products.

Profit margin before tax

For the six months ended 30 June 2018, the Group's profit margin before tax was approximately 20.3%, representing an increase of approximately 4.9 percentage points as compared with that of approximately 15.4% for the six months ended 30 June 2017. Such change was mainly due to (1) the significant increase in the revenue and gross profit margin of integrated coal mining products and large-scale port machinery; and (2) reduced administrative expenses as a percentage of total revenue as a result of further enhanced internal control by the Group, including the costs controls.

Selling and distribution expenses

For the six months ended 30 June 2018, the selling and distribution expenses were approximately RMB205.1 million, representing an increase of approximately 78.9% against approximately RMB114.7 million for the six months ended 30 June 2017.

During the reporting period, the ratio of the Group's selling and distribution expenses to revenue was approximately 9.3%, representing a decrease of approximately 0.3 percentage point as compared with approximately 9.6% for the six months ended 30 June 2017. Such change was mainly due to (1) the integration of marketing channels by the Group; and (2) reduction of transportation costs through measures such as off-site production and optimization of loading technology.

Research and development expenses

For the six months ended 30 June 2018, the research and development expenses of the Group were approximately RMB85.2 million, representing an increase of approximately 87.7% as compared with approximately RMB45.4 million for the six months ended 30 June 2017. For the six months ended 30 June 2018, the ratio of research and development expenses to revenue was approximately 3.9%, representing an increase of approximately 0.1 percentage point as compared to approximately 3.8% for the six months ended 30 June 2017. Such change was mainly due to the increase in the investment in R&D on new products, including smart mines, intelligentised terminals, pure water hydraulic support, excavation equipment, electric truck, RTG and wide-bodied vehicles by the Group.

Administrative expenses

For the six months ended 30 June 2018, administrative expenses of the Group were approximately RMB206.3 million (for the six months ended 30 June 2017: approximately RMB151.0 million). The administrative expenses excluding research and development expenses were approximately RMB121.1 million (for the six months ended 30 June 2017: approximately RMB105.6 million), which accounted for approximately 5.5% of revenue, representing a decrease of approximately 3.3 percentage points against approximately 8.8% for the six months ended 30 June 2017. Such change was mainly attributable to the Group's strengthened cost controls by adopting measures such as designating detailed and specific costs to each responsible staff.

Finance costs

For the six months ended 30 June 2018, finance costs of the Group were approximately RMB7.2 million (for the six months ended 30 June 2017: approximately RMB1.8 million), mainly due to the increase in the Group's bank borrowings.

Taxation

For the six months ended 30 June 2018, the Group's effective tax rate was approximately 19.3% (for the six months ended 30 June 2017: the effective tax rate was approximately 28.6%). For details regarding income tax, please refer to note 7 on page 42 of this report.

Management Discussion and Analysis

Profit attributable to owners of the parent

For the six months ended 30 June 2018, the Group's profit attributable to owners of the parent was approximately RMB358.0 million, as compared to the Group's profit attributable to owners of the parent of approximately RMB132.0 million for the same period ended 30 June 2017. For main reasons of such change, please refer to the paragraphs of "Revenue", "Gross profit margin" and "Profit margin before tax".

Liquidity and financial resources

As at 30 June 2018, total current assets of the Group were approximately RMB5,135.4 million (as at 31 December 2017: RMB5,097.1 million). As at 30 June 2018, total current liabilities of the Group were approximately RMB3,252.8 million (as at 31 December 2017: RMB2,918.7 million).

As at 30 June 2018, total assets of the Group were approximately RMB11,337.1 million (as at 31 December 2017: approximately RMB11,199.1 million), and total liabilities were approximately RMB5,116.8 million (as at 31 December 2017: approximately RMB4,836.9 million). As at 30 June 2018, the gearing ratio (the asset to liability ratio) was approximately 45.1% (as at 31 December 2017: approximately 43.2%).

Trade and bills receivables

As at 30 June 2018, the Group's trade and bills receivables were approximately RMB2,318.6 million, representing an increase of approximately 23.9% as compared to approximately RMB1,871.9 million as at 31 December 2017, in which trade receivables increased by approximately 20.4% to approximately RMB1,934.1 million as compared with approximately RMB1,606.2 million as at 31 December 2017; and bills receivable increased by approximately 44.7% to approximately RMB384.5 million as compared to approximately RMB265.7 million as at 31 December 2017. Such change was mainly due to the increase in revenue. However, the increase in trade and bills receivables were far less than the increase in revenue, which was benefited from the receivable control carried out by the management through trading with customers in good reputation and timely collection.

Interest-bearing bank and other borrowings

As at 30 June 2018, interest-bearing bank and other borrowings of the Group were approximately RMB580.8 million (31 December 2017: approximately RMB429.1 million). Such change was mainly due to the increase in short-term bank borrowings.

Cash flow

As at 30 June 2018, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB449.5 million in total.

For the six months ended 30 June 2018, the net cash inflow of the Group from operating activities was approximately RMB66.8 million (for the six months ended 30 June 2017: net cash inflow of approximately RMB158.9 million). Such change was mainly due to (1) an increase of prepayment made to suppliers in order to secure stable purchase price; and (2) an increase of income tax paid in the current period, as the Group has used a majority portion of its deductible tax losses in the prior year.

For the six months ended 30 June 2018, the net cash outflow from investing activities was approximately RMB145.5 million (for the six months ended 30 June 2017: net cash outflow of approximately RMB314.4 million). The decrease in investing cash outflow during the six months ended 30 June 2018 was mainly due to: (1) a net cash inflow of RMB216.7 million from financial products in bank deposits; (2) a net cash outflow of RMB230.0 million as loans to a related company; and (3) a decrease in cash outflow of RMB128.1 million for acquisition of parcels of lands.

For the six months ended 30 June 2018, the net cash outflow of the Group from financing activities was approximately RMB290.2 million (for the six months ended 30 June 2017: net cash inflow of approximately RMB397.4 million) which was mainly comprised of the payment of a special dividend of approximately RMB443.0 million declared on 23 January 2018 and the inception of new bank loans of RMB160.0 million. For details, please refer to the announcement dated 23 January 2018 in relation to the declaration of a special dividend.

Turnover days

The Group's average turnover days of inventory were approximately 194.2 days as at 30 June 2018, representing a decrease of approximately 98.2 days from approximately 292.4 days as at 30 June 2017. Such change was mainly due to increased sales and the Group's strengthened control over inventories.

The turnover days of trade and bills receivables as at 30 June 2018 were approximately 234.1 days, representing a decrease of approximately 173.9 days from approximately 408.0 days as at 30 June 2017. Such change was mainly due to the overall improvement in coal mining industry, which resulted in the improvement in the collection of receivables stocks.

The turnover days of trade and bills payables as at 30 June 2018 were 164.0 days, representing a decrease of approximately 61.7 days from approximately 225.7 days as at 30 June 2017. Such change was mainly due to the shortened payment cycle to the suppliers in return for the best delivery time to meet the Group's strong production.

Contingent liabilities

As at 30 June 2018, the Group had contingent liability of approximately RMB64.5 million, being the financial guarantee under financing lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. (31 December 2017: approximately RMB90.6 million).

Capital commitment

As at 30 June 2018, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB3,635.1 million (31 December 2017: approximately RMB3,569.7 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.

Management Discussion and Analysis

Material acquisition, disposal and significant investment

Reference is made to the announcement dated 5 December 2017, pursuant to which, the Group agreed to dispose Shanxi Sany Coal Mining Equipment Co., Ltd.* (山西三一煤機裝備有限公司), a wholly-owned subsidiary of the Group, to an independent third party for a consideration of RMB127.1 million and such buyer also agreed to undertake the shareholder's loan amounting to RMB116.9 million. As at 30 June 2018, the disposal has been completed.

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 2018, 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 2018, the Group recorded pledged deposits with an aggregate value of approximately RMB40.4 million (as at 31 December 2017: approximately RMB15.3 million), for the purpose of issuing bills payable and banking facilities. As at 30 June 2018, none of the Group's bank loans was secured by property, plant and equipment and prepaid land lease payments (as at 31 December 2017: Nil).

Foreign exchange risk

As at 30 June 2018, the Group's cash and bank balances denominated in foreign currency such as HK$, EUR$ and US$ were equivalent to approximately RMB65.5 million. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

Social responsibility

The Group has a high sense of social responsibility. Apart from its commitment to business growth, it also actively participates in social activities to support public welfare, striving to contribute to the local economy, people's livelihood and harmonious environment. The management and staff of the Group provides human and material resources to help and support local community development. 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.

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 the date of this report, the interests or short positions of each Director 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 the Company:

Name of Director	Capacity	Number of Ordinary Shares as at 30 June 2018	Percentage of total issued share capital as at 30 June 2018
Mr. Qi Jian (1)	Beneficial owner	6,000,000	0.2%
Mr. Fu Weizhong (2)	Beneficial owner	6,000,000	0.2%
Mr. Zhang Zhihong (3)	Beneficial owner/Interest of spouse	4,099,000	0.13%
Mr. Tang Xiuguo	Interest of spouse	2,097,000	0.07%
Mr. Xiang Wenbo	Beneficial owner	2,858,000	0.09%
Mr. Poon Chiu Kwok (4)	Beneficial owner	1,000,000	0.03%
Mr. Ng Yuk Keung (5)	Beneficial owner	1,000,000	0.03%
Mr. Hu Jiquan (6)	Beneficial owner	1,000,000	0.03%

Notes:

(1) The 6,000,000 Shares in which Mr. Qi Jian is deemed to be interested represent the 6,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme.

(2) Mr. Fu Weizhong was appointed as a Director with effect from 13 March 2018. The 6,000,000 Shares in which Mr. Fu Weizhong is deemed to be interested represent 6,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme.

(3) The 4,099,000 Shares in which Mr. Zhang Zhihong is deemed to be interested represent (i) the 4,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme; and (ii) the 99,000 Shares held by his spouse.

(4) The 1,000,000 Shares in which Mr. Poon Chiu Kwok is deemed to be interested represent the 1,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme.

(5) The 1,000,000 Shares in which Mr. Ng Yuk Keung is deemed to be interested represent the 1,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme.

(6) The 1,000,000 Shares in which Mr. Hu Jiquan is deemed to be interested represent the 1,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme.

Disclosure of Interests

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. Xiang Wenbo (Note)	Beneficial owner	800	8.00%
Mr. Mao Zhongwu (Note)	Beneficial owner	800	8.00%

Note: Each of Mr. Tang Xiuguo, Mr. Xiang Wenbo and Mr. Mao Zhongwu 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 the date of this report, none of the Directors and 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 the date of this report, 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/ Beneficial owner	2,624,361,222	86.30%

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 and underlying 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 and underlying shares of the Company held by Sany HK under the SFO. Mr. Liang Wengen also directly held 10,000,000 Shares of the Company.

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 2018 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.

Upon adoption, the initial 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.

On 12 December 2017, the scheme mandate limit under the Share Option Scheme was refreshed with a maximum number of 304,102,500 Shares, being 10% of the Shares in issue as at 12 December 2017 and 10% of the Shares in issue as at the date of this report. As at the date of this report, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company is 138,300,000 Shares, representing 4.55% of the Shares in issue of the Company 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.

Disclosure of Interests

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 10 years from the adoption date, after which no further options will be granted or offered.

Details of the movement of share options granted under the Share Option Scheme during the six months ended 30 June 2018 are as follows:

Category of participants	Date of grant[1]	Exercise price per share (HK$)	Outstanding at 1 January 2018	Granted during the period	Exercised during the period	Forfeited/ Cancelled during the period	Outstanding at 30 June 2018
Directors							
Mr. Qi Jian	15 December 2017	1.22	6,000,000	–	–	–	6,000,000
Mr. Fu Weizhong	15 December 2017	1.22	6,000,000	–	–	–	6,000,000
Mr. Zhang Zhihong	15 December 2017	1.22	4,000,000	–	–	–	4,000,000
Mr. Poon Chiu Kwok	15 December 2017	1.22	1,000,000	–	–	–	1,000,000
Mr. Ng Yuk Keung	15 December 2017	1.22	1,000,000	–	–	–	1,000,000
Mr. Hu Jiquan	15 December 2017	1.22	1,000,000	–	–	–	1,000,000
Employees	15 December 2017	1.22	116,900,000	–	–	6,300,000	110,600,000
Employees	29 December 2017	1.71	2,400,000	–	–	–	2,400,000
Total			138,300,000	–	–	6,300,000	132,000,000

Note:

(1) Share options granted under the Share Option Scheme on 15 December 2017 and 29 December 2017 in the proposed grantees in accordance with the timetable below, each with an exercise period commencing from the relevant Vesting Date and ending 10 years after the date of the grant (for this purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Option
If the audited net profit for the year ending 31 December 2018 represents an increase of 20% or more as compared to that of the year ending 31 December 2017, the Vesting Date will be the date when the annual results announcement for the year ending 31 December 2018 is published.	50% of the total number of share options granted
If the audited net profit for the year ending 31 December 2019 represents an increase of 40% or more as compared to that of the year ending 31 December 2017, the Vesting Date will be the date when the annual results announcement for the year ending 31 December 2019 is published.	25% of the total number of share options granted
If the audited net profit for the year ending 31 December 2020 represents an increase of 60% or more as compared to that of the year ending 31 December 2017, the Vesting Date will be the date when the annual results announcement for the year ending 31 December 2020 is published.	25% of the total number of share options granted

Exercise of the share options is conditional upon the achievement of certain performance targets as set out in the respective offer letters, during the relevant exercise period.

During the six months ended 30 June 2018, 6,300,000 share options were forfeited due to dimission, and no share option was granted, exercised, or cancelled under the Share Option Scheme.

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 to adhere 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 2018 to 30 June 2018.

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. All Directors declared that they had complied with the Model Code during the six months ended 30 June 2018.

Review of Interim Financial Statements

The interim financial results for the six months ended 30 June 2018 have not been audited or reviewed by the Company's external auditor.

Corporate Governance and General Information

The Board

The Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Qi Jian, Mr. Fu Weizhong (appointed on 13 March 2018) and Mr. Zhang Zhihong. 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 of the Company (the "Audit Committee") 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 which 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 2018.

Remuneration Committee

The remuneration committee (the "Remuneration Committee") was established with written terms of reference in compliance with the CG Code. The primary duties 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.

Corporate Governance and General Information

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 of the Company (the "Strategic Investment Committee") was established on 4 October 2012. The Strategic Investment Committee is responsible for the recommendation and analysis of the business development and investments of the Company. The chairman is Mr. Qi Jian and the other five members are Mr. Fu Weizhong (appointed on 13 March 2018), Mr. Zhang Zhihong, 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.

Executive Directors

Mr. Qi Jian (戚建), aged 58, 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. (三一重工股份有限公司) ("Sany Heavy Industry", 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. 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 (三一汽車起重機械有限公司) ("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 EMBA at Wuhan University in 2005.

Mr. Fu Weizhong (伏衛忠), aged 44, was appointed as an executive Director and a member of the Strategic Investment Committee on 13 March 2018.

Mr. Fu acted as the director of the marine machinery operation department of the Group from January 2015 to September 2016 and since September 2017 and once acted as an executive Director and a member of the Strategic Investment Committee from August 2015 to September 2016. Mr. Fu joined Sany Group in May 2000 and held various management positions in Sany Group since then and during the period from October 2016 to September 2017, including the director of the customer service department of Sany Heavy Industry, the assistant to the president of Sany Heavy Industry, the general manager of the US operation department of Sany Group, the deputy general manager of Sany Heavy Industry, the vice president of Sany Heavy Industry, the general manager of the overseas operation department of Sany Group, the general manager of Beijing Sany Heavy Industry Co., Ltd. (北京三一重機有限公司), a subsidiary of Sany Group, the general manager of Sany Heavy Energy Equipment Co., Ltd. (三一重型能源裝備有限公司), and the vice president of Sany Group.

Mr. Fu obtained a master's degree of business administration from China Europe International Business School in September 2011.

Directors and Senior Management

Mr. Zhang Zhihong (張志宏), aged 47, 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), including the deputy general manager of the marketing department and the general manager of the services branch. 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 (精益質量總部), the Office of the Chairman 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 55, was appointed as a non-executive Director of the Company on 28 September 2014. Mr. Tang was one of the four founders of Sany Group, and 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 Special 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 8 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 56, 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 deputy general manager 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 was a deputy of the 11th National People's Congress (十一屆全國人大代表), and has also held a number of social positions such as executive president of China-India Business Council (中印商務理事會) and China-South Asia Business Council (中國南亞商務理事會), 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 non-state-owned companies Best CEO (福布斯2011年A股非國有上市公司最佳CEO)".

Mr. Mao Zhongwu (毛中吾), aged 56, was redesignated 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 in 1999.

Directors and Senior Management

Independent Non-executive Directors

Mr. Ng Yuk Keung (吳育強), aged 53, 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 a 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 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 Company Limited (中國泰凌醫藥集團有限公司) from March 2010 to 1 July 2012. He had also served as an 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 an 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 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), aged 56, 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). As 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. (重慶長安民生物流股份有限公司) (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 Ltd. (啟迪國際有限公司) (formerly known as Jinheng Automotive Safety Technology Holdings Limited (錦恆汽車安全技術控股有限公司)) (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, with effect from 15 June 2017) and Yanzhou Coal Mining Company Limited (兗州煤業股份有限公司) (stock code: 1171, with effect from 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.

Mr. Hu Jiquan (胡吉全), aged 60, 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.

Senior Management

Mr. Zhu Xiangjun (朱向軍), aged 34, was appointed as the chief financial officer and a 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.

Joint Company Secretaries

Mr. Yu Leung Fai (余亮暉), aged 40, one of the Company's joint company 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.

Mr. Zhu Xiangjun (朱向軍), his biography is set out in the Senior Management section of Directors and Senior Management of this report.

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Purchase, Sale or Redemption of the Company's Shares

For the six months ended 30 June 2018, 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 2017: Nil).

Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
REVENUE	*4*	**2,196,043**	1,200,529
Cost of sales		**(1,485,939)**	(803,697)
Gross profit		**710,104**	396,832
Other income and gains	*4*	**182,265**	87,653
Selling and distribution expenses		**(205,099)**	(114,676)
Administrative expenses		**(206,252)**	(150,985)
Other expenses		**(28,923)**	(32,715)
Finance costs	*6*	**(7,156)**	(1,778)
Profit before tax	*5*	**444,939**	184,331
Income tax expense	*7*	**(86,008)**	(52,773)
PROFIT FOR THE PERIOD		**358,931**	131,558
Attributable to:			
Owners of the parent		**357,998**	131,961
Non-controlling interests		**933**	(403)
		358,931	131,558
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB Yuan)	*9*	**0.12**	0.04
Diluted (RMB Yuan)	*9*	**0.10**	0.04

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**358,931**	131,558
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,831**	(1,809)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**3,831**	(1,809)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**3,831**	(1,809)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**362,762**	129,749
Attributable to:		
Owners of the parent	**361,829**	130,152
Non-controlling interests	**933**	(403)
	362,762	129,749

Interim Condensed Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,505,361**	2,584,817
Prepaid land lease payments	*11*	**1,199,347**	561,964
Goodwill	*12*	**1,129,520**	1,129,520
Trade receivables	*15*	**78,163**	46,609
Equity investments at fair value through profit or loss	*13*	**10,636**	–
Available-for-sale investments	*13*	**–**	10,636
Non-current prepayments	*16*	**841,326**	1,332,808
Deferred tax assets	*17*	**437,371**	435,561
Total non-current assets		**6,201,724**	6,101,915
CURRENT ASSETS			
Inventories	*14*	**1,213,840**	1,246,415
Trade receivables	*15*	**1,855,923**	1,559,621
Bills receivable	*15*	**384,527**	265,696
Prepayments, deposits and other receivables	*16*	**725,701**	268,059
Financial investments at fair value through profit or loss	*18*	**465,500**	–
Available-for-sale financial investments	*18*	**–**	682,200
Pledged deposits	*19*	**40,410**	15,345
Cash and cash equivalents	*19*	**449,517**	814,221
		5,135,418	4,851,557
Assets of a disposal group classified as held for sale	*27*	**–**	245,578
Total current assets		**5,135,418**	5,097,135
CURRENT LIABILITIES			
Trade and bills payables	*20*	**1,514,467**	1,192,789
Other payables and accruals	*21*	**1,162,154**	1,318,215
Interest-bearing bank and other borrowings	*22*	**160,000**	–
Tax payable		**327,520**	296,863
Provision for warranties	*23*	**6,800**	4,872
Government grants	*24*	**81,880**	97,026
		3,252,821	2,909,765
Liabilities directly associated with the assets classified as held for sale	*27*	**–**	8,941
Total current liabilities		**3,252,821**	2,918,706
NET CURRENT ASSETS		**1,882,597**	2,178,429
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,084,321**	8,280,344

Interim Condensed Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*17*	**18,572**	34,170
Interest-bearing bank and other borrowings	*22*	**420,833**	429,127
Government grants	*24*	**1,424,545**	1,454,876
Total non-current liabilities		**1,863,950**	1,918,173
Net assets		**6,220,371**	6,362,171
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*25*	**302,214**	302,214
Reserves		**5,858,766**	6,001,499
		6,160,980	6,303,713
Non-controlling interests		**59,391**	58,458
Total equity		**6,220,371**	6,362,171

Qi Jian
Director

Zhang Zhihong
Director

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2018

	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 2018 (Audited)	264,366	37,848	2,239,502	1,332,316	14,947	390,785	(39,230)	5,744	2,057,435	6,303,713	58,458	6,362,171
Profit for the period	-	-	-	-	-	-	-	-	357,998	357,998	933	358,931
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	3,831	-	-	3,831	-	3,831
Total comprehensive income for the period	-	-	-	-	-	-	3,831	-	357,998	361,829	933	362,762
Disposal of a subsidiary (note 27)	-	-	-	-	-	(278)	-	-	-	(278)	-	(278)
Share-based payments	-	-	-	-	11,536	-	-	-	-	11,536	-	11,536
Special dividends declared	-	-	-	-	-	-	-	-	(515,820)	(515,820)	-	(515,820)
At 30 June 2018 (Unaudited)	264,366	37,848	2,239,502#	1,332,316#	26,483#	390,507#	(35,399)#	5,744#	1,899,613#	6,160,980	59,391	6,220,371

These reserve accounts comprise the consolidated reserves of RMB5,858,766,000 (2017: RMB6,001,499,000) in the 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 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 loss 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

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2018

	Note	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Net cash flows from operating activities		**66,770**	158,908
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**22,341**	7,511
Purchases of items of property, plant and equipment		**(27,140)**	(69,426)
Proceeds from disposal of items of property, plant and equipment		**7,402**	7,195
Deposits paid for acquisition of parcels of land		**(135,000)**	(263,078)
Additional payment for a parcel of land		**(18,755)**	–
Purchases of financial investments at fair value through profit or loss		**(465,500)**	–
Proceeds from disposal of available-for-sale financial investments		**682,200**	–
Proceeds from disposal of a subsidiary		**43,999**	–
Loans to a related company		**(230,000)**	–
(Increase)/decrease of pledged deposits		**(25,065)**	3,362
Net cash flows used in investing activities		**(145,518)**	(314,436)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings from a fellow subsidiary		**–**	(31,614)
New bank loans		**160,000**	429,789
Dividends paid		**(442,999)**	–
Interest paid		**(7,168)**	(822)
Net cash flows (used in)/from financing activities		**(290,167)**	397,353
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(368,915)**	241,825
Effect of foreign exchange rate changes, net		**3,831**	(1,809)
Cash and cash equivalents at beginning of period		**814,601**	833,162
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**449,517**	1,073,178
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*19*	**449,517**	1,073,178
		449,517	1,073,178

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2018

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 equipment), port machinery and spare parts and the provision of related service in Mainland China.

In the opinion of the directors of the Company (the "Directors"), 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 2018 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 2017.

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 2017, 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 IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	*Amendments to IFRS 1 and IAS 28*

Other than as further explained below, the adoption of the new and revised IFRSs has had no significant financial impact on the interim condensed consolidated financial statements.

2.2 Changes in Accounting Policies and Disclosures (continued)

IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 *Financial Instruments*: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018. The standard introduces new requirements for classification and measurement and impairment. The Group has applied the transitional provisions set out in IFRS 9 without restating comparative information.

(a) *Classification and measurement*

Financial assets are classified as measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income (either with recycling to profit or loss for debt instruments or without recycling to profit or loss for equity investments). The classification of debt instruments is based on two criteria: the Group's business model for managing the instruments and their contractual cash flow characteristics, i.e. whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the "SPPI" criterion).

The new classification and measurement of the Group's financial assets are as follows:

– Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables, bills receivable, financial assets included in prepayments, deposits and other receivables, pledged deposits and cash and cash equivalents.

– Equity investments in non-listed companies previously classified as available-for-sale investments are now classified and measured as equity instruments at fair value through profit or loss. The Group intends to dispose these investments in the near future.

– Financial assets at fair value through profit or loss include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, such debt instruments were classified as available-for-sale financial investments.

There are no significant changes in classification and measurement for the Group's financial liabilities in the interim condensed consolidated financial statements.

(b) *Impairment*

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets. The IAS 39's incurred loss approach was replaced by a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to record a loss allowance for ECLs for financial assets not held at fair value through profit or loss.

Since 1 January 2018, the Group has applied the simplified approach and recorded lifetime ECLs on trade receivables, and general approach and recorded 12-month ECLs on financial assets included in prepayments, deposits and other receivables. The Group concluded that the adoption of IFRS 9 has had no material impact on the impairment provisions of the Group's financial assets.

2.2 Changes in Accounting Policies and Disclosures (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with its customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group has adopted IFRS 15 using the modified retrospective method of adoption and elected to apply the new method only to contracts that were not completed before 1 January 2018. The Group reviewed and assessed the new recognition requirements of revenue and concluded that the adoption of IFRS 15 had no material impact on the interim condensed consolidated 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 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 19	*Plan Amendments, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Apply to plan amendments, curtailment or settlement that occur on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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) Energy equipment segment

The energy equipment segment engages in the production and sale of roadheaders, CCMU, mining transport equipment (including underground and surface equipment) and 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 cranes, ship-to-shore cranes and yard cranes), small-size port machinery (including reach stackers, empty container handlers and heavy duty forklift trucks) and 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 payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. Operating Segment Information (continued)

	Energy equipment RMB'000	Port machinery RMB'000	Total RMB'000
Period ended 30 June 2018 (Unaudited)			
Segment revenue			
Sales to customers	1,240,159	955,884	2,196,043
Other revenue	63,790	95,025	158,815
Revenue from operations	1,303,949	1,050,909	2,354,858
Segment results	236,933	191,712	428,645
Interest income			23,450
Finance costs			(7,156)
Profit before tax			444,939
Income tax expense			(86,008)
Profit for the period			358,931
Segment assets	7,328,587	4,801,950	12,130,537
Reconciliation:			
Elimination of intersegment receivables			(1,720,693)
Corporate and other unallocated assets			927,298
Total assets			11,337,142
Segment liabilities	2,062,649	3,847,512	5,910,161
Reconciliation:			
Elimination of intersegment payables			(1,720,315)
Corporate and other unallocated liabilities			926,925
Total liabilities			5,116,771
Other segment information:			
Gain/(loss) on disposal of items of property, plant and equipment	665	(4,471)	(3,806)
Impairment losses (reversed)/recognised in profit or loss	(43,316)	36,282	(7,034)
Depreciation and amortisation	76,190	35,998	112,188
Capital expenditure*	13,837	185,314	199,151

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

3. Operating Segment Information (continued)

	Energy 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

Geographical information

As over 80% of the Group's revenue (2017: 91%) is derived from customers based in Mainland China, the revenue derived from a single country or region is not greater than 10%, and most of the Group's identifiable assets and liabilities are located in Mainland China, no geographical information in accordance with IFRS 8 *Operating Segments is presented*.

3. Operating Segment Information (continued)

Information about major customers

Revenue of approximately RMB243,412,000 (six months ended 30 June 2017: RMB161,015,000) 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**2,174,363**	1,185,179
Rendering of services	**21,680**	15,350
	2,196,043	1,200,529
Other income		
Government grants	**122,914**	63,517
Interest income	**23,450**	16,679
Other service income	**13,051**	–
Others	**18,985**	5,210
	178,400	85,406
Gains		
Gain on disposal of a subsidiary (Note 27)	**3,865**	–
Gain on disposal of items of property, plant and equipment	**–**	2,247
	182,265	87,653

5. Profit Before Tax

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

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cost of inventories sold		**1,473,053**	716,417
Cost of services provided		**12,886**	87,280
Depreciation	*10*	**105,637**	106,194
Amortisation of land lease prepayments**	*11*	**6,551**	7,745
Amortisation of intangible assets**		**–**	10,833
Auditors' remuneration		**430**	430
Addition/(reversal) of warranties*	*23*	**6,396**	(85)
Research and development costs**		**85,154**	45,400
Minimum lease payments under operating leases:		**2,216**	4,279
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		**128,146**	118,704
Equity-settled share-based payment		**11,536**	–
Employee retirement benefits		**18,839**	11,073
Other staff welfare		**9,580**	5,370
		168,101	135,147
Foreign exchange differences, net***		**6,839**	3,456
Impairment of trade receivables***	*15*	**19,619**	28,439
Impairment of other receivables***		**1,188**	285
Loss from sale of scrap materials***		**–**	533
(Write back)/provision against slow-moving and obsolete inventories#		**(27,841)**	1,802
Loss/(gain) on disposal of items of property, plant and equipment***		**3,806**	(2,247)

* 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 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest on interest-bearing bank and other borrowings	**7,006**	956
Interest on discounted bills	**150**	822
	7,156	1,778

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.

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 2018.

Three of the Group's principal operating companies, Sany Heavy Equipment Co., Ltd ("Sany Heavy Equipment"), Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") and Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry"), were recognised as High and New Technology Enterprise and were therefore subject to CIT at a rate of 15% for six months ended 30 June 2018.

	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current – Mainland China		
Charge for the period	**103,416**	18,680
Deferred	**(17,408)**	34,093
Total tax charge for the period	**86,008**	52,773

8. Dividend

A special dividend of HK$0.18 cents per share, totaling HK$633,746,000 (equivalent to RMB518,791,000), was approved by the board of directors on 23 January 2018. RMB442,999,000 of the dividend was subsequently distributed during the six months ended 30 June 2018 and the rest was recorded in "other payables and accruals" in the interim condensed consolidated statement of financial position.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share is based on the profit for six months ended 30 June 2018 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 2017: 3,041,025,000) in issue during the period.

The calculation of the diluted earnings per share is based on the profit for six months ended 30 June 2018 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 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**357,998**	131,961
Preferred distribution to the convertible preference shares	**24**	24
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**358,022**	131,985

	Number of shares	
	30 June 2018	30 June 2017
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,041,025,000**	3,041,025,000
Effect of dilution – convertible preference shares	**479,781,034**	479,781,034
Effect of dilution – share options	**63,542,982**	–
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,584,349,016**	3,520,806,034

The Company's share options have no dilution effect for six months ended 30 June 2017.

10. Property, Plant and Equipment

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Carrying amount at 1 January	**2,584,817**	2,756,773
Additions	**45,396**	193,833
Disposals	**(19,215)**	(2,363)
Loss due to typhoon	**–**	(39,959)
Transfer to assets of a disposal group classified as held for sale	**–**	(111,491)
Depreciation provided during the period/year	**(105,637)**	(211,976)
Carrying amount at 30 June/31 December	**2,505,361**	2,584,817

Assets with a net book value of RMB19,215,000 were disposed of by the Group during six months ended 30 June 2018 (six months ended 30 June 2017: RMB4,948,000), resulting in a net loss on disposal of RMB 3,806,000 (six months ended 30 June 2017: a net gain of RMB2,247,000).

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 RMB530,480,000 as at 30 June 2018 (31 December 2017: RMB546,825,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

11. Prepaid Land Lease Payments

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Carrying amount at 1 January	**575,065**	694,930
Addition during the period/year	**643,755**	–
Recognised during the period/year	**(6,551)**	(15,492)
Transfer to assets of a disposal group classified as held for sale	**–**	(104,373)
Carrying amount at 30 June/31 December	**1,212,269**	575,065
Current portion included in prepayments, deposits and other receivables	**(12,922)**	(13,101)
Non-current portion	**1,199,347**	561,964

11. Prepaid Land Lease Payments (continued)

On 22 February 2012, Sany Marine Heavy Industry, a subsidiary of the Company, 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.

During the year of 2012, Sany Marine Heavy Industry has received one parcel of land with a carrying amount of approximately RMB236,262,000 and acquired the land use right certificate. As at 30 June 2018, another parcel of land, acquired at a consideration of RMB544,665,000, has not yet been transferred 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 billion in 2 years after the parcels of land are obtained. As at 30 June 2018, the Group has invested RMB1,659,844,000 and the remaining investment of RMB3,461,557,000 was a capital commitment as disclosed in note 30. 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.

In 2017, Sany (Zhuhai) Asset Co., Ltd., a subsidiary of the Company, made prepayment to acquire one parcel of land with a carrying amount of approximately RMB625,000,000. During the six months ended 30 June 2018, additional payment for land of RMB18,755,000 was made and the land use right certificate was obtained.

12. Goodwill

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Carrying amount at 30 June/31 December	**1,129,520**	1,129,520

13. Equity Investments at Fair Value Through Profit or Loss/Available-for-sale Investments

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Unlisted equity investment, at fair value	**10,636**	–
Unlisted equity investment, at cost less impairment	**–**	10,636
	10,636	10,636

14. Inventories

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Raw materials	**592,807**	580,943
Work in progress	**340,690**	456,917
Finished goods	**609,622**	610,176
Less:Loss on inventories due to typhoon	**–**	(45,045)
	1,543,119	1,602,991
Less: Provision against slow-moving and obsolete inventories	**(329,279)**	(356,576)
	1,213,840	1,246,415

15. Trade and Bills Receivables

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**2,695,018**	2,366,171
Impairment	**(760,932)**	(759,941)
	1,934,086	1,606,230
Less: Trade receivables due after one year	**(78,163)**	(46,609)
	1,855,923	1,559,621
Bills receivable	**384,527**	265,696

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 2018, the Group had certain concentrations of credit risk as 12% (31 December 2017: 19%) 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 RMB265,079,000 as at 30 June 2018 (31 December 2017: RMB296,666,000) for sales of products by the Group, which accounted for 14% (31 December 2017: 18%) of the Group's trade receivables at the end of the reporting period. Trade receivables are non-interest-bearing.

15. Trade and Bills Receivables (continued)

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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 180 days	1,330,575	484,983
181 to 365 days	105,517	599,372
1 to 2 years	241,746	262,071
2 to 3 years	159,349	155,521
Over 3 years	96,899	104,283
	1,934,086	1,606,230

For the balances as at 31 December 2017

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

	31 December 2017 RMB'000 (Audited)
At 1 January	807,096
Impairment losses recognised	14,905
Amount written off as uncollectible	(62,060)
At 31 December	759,941

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

	31 December 2017 RMB'000 (Audited)
Neither past due nor impaired	1,091,524
Past due but not impaired:	
Within 1 year past due	308,671
1 to 2 years past due	94,617
Over 2 years past due	111,418
	1,606,230

15. Trade and Bills Receivables (continued)

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 RMB84,393,000 as at 31 December 2017.

For the balances as at 30 June 2018
The movements in the provision for impairment of trade receivables are as follows:

	30 June 2018 RMB'000 (Unaudited)
At 1 January	759,941
Impairment losses recognised	19,619
Amount written off as uncollectible	(18,628)
At 30 June	760,932

From 1 January 2018, the Group has applied the simplified approach of IFRS 9 and calculated ECLs on lifetime basis for trade receivables. The ECL are estimated for debtors with appropriate grouping using a provision matrix, which is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within six months	264,569	201,747
Over six months	119,958	63,949
	384,527	265,696

Included in the bills receivable was an amount of RMB139,692,000 as at 30 June 2018 (31 December 2017: RMB17,400,000) which was pledged for the issuance of a letter of guarantee.

Included in the bills receivable was an amount of RMB2,300,000 as at 30 June 2018 (31 December 2017: RMB8,100,000) which was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

15. Trade and Bills Receivables (continued)

Transfer of financial assets that are not derecognized in their entirety

At 30 June 2018, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB77,700,000 (31 December 2017: RMB88,995,000) 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 recognize 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 RMB77,700,000 (31 December 2017: RMB88,995,000) as at 30 June 2018.

Transfer of financial assets that are derecognized in their entirety

At 30 June 2018, 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 RMB574,948,000 (31 December 2017: RMB290,567,000). 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 derecognized 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current prepayments	841,326	1,362,142
Less: Non-current prepayments included in assets of a disposal group classified as held for sale	–	(29,334)
Non-current prepayments	841,326	1,332,808
Current assets:		
Prepayments	184,352	129,898
Deposits and other receivables	489,605	124,209
Loans to third parties	130,656	91,676
Gross balance	804,613	345,783
Impairment	(78,912)	(77,724)
	725,701	268,059

16. Prepayments, Deposits and other Receivables (continued)

Non-current prepayments represent prepayments for the acquisition of land and property, plant and equipment. On 22 May 2018, a subsidiary of the Group, Zhuhai Sany Port Machinery, entered into an agreement with Guangzhou Jianxiang Wharf to purchase a parcel of land at a consideration of RMB135,000,000, which has been prepaid as at 30 June 2018. 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 RMB625,000,000, which has been prepaid to China Zhuhai Government as at 31 December 2017. During the six months ended 30 June 2018, Sany (Zhuhai) Asset Co., Ltd. has acquired the land use right certificate under the authorization of Sany Marine Heavy Industry and the consideration of RMB625,000,000 transferred into prepaid land lease payments.

Included in the current prepayments was an amount due from fellow subsidiaries in aggregate of RMB3,098,000 as at 30 June 2018 (31 December 2017: RMB7,863) for purchasing raw materials by the Group. Included in other receivables was an amount due from fellow subsidiaries in aggregate of RMB236,562,000 as at 30 June 2018 (31 December 2017: RMB65,808,000), among which RMB6,562,000 is non-interest-bearing and has no fixed terms of repayment and RMB230,000,000 bears interest at a rate of 5.3% per annum and is due in second half of 2018.

Loans to third parties of RMB54,894,000 as at 30 June 2018 (31 December 2017: RMB37,776,000) 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 2017 (Audited)	428,398	48,294	476,692
Charged to the interim condensed consolidated statement of profit or loss	(12,382)	(28,749)	(41,131)
At 31 December 2017 and 1 January 2018 (Audited)	416,016	19,545	435,561
Credited/(charged) to the interim condensed consolidated statement of profit or loss (note 7)	15,669	(13,859)	1,810
At 30 June 2018 (Unaudited)	431,685	5,686	437,371

17. Deferred Tax (continued)

Deferred tax liabilities

	Withholding taxes on dividend RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017 (Audited)	18,753	1,407	–	20,160
Charged/(credited) to the interim condensed consolidated statement of profit or loss	14,040	(30)	–	14,010
At 31 December 2017 and 1 January 2018 (Audited)	32,793	1,377	–	34,170
Credited to the interim condensed consolidated statement of profit or loss (note 7)	(17,815)	(15)	2,232	(15,598)
At 30 June 2018 (Unaudited)	14,978	1,362	2,232	18,572

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. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. 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 2018, the Group has not recognised deferred tax liabilities of RMB34,966,000 (31 December 2017: RMB69,137,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB699,328,000 (31 December 2017: RMB1,382,741,000), 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.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. Financial Investments at Fair Value Through Profit or Loss/Available-for-sale Financial Investments

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Financial investments at fair value through profit or loss	**465,500**	–
Available-for-sale financial investments	**–**	682,200
	465,500	682,200

The financial products were purchased from third parties in Mainland China at a total consideration of RMB465,500,000 during six months ended 30 June 2018 (2017: RMB682,200,000). The financial investments at fair value through profit or loss were measured at fair value as at the balance sheet date. The available-for-sale financial investments were measured at amortised cost, bearing interest at a fixed rate of 3% to 5% per annum with the principal guaranteed.

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash and cash equivalents	**310,427**	629,946
Time deposits	**179,500**	200,000
	489,927	829,946
Less: Pledged time deposits for banking facilities	**(40,410)**	(15,345)
Cash and cash equivalents in the consolidated statement of cash flows	**449,517**	814,601
Less: Cash and equivalents included in assets of a disposal group classified as held for sale	**–**	(380)
Cash and cash equivalents in the consolidated statement of financial position	**449,517**	814,221
Cash and cash equivalents, time deposits and pledged deposits denominated in		
– RMB	**424,381**	739,668
– HK$	**13,257**	579
– United States dollars ("US$")	**23,403**	55,637
– Euro	**28,766**	32,093
– JPY	**120**	1,589
	489,927	829,566

19. Cash and Cash Equivalents, Time Deposits and Pledged Deposits (continued)

At the end of the reporting period, the cash and bank balances of the Group were denominated in RMB, HK$, US$, Euro and JPY. 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 credit.

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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 30 days	**623,699**	476,607
31 to 90 days	**303,885**	286,856
91 to 180 days	**435,979**	269,208
181 to 365 days	**83,713**	72,737
Over 1 year	**67,191**	87,381
	1,514,467	1,192,789

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 RMB129,639,000 as at 30 June 2018 (31 December 2017: RMB137,523,000) for purchasing raw materials by the Group.

21. Other Payables and Accruals

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Deposits received from customers	432,209	757,809
Dividend payable	72,821	–
Other payables	619,293	536,114
Accruals	37,831	24,292
	1,162,154	1,318,215

Included in the deposits received from customers was an amount of RMB8,432,000 as at 30 June 2018 (2017: RMB2,534,000) 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 RMB30,220,000 as at 30 June 2018 (2017: RMB6,632,000), which is non-interest-bearing and is repayable on demand.

The other payables are non-interest-bearing and are due within one year.

22. Interest-Bearing Bank and Other Borrowings

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	4	2018	50,000	–	–	–
Bank loans – secured	4	2018	110,000	–	–	–
			160,000			–
Non-current						
Bank loans – secured	0.6	2019	420,833	0.6	2019	429,127
			420,833			429,127

(a) Financial investments at fair value through profit or loss of RMB10,000,000 has been pledged for the Group's bank loans of RMB10,000,000 at the end of the reporting period (31 December 2017: Nil).

(b) Certain of the Group's Standby Letter of Credit has been pledged for the Group's bank loans of RMB100,000,000 at the end of the reporting period (31 December 2017: Nil).

(c) The non-current bank loans of RMB420,833,000 are denominated in Euro (31 December 2017: RMB429,127,000), and the current bank loans of RMB160,000,000 are denominated in RMB.

23. Provision for Warranties

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
At 1 January	**4,872**	9,485
Additional provision (note 5)	**7,637**	4,872
Amount utilised during the period/year	**(4,468)**	(4,006)
Reversal of unutilized amounts (note 5)	**(1,241)**	(5,479)
At 30 June/31 December	**6,800**	4,872

The Group provides warranties (one year for energy machinery, and two years or 4,000 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
At 1 January	**1,551,902**	1,624,670
Received during the period/year	**77,437**	215,432
Released to the statement of profit or loss during the period/year	**(122,914)**	(283,200)
Transfer to liabilities directly associated with the assets classified as held for sale	**–**	(5,000)
At 30 June/31 December	**1,506,425**	1,551,902
Current portion	**(81,880)**	(97,026)
Non-current portion	**1,424,545**	1,454,876

Government grants have been received for the purchase of certain items of property, plant and equipment or finance of research and development projects. There are no unfulfilled conditions or contingencies attached to these grants.

25. Share Capital

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Authorised:		
4,461,067,880 (31 December 2017: 4,461,067,880) ordinary shares of HK$0.10 each	**446,107**	446,107
538,932,120 (31 December 2017: 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 2017: 3,041,025,000) ordinary shares of HK$0.10 each	**304,103**	304,103
479,781,034 (31 December 2017: 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 15 December 2017 and 29 December 2017 (the "Date of Grant"). The share options granted shall vest in the proposed grantees in accordance with the timetable below, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"), unless otherwise cancelled or amended:

Vesting Date	**Percentage of share options to vest**
If the audited net profit of the Group for the year ended 31 December 2018 has an increase of 20% or more as compared to that of the year ended 31 December 2017 ("Target Performance I"), starting from the dispatch date of the Company's 2018 annual report (1)	50%
If the audited net profit of the Group for the year ended 31 December 2019 has an increase of 40% or more as compared to the audited net profit of the year ended 31 December 2017 ("Target Performance II"), starting from the dispatch date of the Company's 2019 annual report (2)	25%
If the audited net profit of the Group for the year ended 31 December 2020 has an increase of 60% or more as compared to the audited net profit of the year ended 31 December 2017 ("Target Performance III"), starting from the dispatch date of the Company's 2020 annual report (3)	25%

Notes:

(1) If the Target Performance I is not achieved, then the 50% share options (the "First Tranche Options") lapse in the year of 2019;

(2) If the Target Performance II is not achieved, then the 25% share options (the "Second Tranche Options") lapse in the year of 2020;

(3) If the Target Performance III is not achieved, then the 25% share options (the "Third Tranche Options") lapse in the year of 2021.

26. Share Option Scheme (continued)

The following share options were outstanding under the Scheme during the year:

	Six months ended 30 June 2018		Year ended 31 December 2017	
	Price HK$	Number of options (Unaudited)	Price HK$	Number of options (Audited)
At 1 January	**1.23**	**138,300,000**	–	–
Granted during the period/year	**–**	**–**	1.23	138,300,000
Forfeited during the period/year	**1.22**	**(6,300,000)**	–	–
At 30 June/31 December	**1.23**	**132,000,000**	1.23	138,300,000

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

30 June 2018

Number of options	**Exercise price* per share HK$**	**Exercise period**
129,600,000	1.22	15-12-2017 to 15-3-2021
2,400,000	1.71	29-12-2017 to 15-3-2021
132,000,000		

31 December 2017

Number of options	Exercise price* per share HK$	Exercise period
135,900,000	1.22	15-12-2017 to 15-3-2021
2,400,000	1.71	29-12-2017 to 15-3-2021
138,300,000		

The fair value of the outstanding share options under the 2017 Scheme at the time of grant was HK$64,831,000 (HK$0.47 each) (equivalent to RMB54,193,000), of which the Group recognised a share option expense of HK$14,174,000 (equivalent to RMB11,536,000) (31 December 2017: RMB1,097,000) during the period.

26. Share Option Scheme (continued)

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Granted on 15 December 2017	Granted on 29 December 2017
Dividend yield (%)	2.18	1.58
Expected volatility (%)	46.45	46.72
Historical volatility (%)	46.45	46.72
Risk-free interest rate (%)	2.22	2.28
Expected life of options (year)	10	10
Weighted average share price (HK$ per share)	1.22	1.71

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

27. Disposal of a Subsidiary

On 5 December 2017, Sany Heavy Equipment, a direct wholly-owned subsidiary of the Company, entered into an equity transfer agreement and an assignment agreement (collectively the "S&P Agreements") with Taiyuan High New District Construction Investment Co., Ltd. ("Taiyuan Construction Investment") to dispose of Sany Mining Equipment, an indirect wholly-owned subsidiary of the Company, which has ceased operation in prior years. Pursuant to the S&P Agreements, Sany Heavy Equipment agreed to sell a 100% equity interest in Sany Mining Equipment and transfer the shareholder's loan due from Sany Mining Equipment to Taiyuan Construction Investment for a total consideration of RMB250,000,000, among which RMB6,000,000 would be retained as a guarantee deposits. Cash consideration of RMB200,000,000, RMB20,630,000 and RMB23,370,000 were received by Sany Heavy Equipment in December 2017, March 2018 and April 2018 respectively. The transaction was completed in April 2018 as all conditions precedent pursuant to the S&P Agreements, including but not limited to the full settlement of the consideration and shareholder information update in the business licence, had been fulfilled.

Further details are set out in the Company's announcement dated 5 December 2017.

27. Disposal of a Subsidiary (continued)

	On disposal date RMB'000 (Unaudited)
Net assets disposed of:	
Property, plant and equipment (note 10)	111,491
Prepaid land lease payments (note 11)	104,373
Non-current prepayments (note 16)	29,334
Cash and bank balances	1
Other Payable	(64)
Government grants (note 24)	(5,000)
	240,135
Gain on disposal of a subsidiary (note 4)	3,865
	244,000
Satisfied by:	
Cash	244,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	On disposal date RMB'000 (Unaudited)
Cash consideration	244,000
Less: Cash and bank balances disposed of	1
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	243,999

28. Contingent Liabilities

(a) Hunan Sany Port Equipment enters into sale agreements with the end-user customers directly for 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 the relevant banks if the end-user customers default loan repayments.

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Guarantees given to banks in connection with loans granted to customers	**9,780**	18,409

(b) Hunan Sany Port Equipment sells port machinery 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") and 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.

At the end of the reporting period, the unsettled lease receivables due by the end-customers under these arrangements were as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Guarantees given to the Leasing Companies in connection with the unsettled lease amounts due from customers	**54,755**	72,217

28. Contingent Liabilities (continued)

(b) (continued)

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 at 30 June 2018 and 31 December 2017.

29. 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 ten years.

At 30 June 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	1,195	4,953
In the second to third years, inclusive	2,343	10,326
Above three years	4,663	11,329
	8,201	26,608

(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.

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within one year	2,216	433

30. Commitments

In addition to the operating lease commitments as set out in note 29(b) above, the Group had the following capital commitments as at the end of the reporting period:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	**158,481**	46,421
Plant and machinery	**3,476,667**	3,523,278
	3,635,148	3,569,699

31. 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

		Six months ended 30 June	
	Notes	**2018 RMB'000 (Unaudited)**	2017 RMB'000 (Unaudited)
Sales of products to:			
Sany Group Co., Ltd. (三一集團有限公司)	*(i)&(v)*	**139,860**	148,454
Sany International Development Limited. (三一國際發展有限公司)	*(i)&(v)*	**96,316**	52,698
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
Others	*(i)&(v)*	**–**	226
		236,176	207,124

31. Related Party Transactions (continued)

(1) Recurring transactions (continued)

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Sales of raw materials to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	*(i)&(v)*	**6,164**	3,305
Sany Group Co., Ltd. (三一集團有限公司)	*(i)&(v)*	**372**	–
Sany Automobile Lifting Machinery Co, Ltd. (三一汽車起重機械有限公司)	*(i)&(v)*	**220**	877
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	*(i)&(v)*	**186**	962
Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司)	*(i)&(v)*	**51**	–
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	*(i)&(v)*	**26**	–
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	*(i)&(v)*	**24**	213
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	*(i)&(v)*	**15**	–
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	*(i)&(v)*	**2**	3,997
Sany Northwest Heavy Industry Co., Ltd. (三一西北重工有限公司)	*(i)&(v)*	**–**	2,786
Beijing Sany Shengneng Investment Co., Ltd. (北京三一盛能投資有限公司)	*(i)&(v)*	**–**	507
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	*(i)&(v)*	**–**	158
Others	*(i)&(v)*	**176**	288
		7,236	13,093

31. Related Party Transactions (continued)

(1) Recurring transactions (continued)

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Purchases of raw materials from:			
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	*(i)&(v)*	**49,026**	30,791
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	*(i)&(v)*	**18,486**	10,007
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	*(i)&(v)*	**15,881**	23,198
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	*(i)&(v)*	**7,305**	6,981
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	*(i)&(v)*	**8,848**	–
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	*(i)&(v)*	**3,198**	3,268
Sany Petroleum Intelligent Equipment Co., Ltd. (三一石油智能裝備有限公司)	*(i)&(v)*	**2,909**	–
Sany Germany GmbH (三一德國有限公司)	*(i)&(v)*	**1,962**	3,151
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	*(i)&(v)*	**620**	–
Beijing Sany Machinery Co., Ltd. (北京市三一重機有限公司)	*(i)&(v)*	**600**	4
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	*(i)&(v)*	**551**	170
Sany Hoisting Machinery Co., Ltd. (三一汽車起重機械有限司)	*(i)&(v)*	**410**	386
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	*(i)&(v)*	**315**	–
Kunshan Sany Machinery Co., Ltd. (昆山三一機械有限公司)	*(i)&(v)*	**126**	–
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	*(i)&(v)*	**102**	–
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	*(i)&(v)*	**98**	117
Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司)	*(i)&(v)*	**96**	1,471
Sany Group Co., Ltd. (三一集團有限公司)	*(i)&(v)*	**6**	–
Beijing sany motor system Co., LTD (北京三一電機系統有限責任公司)	*(i)&(v)*	**–**	7,127
Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司)	*(ii)&(v)*	**–**	4,275
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	*(ii)&(v)*	**–**	2,419
Others	*(ii)&(v)*	**646**	423
		111,185	93,788

31. Related Party Transactions (continued)

(1) Recurring transactions (continued)

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Purchases of equipment from:			
Sany Group Co., Ltd. (三一集團有限公司)	*(ii)&(v)*	**953**	–
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
		953	5,450
Operating rental fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	*(iii)&(v)*	**2,348**	3,476
Hunan Zhongtai Equipment Engineering Co., LTD (湖南中泰設備工程有限公司)	*(iii)&(v)*	**2,211**	–
		4,559	3,476
Service fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	*(iv)&(v)*	**2,165**	1,946
Hunan Zhongtai Equipment Engineering Co., LTD (湖南中泰設備工程有限公司)	*(iv)&(v)*	**–**	1,388
		2,165	3,334
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	*(iv)&(v)*	**58,060**	16,799

31. Related Party Transactions (continued)

(1) Recurring transactions (continued)

Notes:

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

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

(iii) The rentals were made according to the prevailing market rent.

(iv) The services were made at prices and on 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 future.

(2) Non-recurring transactions

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Research and development fees paid to:		
Sany Germany GmbH (三一德國有限公司)	**1,024**	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)	**355**	377

31. Related Party Transactions (continued)

(2) Non-recurring transactions (continued)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
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 America Inc. (三一美國有限公司)	**1,065**	–
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	**213**	896
Sany Group Co., Ltd. (三一集團有限公司)	**28**	72
Hunan Sany Construction Engineering Co., LTD. (湖南三一築工有限公司)	**–**	127
Others	**–**	24
	1,306	1,119
Agency fee paid to:		
Sany International Development Ltd. (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)	**2**	81
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	**–**	3
Others	**2**	–
	4	84
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

31. Related Party Transactions (continued)

(2) Non-recurring transactions (continued)

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
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
Loans to a related party:			
Hunan Zhonghong Finance Lease Co., Ltd. (湖南中宏融資租賃有限公司)	*(i)*	230,000	–
Deposit to a related party:			
Sanxiang Bank (湖南三湘銀行股份有限公司)	*(ii)*	100,000	–

Notes:

(i) On 2018 and 2018, loans of RMB100,000,000 and RMB130,000,000 were lent to Hunan Zhonghong Finance Lease Co., Ltd. at an interest rate of 5.3% per annum and were guaranteed by Sany Group Co., Ltd..

(ii) On 14 May 2018, the Group deposited a principal amount of RMB100,000,000 with Sanxiang Bank at an interest rate of 5% per annum and is due in 177 days.

The other transactions were made at prices and on conditions as mutually agreed.

(3) Compensation of key management personnel

	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Salaries, allowances, and benefits in kind	2,607	1,734
Employee retirement benefits and other staff welfare	1,023	240
Equity-settled share option expenses	2,863	–
Total compensation paid to key management personnel	5,493	1,974

32. 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, available for sale 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 2018 was assessed to be insignificant.

33. Events after the Reporting Period

In July 2018, Sany Heavy Equipment, a direct wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "S&P Agreement") with Xinjiang Xing'ao Investment Co., Ltd. ("Xing'ao Investment") to dispose of Xinjiang Sany Heavy Equipment Co.,Ltd ("Xinjiang Sany"), an indirect wholly-owned subsidiary of the Company, which has ceased operation in prior years. Pursuant to the S&P Agreement, Sany Heavy Equipment agreed to sell a 100% equity interest in Xinjiang Sany to Xing'ao Investment for a total consideration of RMB177,400,000, which will be adjusted down by the decrease in cash and cash equivalens balance between the contract date and the completion date of the transaction. Cash consideration of RMB25,433,000 has been received by Sany Heavy Equipment till 15 August 2018.

34. 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 2018.