



# SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631



# 2019

## Interim Report



Financial Summary	2
Corporate Information	3
Chairman's Statement	4
Management Discussion and Analysis	6
Disclosure of Interests	14
Corporate Governance and General Information	19
Directors and Senior Management	22
Interim Condensed Consolidated Statement of Profit or Loss	28
Interim Condensed Consolidated Statement of Comprehensive Income	29
Interim Condensed Consolidated Statement of Financial Position	30
Interim Condensed Consolidated Statement of Changes in Equity	32
Interim Condensed Consolidated Statement of Cash Flows	34
Notes to the Interim Condensed Consolidated Financial Statements	35



# Financial Summary

(RMB: '000)	Six months ended 30 June		Increase (%)
	2019 (Unaudited)	2018 (Unaudited)	
Revenue	3,043,706	2,196,043	38.6
Gross profit	943,993	710,104	32.9
Profit before tax	640,283	444,939	43.9
Net profit	552,763	358,931	54.0
Profit attributable to owners of the parent	551,732	357,998	54.1
Total assets	13,332,412	11,337,142	17.6
Total equity	6,774,283	6,220,371	8.9
Cash flows of operating activities	515,687	66,770	672.3
Cash flows of investing activities	(521,098)	(145,518)	258.1
Cash flows of financing activities	(176,147)	(290,167)	(39.3)
Earnings per share <sup>1</sup>			
– Basic (RMB Yuan)	0.18	0.12	50.0
– Diluted (RMB Yuan)	0.15	0.10	50.0

(Percentage)	Six months ended 30 June		Increase (points)
	2019	2018	
Gross profit margin (excluding inventory impairment provision and including transportation costs)	30.5%	27.4%	3.1
Percentage of profit before tax attributable to shareholders of the Company <sup>2</sup>	21.0%	20.3%	0.7
Assets turnover	23.2%	19.5%	3.7
Gearing ratio	49.2%	45.1%	4.1
Average total assets (RMB'000)	13,128,553	11,268,096	16.5

1 The weighted average number of ordinary shares for the six months ended 30 June 2019 was 3,061,638,898 (six months ended 30 June 2018: 3,041,025,000), details of which are set out in note 9 to the Interim Condensed Consolidated Financial Statements.

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



## Directors

### Executive Directors

Mr. Qi Jian (*Chairman*)  
Mr. Fu Weizhong  
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. Zhou Huidong (appointed on 22 January 2019)  
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  
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  
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### Company Website

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### Investor Relations

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# Chairman's Statement

Dear Shareholders,

In the first half of 2019, the Chinese economy maintained stable growth in general underpinned by a steady progress of development. With the deepening of the supply side structural reform of the coal industry, the pace of industrial restructuring, transformation and upgrading of the coal industry has accelerated, investment in fixed assets of coal mining has rebounded, and the demand for upgrading equipment has been continuously increased, which in turn promoted a continued substantial growth of the mining equipment business of Sany Heavy Equipment International Holdings Limited (hereafter "Sany International" or the "Company"). Meanwhile, benefiting from the increase in the demand for construct of automated terminals at large domestic and international ports, the "Belt and Road Initiative" and the growth of containerization in railway transport, the logistics equipment business and overseas sales of the Company also maintained a growth trend.

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. Through online application of PLM, CRM, SCM and other systems, the Company achieved full digital connection of R&D, manufacturing and marketing services. With the networking of production equipment and intelligent monitoring system, real-time and on-site remote monitoring of physical objects was achieved. Equipment utilization was significantly improved, while defective product rate and energy management cost were reduced.

In the first half of 2019, the Company achieved a revenue of approximately RMB3.04 billion, representing an increase of approximately 38.6% over the same period last year. Net profit attributable to shareholders of the Company amounted to approximately RMB550 million, representing an increase of approximately 54.1%. As of 30 June 2019, total assets of the Company were approximately RMB13.33 billion and net assets were approximately RMB6.77 billion with a gearing ratio of approximately 49.2%.

Since the beginning of the year, the Company has actively promoted the research and development and innovation-driven strategy, adapting to the new development of the industry, and keenly grasped the new demands of customers for smart, unmanned, green and efficient equipment, while continuously increasing R&D investment and continuously optimizing the product structure and product performance to improve the market competitiveness of its products. In the first half of the year, the Company made remarkable achievements in innovation with the launch of a number of new products in the market, which created new sources of profit growth.

In the first half of 2019, the Company's international market also achieved remarkable results. It successfully secured large international port customers and entered into strategic cooperation agreements and orders. The sales of small port machinery in Asia, Australia, India, Indonesia, the United States, Europe and other regions continued to grow, and its fully mechanized coal mining equipment made a major breakthrough in Ukraine.

Since the beginning of the year, the Company has responded to customer needs quickly, continuously upgraded products, improved product performance, provided prompt and comprehensive after-sales service and best customer experience, and steadily increased the market share of its leading products. Among them, advanced products such as boring machines, front loaders and stacking machines continued to maintain a leading position in the market, and emerging products such as fully mechanized equipment and wide-bodied vehicles have also increased their market share significantly.



Looking into the second half of the year, while there are more positive factors driving the development of high-quality economy, the domestic and international economic situations are still complicated and severe. As for the Company's development, there are both new challenges and opportunities. The Company will adhere to the strategy of innovative research and development, promote the upgrading of products, further cultivate the international market 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, 21 August 2019



# Management Discussion and Analysis

## BUSINESS REVIEW

In the first half year of 2019, with the continuous increase in the demand for improvement and replacement of coal machinery equipment, and the coal industry's accelerated development towards intelligent, unmanned, green and high-efficient mining, the orders for coal machinery products of the Group increased significantly, and the competitiveness and market share of integrated coal mining products and roadheaders continued to enhance, which in turn led to a significant increase in the revenue of mining equipment segment. Meanwhile, the large-scale port machinery has entered into domestic mainstream ports and multiple river terminals, benefiting from the continuous improvement of brand influence, which in turn significantly increased the revenue derived from large-scale port machinery. The Group also focused on the R&D and innovation strategy in order to continuously optimize product performance and quality and accordingly enhance market competitiveness. Various types of new automatic and electric products were successively launched to the market, which brought new profit growth opportunities. In particular, the SKT90S series widebody vehicles have been highly recognized by the mining customers with its outstanding performance, which in turn increased the revenue generated from mining vehicles significantly. In addition, the expansion to international market has achieved remarkable results with (a) successful breakthrough in attracting major international customers of ports and entering into strategic cooperation agreements and orders with them; (b) increase in the international sales of small-scale port machinery continued in countries or regions including Asia, Australia, India, Indonesia, the USA and European regions; and (c) integrated coal mining products achieving a major breakthrough in Ukraine. With the Group's efforts in improving the operation quality and enhancing the performance of its products, the product competitiveness has steadily improved and market share of its key products has increased as a result.

## Major products

The Group divides its products into two categories, namely (1) the mining equipment business sector (previously known as energy equipment sector), which includes coal mining machinery 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 Conveyor), etc.); non-coal mining machinery products, such as tunnel roadheader and mining machine; the mining transport equipment (mechanical drive off-highway dump truck and electric drive off-highway dump truck) and wide bodied vehicle and other relevant products; and (2) the logistics equipment business sector (previously known as port machinery sector), which includes container equipment\* (front loader, stacking machine and quayside gantry crane, etc.), bulk material equipment (gripper, elevated hoisting arm, etc.) and general equipment (heavy-weight forklift, telehandler, etc.).

\* Note: Container equipment includes large port equipment products (e.g. quayside gantry crane, etc) and small port equipment products (e.g. front loader, stacking machine, etc).



## Research and development capability

The Group insists on developing R&D innovation-driven strategy, adapts to the new development of the industry, and keenly grasps the new demands from customers for intelligent, unmanned, green and high-efficient equipment, continuously increases R&D investment, and optimizes product structure and product performance. In the first half of 2019, commercial launching of the SCR200 and 260 series of coal mining machineries were made in the mining equipment sector, the EBZ160/200M bolting and self-protection machine were successfully launched in the market which directed the future development of intelligent excavation; and the new generation STR tunnel roadheaders with outstanding stability and function achieved successful breakthrough in the railway and highway market. The SKT90S wide-bodied vehicles were launched with high attendance rate and low operating cost and were highly recognized by customers. As for logistics equipment sector, the unmanned electric truck has completed on-site testing, signifying that the Company will officially enter the port unmanned transportation market. The automation depot container crane has overcome many obstacles in key automation technologies and achieved the targets of remote control, intelligent identification, precise alignment, automatic loading and unloading, which greatly improved port operation efficiency and reduced operating costs. Especially for the North America region, the SCP130A series forklifts with excellent operational control, comfort and reliability have successfully entered the international high-end market. The STS656501 quayside container crane has been officially operated in Zhuhai Port. With the advantages of short delivery time and stable equipment performance, it was widely praised by customers and recognized among the industry.

For the six months ended 30 June 2019, the Group obtained 14 authorized patents, including 5 invention patents, 7 utility model patents, 1 design 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 mining 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 one of the project occupies an area of 800 mu, equipped with a deep-water dock with a coastline of 3.5 km, and has currently reached the production capability of full range large-scale port machinery. The industrial park for small port equipment located in Changsha Industrial Zone covers a total area of approximately 150 mu with several plants and a commissioning field. The Group focuses on enhancement of processing and assembly techniques, and has adopted various measures to reduce production costs.

The Group actively promotes intelligent manufacturing, and realizes remote monitoring and visual management. With the networking of production equipment and intelligent monitoring system, real-time and on-site remote monitoring of physical objects was realized. The Group rationally allocates resources through intelligent dispatching platform based on production needs, and provides basic data for production management and energy management through the energy management platform. The Group also optimizes the production process and reduces energy consumption through the analysis of current, electrical energy, process parameters and other data.



# Management Discussion and Analysis

## Marketing and service

The Group implements a targeted marketing policy tailored to each major customer with support from our “power trio” team to achieve crucial breakthroughs. The Group has been accelerating its internationalization progress and enhancing its competitiveness in overseas markets. The Group adopts a specific policy for each country while adhering to our strategy of “focusing on both key products and key regions”. We have maintained our leading position in the small port machinery sector in the Asia-Pacific region and actively explored the North American market with new products. We have enhanced our market share in overseas markets through allocating more resources in international markets, providing more support to overseas agents and cultivating more agents.

The Group implements the best customer experience strategy, adhering to its service philosophy of “All For Customers, All From Innovations” and reshaping the marketing service concept into “going beyond customer expectations and industry standards”, so as to create the best customer experience throughout the process, by providing first-class services and highly efficient responses to meet customers’ needs and up to their satisfaction, and eliminating worries from customers on after-sales support. At the same time, the Group has accelerated the transformation and upgrading of digitalization and intellectualization, providing customers with convenient, efficient, accessible and intimate after-sales problem solutions through the Sany Customer Cloud Platform. The Group’s superior product quality, attentive after-sales services and prompt responses have won high recognition from customers.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2019, the Group recorded revenue of approximately RMB3,043.7 million, representing an increase of approximately RMB847.7 million, or 38.6%, from approximately RMB2,196.0 million for the six months ended 30 June 2018. Such increase was mainly attributable to the fact that: (1) with the continuous increase in the demand for improvement and replacement of coal machinery equipment, and the coal industry’s accelerated development towards intelligent, unmanned, green and high-efficiency mining, the orders for coal machinery products of the Group increased significantly in the first half of 2019, and the competitiveness and market share of integrated coal mining products and roadheaders continued to enhance, which in turn led to a significant increase in the revenue of mining equipment segment; (2) the large-scale port machinery has entered into domestic mainstream ports and multiple river terminals, benefiting from the continuous improvement of brand influence of large-scale port machinery, which in turn significantly increased the revenue derived from large-scale port machinery; (3) the Group focused on the R&D and innovation strategy in order to continuously optimize product performance and quality and accordingly enhance market competitiveness; and (4) the expansion to international market has achieved remarkable results.

### Other income and gains

For the six months ended 30 June 2019, the Group’s other income and gains were approximately RMB225.5 million, with an increase of approximately RMB43.2 million from approximately RMB182.3 million for the six months ended 30 June 2018. The change was mainly due to the increase in government subsidies, interest income and fair value gains on wealth management products.



## Cost of sales

For the six months ended 30 June 2019, the Group's cost of sales was approximately RMB2,099.7 million, representing an increase of approximately 41.3% from approximately RMB1,485.9 million for the six months ended 30 June 2018. The increase was mainly due to (1) a significant increase in the Group's sales orders; and (2) classification of transportation costs from selling and distribution expenses to cost of sales for the six months ended 30 June 2019.

## Gross profit margin

For the six months ended 30 June 2019, the gross profit margin (excluding inventory impairment provision and including transportation costs) of the Group was approximately 30.5%, representing an increase of approximately 3.1 percentage points against approximately 27.4% for the six months ended 30 June 2018. Such increase was mainly because the Group had remarkable achievement on cost control and realized cost reduction through the optimization of processing flow of roadheaders, integrated mining products, front loaders, stacking machines, etc.

## Profit margin before tax

For the six months ended 30 June 2019, the Group's profit margin before tax was approximately 21.0%, representing an increase of approximately 0.7 percentage point as compared with that of approximately 20.3% for the six months ended 30 June 2018. Such change was mainly due to that (1) the Group had actively controlled cost and increased gross profit margin of products. In particular, the gross profit margin of integrated mining products, roadheaders and stacking machines improved; and (2) the percentage of management expenses (excluding R&D expenses) against revenue and the percentage of selling expenses against revenue both decreased significantly, as a result of further enhancement of internal control through digitalization by the Group.

## Selling and distribution expenses

For the six months ended 30 June 2019, the selling and distribution expenses were approximately RMB180.6 million, representing a decrease of approximately 11.9% against approximately RMB205.1 million for the six months ended 30 June 2018.

During the reporting period, the ratio of the Group's selling and distribution expenses to revenue was approximately 5.9%, representing a decrease of approximately 3.4 percentage points as compared with approximately 9.3% for the six months ended 30 June 2018. Such change was mainly due to classification of transportation costs from selling and distribution expenses to cost of sales for the six months ended 30 June 2019.

## Research and development expenses

For the six months ended 30 June 2019, the research and development expenses of the Group were approximately RMB209.2 million, representing an increase of approximately 145.5% as compared with approximately RMB85.2 million for the six months ended 30 June 2018. For the six months ended 30 June 2019, the ratio of research and development expenses against total revenue was approximately 6.9%, representing an increase of approximately 3.0 percentage points as compared to approximately 3.9% for the six months ended 30 June 2018. Such change was mainly due to the increase in the investment in R&D on new products, including Smart Mine, Intelligent Terminal, tunnel roadheader, integrated excavation, bolting and self-protection machine, unmanned electric truck, telehandler, automatic depot container crane and widebody vehicles, by the Group.



# Management Discussion and Analysis

## Administrative expenses

For the six months ended 30 June 2019, administrative expenses of the Group were approximately RMB335.9 million (for the six months ended 30 June 2018: approximately RMB206.3 million). The administrative expenses excluding research and development expenses were approximately RMB126.7 million (for the six months ended 30 June 2018: approximately RMB121.1 million), which accounted for approximately 4.2% of total revenue, representing a decrease of approximately 1.3 percentage points against approximately 5.5% for the six months ended 30 June 2018. Such change was mainly attributable to the Group's strengthened cost controls by adopting measures such as implementation of cost control for each department and project, and implementation of strict individual responsibility management.

## Finance costs

For the six months ended 30 June 2019, finance costs of the Group were approximately RMB34.3 million (for the six months ended 30 June 2018: approximately RMB7.2 million), mainly due to the increase in the Group's bank borrowings.

## Taxation

For the six months ended 30 June 2019, the Group's effective tax rate was approximately 13.7% (for the six months ended 30 June 2018: the effective tax rate was approximately 19.3%). For details regarding income tax, please refer to note 7 on page 48 of this report.

## Profit attributable to owners of the parent

For the six months ended 30 June 2019, the Group's profit attributable to owners of the parent was approximately RMB551.7 million, as compared to that of approximately RMB358.0 million for the same period ended 30 June 2018. For the 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 2019, total current assets of the Group were approximately RMB8,153.1 million (as at 31 December 2018: RMB7,028.7 million). As at 30 June 2019, total current liabilities of the Group were approximately RMB5,277.4 million (as at 31 December 2018: RMB5,169.2 million).

As at 30 June 2019, total assets of the Group were approximately RMB13,332.4 million (as at 31 December 2018: approximately RMB12,924.7 million), and total liabilities were approximately RMB6,558.1 million (as at 31 December 2018: approximately RMB6,482.6 million). As at 30 June 2019, the gearing ratio (the asset to liability ratio) was approximately 49.2% (as at 31 December 2018: approximately 50.2%).



## Trade and bills receivables

As at 30 June 2019, the Group's trade and bills receivables were approximately RMB3,822.4 million, representing an increase of approximately 12.3% as compared to approximately RMB3,404.3 million as at 31 December 2018, in which the amount of trade receivables increased by approximately 16.4% to approximately RMB3,382.8 million as compared with approximately RMB2,905.3 million as at 31 December 2018. Such changes were mainly attributable to the increase in revenue. However, the increase in trade receivables was far less than the increase in revenue, which was attributable to the strict control over transaction closing conditions, the increase in down payment ratio and shortened payback period. The bills receivables decreased by approximately 11.9% to approximately RMB439.7 million as compared to approximately RMB499.0 million as at 31 December 2018. Such changes were mainly due to the decrease in cash payment ratio as a result of the increase in the use of endorsement of bills by the Group.

## Interest-bearing bank and other borrowings

As at 30 June 2019, interest-bearing bank and other borrowings of the Group were approximately RMB1,519.0 million (31 December 2018: approximately RMB1,400.0 million). Such change was mainly due to the increase in short-term bank borrowings.

## Cash flow

As at 30 June 2019, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB910.8 million in total. For the six months ended 30 June 2019, the net cash inflow of the Group from operating activities was approximately RMB515.7 million (for the six months ended 30 June 2018: net cash inflow of approximately RMB66.8 million). Such change was mainly due to that (1) the Group has adopted effective measures in inventory management, which lowered its procurement expense; (2) the Group had strictly controlled the transaction closing conditions which led to increase in telegraphic transfer payback ratio; (3) the Group had increased the endorsement and usage of bills, which led to the decrease of cash payment; and (4) the Group has put greater efforts in the collection of trade receivables and those receivables aged over two years were gradually received.

For the six months ended 30 June 2019, the net cash outflow from investing activities was approximately RMB521.1 million (for the six months ended 30 June 2018: net cash outflow of approximately RMB145.5 million). The increase in investing cash outflow during the six months ended 30 June 2019 was mainly due to the increase of investment in wealth management products issued by third party banks by RMB361.6 million.

For the six months ended 30 June 2019, the net cash outflow of the Group from financing activities was approximately RMB176.1 million (for the six months ended 30 June 2018: net cash outflow of approximately RMB290.2 million). Such change was mainly due to decrease in dividend paid by RMB121.8 million.



# Management Discussion and Analysis

## Turnover days

The Group's average turnover days of inventory were approximately 136.8 days as at 30 June 2019, representing a decrease of approximately 57.4 days from approximately 194.2 days as at 30 June 2018. 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 2019 were approximately 216.7 days, representing a decrease of approximately 17.4 days from approximately 234.1 days as at 30 June 2018. Such change was mainly due to that the Group has put greater efforts in the collection of trade receivables, which resulted in the improvement in the collection of long aging receivables.

The turnover days of trade and bills payables as at 30 June 2019 were 155.0 days, representing a decrease of approximately 9.0 days from approximately 164.0 days as at 30 June 2018. Such change was mainly due to the shortened payment cycle to the suppliers in return for the best delivery time to meet the high demand for the Group's production.

## Contingent liabilities

As at 30 June 2019, the Group had contingent liability of approximately RMB42.3 million, being the financial guarantee under financing lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. (31 December 2018: approximately RMB52.6 million).

## Capital commitment

As at 30 June 2019, the contracted capital commitments of the Group which were not provided for in the financial statements were approximately RMB4,300.8 million (31 December 2018: approximately RMB4,207.0 million).

## Employees and remuneration policy

The Group persists in training and developing talents. Accordingly, it provides internal training, external training and correspondent courses to its staff according to their ranking and at different times with an aim to improve and enhance their work-related skills as well as strengthen their senses of belonging. In addition, the Group pays year-end bonuses to staff to reward them for their contributions and dedication to the Group. The remuneration of the directors of the Group is determined with reference to their positions, responsibilities and experience and prevailing market conditions.

## Material acquisition, disposal and significant investment

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2019, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at the date of this report.



## Pledge on assets

As at 30 June 2019, the Group recorded pledged deposits with an aggregate value of approximately RMB1.4 million (as at 31 December 2018: approximately RMB33.8 million), for the purpose of issuing bills payable. As at 30 June 2019, none of the Group's bank loans was secured by property, plant and equipment and prepaid land lease payments (as at 31 December 2018: Nil).

## Foreign exchange risk

As at 30 June 2019, the Group's cash and bank balances denominated in foreign currency such as HK\$, Euro and US\$ were equivalent to approximately RMB122.0 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 personnel visited staff with family difficulties and provided them with consolation money and items; presented family package insurance to staff; and organized staff health check. The Group also raised funds for staff who needed assistance and spread love and care to staff who were in need of support.



# Disclosure of Interests

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

As at 30 June 2019, the interests or short positions of each Director and chief executive in the Shares, underlying Shares and 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) (the "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 2019	Percentage of total issued share capital as at 30 June 2019
Mr. Qi Jian <sup>(1)</sup>	Beneficial owner	3,000,000	0.10%
Mr. Fu Weizhong <sup>(2)</sup>	Beneficial owner	3,000,000	0.10%
Mr. Zhang Zhihong <sup>(3)</sup>	Beneficial owner/Interest of spouse	2,106,000	0.07%
Mr. Tang Xiuguo	Interest of spouse	2,097,000	0.07%
Mr. Xiang Wenbo <sup>(4)</sup>	Beneficial owner	2,858,000	0.09%
Mr. Poon Chiu Kwok <sup>(5)</sup>	Beneficial owner	1,000,000	0.03%
Mr. Ng Yuk Keung <sup>(6)</sup>	Beneficial owner	1,000,000	0.03%
Mr. Hu Jiquan <sup>(7)</sup>	Beneficial owner	1,000,000	0.03%

#### Notes:

- (1) The 3,000,000 Shares in which Mr. Qi Jian is deemed to be interested represent the 3,000,000 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) The 3,000,000 Shares in which Mr. Fu Weizhong is deemed to be interested represent 3,000,000 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 2,106,000 Shares in which Mr. Zhang Zhihong is deemed to be interested represent (i) the 2,000,000 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 106,000 Shares held by his spouse.
- (4) Mr. Xiang Wenbo directly holds 2,858,000 Shares of the Company.
- (5) 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.
- (6) 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.
- (7) 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.



## 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	869.58	8.70%
Mr. Xiang Wenbo (Note)	Beneficial owner	795.04	7.95%
Mr. Mao Zhongwu (Note)	Beneficial owner	795.04	7.95%

Note: Each of Mr. Tang Xiuguo, Mr. Xiang Wenbo and Mr. Mao Zhongwu holds 8.70%, 7.95% and 7.95% of the issued share capital of Sany BVI, respectively, which in turn holds the entire issued share capital of Sany Hongkong Group Limited ("Sany HK", a controlling shareholder of the Company).

Save as disclosed above, as at 30 June 2019, 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 30 June 2019, 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 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	2,578,228,722	83.21%
Sany BVI (Note 2)	Interest of a controlled corporation	2,578,228,722	83.21%
Mr. Liang Wengen (Note 3)	Interest of a controlled corporation/ Beneficial owner	2,589,098,722	83.56%



# Disclosure of Interests

## Notes:

1. The 2,578,228,722 Shares and underlying Shares consist of 2,098,447,688 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 56.38% 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 10,870,000 Shares of the Company.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## 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 2019 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 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 1.61% 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 9.81% 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 which had been granted and yet to be exercised under the Share Option Scheme of the Company is 71,277,000 Shares, representing 2.30% 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.



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 2019 are as follows:

Category of participants	Date of grant <sup>(1)</sup>	Exercise price per share (HK\$)	Outstanding at 1 January 2019	Granted during the period	Exercised during the period	Forfeited/Cancelled during the period	Outstanding at 30 June 2019
Directors							
Mr. Qi Jian	15 December 2017	1.22	6,000,000	-	3,000,000	-	3,000,000
Mr. Fu Weizhong	15 December 2017	1.22	6,000,000	-	3,000,000	-	3,000,000
Mr. Zhang Zhihong	15 December 2017	1.22	4,000,000	-	2,000,000	-	2,000,000
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	105,300,000	-	43,073,000	9,000,000	53,227,000
Employees	29 December 2017	1.71	1,600,000	-	680,000	120,000	800,000
Employees	14 November 2018	2.30	12,500,000	-	5,707,500	542,500	6,250,000
<b>Total</b>			<b>138,400,000</b>	<b>-</b>	<b>57,460,500</b>	<b>9,662,500</b>	<b>71,277,000</b>



# Disclosure of Interests

Note:

- (1) Share options granted under the Share Option Scheme on 15 December 2017, 29 December 2017 and 14 November 2018 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"):

<b>Vesting Date</b>	<b>Percentage of Share Option</b>
If the audited net profit for the year ended 31 December 2018 represents an increase of 20% or more as compared to that of the year ended 31 December 2017, the Vesting Date will be the date when the annual results announcement for the year ended 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 ended 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 ended 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.

- (2) During the six months ended 30 June 2019, 9,662,500 share options were forfeited for the following reasons: (1) certain employees' performance appraisal results for 2018 did not reach the performance target under the grant letters; (2) certain employees violated the Company's policies; and (3) certain employees were dismissed.

Save as disclosed above, during the six months ended 30 June 2019, no share option was granted, exercised, lapsed or cancelled under the Share Option Scheme.



## Corporate Governance

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

Except for the code provision A.2.1, the Company has complied with the code provisions under the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) from 1 January 2019 to 30 June 2019.

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 2019.

## Review of Interim Financial Statements

The interim financial results for the six months ended 30 June 2019 have not been audited or reviewed by the Company’s external auditor.

## Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).



# Corporate Governance and General Information

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

For the six months ended 30 June 2019, 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 2018: Nil).

## 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 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 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 whom are independent non-executive Directors. Mr. Poon Chiu Kwok was appointed as the chairman of the Audit Committee and is a Fellow of CPA Australia. The Audit Committee has held meetings to discuss the auditing, internal controls, risk management and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2019.



## 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.

## 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, 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.



# Directors and Senior Management

## Executive Directors

**Mr. Qi Jian (戚建)**, aged 59, 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 45, 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 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, 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 48, 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 six 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 56, 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.



## Directors and Senior Management

**Mr. Xiang Wenbo (向文波)**, aged 57, 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 57, 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.



## Independent Non-executive Directors

**Mr. Ng Yuk Keung (吳育強)**, aged 54, 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 57, 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 date of this report, 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), Greentown Service Group Co. Ltd (綠城物業服務集團有限公司) (stock code: 2869), 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.



# Directors and Senior Management

**Mr. Hu Jiquan (胡吉全)**, aged 61, 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. Zhou Huidong (周會東)**, aged 43, was appointed as the joint company secretary of the Company on 22 January 2019, and is also currently the vice president and the deputy financial controller of Sany Group. Mr. Zhou has over 20 years of experience in finance and accounting. Prior to joining Sany Group, from October 2017 to February 2018, he served as the vice president of finance of Aux Group Company Limited (奧克斯集團有限公司). From July 1998 to September 2017, Mr. Zhou served as various head positions of the financial department, the financial system integrated accounting department, the securities financial department, the financial monitoring department and the supervisor of Zhongxing Telecommunication Equipment Corporation (中興通訊股份有限公司), a listed company both on the Shenzhen Stock Exchange (stock code: 000063) and the Stock Exchange of Hong Kong (stock code: 763), responsible for the accounting and financial management. He also served as a director and/or supervisor of several subsidiaries of Zhongxing Telecommunication Equipment Corporation during such period of time. In July 1998, Mr. Zhou obtained a bachelor's degree in finance and accounting from Beijing University (北京大學). In July 2014, he obtained a master's degree in business administration from Guanghua School of Management of Beijing University. Mr. Zhou is qualified as a Chinese Certified Tax Agent (註冊稅務師) since June 2001 and a Chinese Certified Public Accountant (註冊會計師) since November 2004.

# Directors and Senior Management



**Mr. Zhu Xiangjun (朱向軍)**, aged 35, was appointed as the chief financial officer and a joint company secretaries of the Company on 12 September 2016 and resigned as the joint company secretary on 22 January 2019.

Mr. Zhu 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 ledger 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 42, 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 company secretary and alternative authorised representative of Beijing Media Corporation Limited (北青傳媒股份有限公司) (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 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) from May 2009 to April 2018; the company secretary and authorized 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 China National Materials Company Limited and Vale S.A. were delisted from the Hong Kong Stock Exchange in April 2018 and July 2016, respectively.

**Mr. Zhou Huidong (周會東)**, his biography is set out in the Senior Management section of Directors and Senior Management of this interim report.



# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>REVENUE</b>	4	3,043,706	2,196,043
Cost of sales		(2,099,713)	(1,485,939)
<b>Gross profit</b>		943,993	710,104
Other income and gains	4	225,512	182,265
Selling and distribution expenses		(180,605)	(205,099)
Administrative expenses		(335,918)	(206,252)
Other expenses		21,629	(28,923)
Finance costs	6	(34,328)	(7,156)
<b>PROFIT BEFORE TAX</b>	5	640,283	444,939
Income tax expense	7	(87,520)	(86,008)
<b>PROFIT FOR THE PERIOD</b>		552,763	358,931
Attributable to:			
Owners of the parent		551,732	357,998
Non-controlling interests		1,031	933
		552,763	358,931
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic (RMB Yuan)	9	0.18	0.12
Diluted (RMB Yuan)	9	0.15	0.10

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019



	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>PROFIT FOR THE PERIOD</b>	552,763	358,931
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	22,463	3,831
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>	22,463	3,831
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	22,463	3,831
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	575,226	362,762
Attributable to:		
Owners of the parent	574,195	361,829
Non-controlling interests	1,031	933
	575,226	362,762



# Interim Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	2,488,455	2,462,871
Right-of-use assets	11	1,042,116	–
Prepaid land lease payments	11	–	1,678,377
Goodwill	12	1,129,520	1,129,520
Trade receivables	14	24,144	89,826
Non-current prepayments	15	145,431	144,709
Deferred tax assets	16	349,671	390,667
Total non-current assets		5,179,337	5,895,970
<b>CURRENT ASSETS</b>			
Inventories	13	1,224,470	1,534,274
Properties under development		700,418	–
Trade receivables	14	2,734,237	2,127,075
Bills receivable	14	439,666	498,997
Prepayments, other receivables and other assets	15	852,143	634,396
Financial investments at fair value through profit or loss	17	1,205,671	1,046,022
Pledged deposits	18	1,418	33,813
Cash and cash equivalents	18	910,811	1,069,906
Assets of a disposal group classified as held for sale	26	8,068,834 84,241	6,944,483 84,241
Total current assets		8,153,075	7,028,724
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	19	1,773,230	1,819,648
Other payables and accruals	20	1,476,624	1,423,100
Dividend payable		75,973	75,675
Interest-bearing bank and other borrowings	21	1,517,313	1,399,951
Tax payable		245,622	267,725
Provision for warranties	22	16,372	9,888
Government grants	23	90,584	91,087
Liabilities directly associated with the assets classified as held for sale	26	5,195,718 81,699	5,087,074 82,098
Total current liabilities		5,277,417	5,169,172
<b>NET CURRENT ASSETS</b>		2,875,658	1,859,552

# Interim Condensed Consolidated Statement of Financial Position

30 June 2019



	<i>Notes</i>	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		8,054,995	7,755,522
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	21	1,715	–
Government grants	23	1,248,913	1,297,833
Deferred tax liabilities	16	30,084	15,622
Total non-current liabilities		1,280,712	1,313,455
Net assets		6,774,283	6,442,067
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	24	307,265	302,214
Reserves		6,454,426	6,128,292
		6,761,691	6,430,506
<b>Non-controlling interests</b>		12,592	11,561
Total equity		6,774,283	6,442,067

**Qi Jian**  
Director

**Zhang Zhihong**  
Director



# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the parent											
	Issued capital		Share premium account	Contributed surplus	Share option reserve	Reserve funds	Exchange fluctuation reserve	Capital redemption reserve*	Retained profits	Total	Non-controlling interests	Total equity
	Ordinary shares	Convertible preference shares										
	RMB'000 (note 24)	RMB'000 (note 24)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2019 (Audited)	264,366	37,848	2,239,502	1,350,390	40,776	464,111	(37,480)	5,744	2,065,249	6,430,506	11,561	6,442,067
Profit for the period	-	-	-	-	-	-	-	-	551,732	551,732	1,031	552,763
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	22,463	-	-	22,463	-	22,463
Total comprehensive income for the period	-	-	-	-	-	-	22,463	-	551,732	574,195	1,031	575,226
Issue of shares (note 24)	5,051	-	62,293	-	-	-	-	-	-	67,344	-	67,344
Share-based payments (note 25)	-	-	-	-	10,869	-	-	-	-	10,869	-	10,869
Release of share-based compensation reserve to share premium upon exercise of share options	-	-	25,245	-	(25,245)	-	-	-	-	-	-	-
Final 2018 dividend declared	-	-	-	-	-	-	-	-	(321,223)	(321,223)	-	(321,223)
At 30 June 2019 (unaudited)	269,417	37,848	2,327,040 <sup>#</sup>	1,350,390 <sup>#</sup>	26,400 <sup>#</sup>	464,111 <sup>#</sup>	(15,017) <sup>#</sup>	5,744 <sup>#</sup>	2,295,758 <sup>#</sup>	6,761,691	12,592	6,774,283

<sup>#</sup> These reserve accounts comprise the consolidated reserves of RMB6,454,426,000 (2018: RMB5,858,766,000) 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

For the six months ended 30 June 2019



	Attributable to owners of the parent											
	Issued capital		Share premium account	Contributed surplus	Share option reserve	Reserve funds	Exchange fluctuation reserve	Capital redemption reserve*	Retained profits	Total	Non-controlling interests	Total equity
	Ordinary shares	Convertible preference shares										
	RMB'000 (note 24)	RMB'000 (note 24)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	-	-	-	-	-	(278)	-	-	-	(278)	-	(278)
Share-based payments (note 25)	-	-	-	-	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



# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Note	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Net cash flows from operating activities		515,687	66,770
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		1,825	22,341
Purchases of items of property, plant and equipment		(134,454)	(27,140)
Proceeds from disposal of items of property, plant and equipment		8,019	7,402
Deposits paid for acquisition of parcels of land		–	(135,000)
Additional payment for a parcel of land		–	(18,755)
Purchases of financial assets at fair value through profit or loss		(3,183,484)	(465,500)
Proceeds from disposal of financial assets at fair value through profit or loss		3,038,601	682,200
Consideration for disposal of a subsidiary		–	43,999
Advance from disposal of disposal groups classified as held for sale		16,000	–
Loans to the related companies		(400,000)	(230,000)
Repayment of loans from the related companies		100,000	–
Decrease/(increase) of pledged deposits		32,395	(25,065)
Net cash flows used in investing activities		(521,098)	(145,518)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		67,344	–
New bank loans		916,000	160,000
Repayment of bank loans		(801,951)	–
Dividends paid		(321,223)	(442,999)
Principal portion of lease payments		(1,739)	–
Interest paid		(34,578)	(7,168)
Net cash flows used in financing activities		(176,147)	(290,167)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Effect of foreign exchange rate changes, net		22,463	3,831
Cash and cash equivalents at beginning of period		1,069,906	814,601
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	18	910,811	449,517
		910,811	449,517

# Notes to the Interim Condensed Consolidated Financial Statements



30 June 2019

## 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 mining equipment (including coal mining machinery, non-coal mining machinery and mining transport equipment), logistics equipment (including container equipment, bulk material equipment and general equipment) and spare parts and the provision of related services 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 information for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These financial information are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”) and Interpretations effective as of 1 January 2019.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements</i> <i>2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (a) Adoption of IFRS 16

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

#### **New definition of a lease**

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

#### **As a lessee – Leases previously classified as operating leases**

##### *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for a production plant. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset).

##### *Impacts on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (a) Adoption of IFRS 16 (continued)

#### As a lessee – Leases previously classified as operating leases (continued)

*Impacts on transition (continued)*

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000 (Unaudited)
<b>Assets</b>	
Increase in right-of-use assets	1,698,857
Decrease in prepaid land lease payments	(1,678,377)
Decrease in prepayments, other receivables and other assets	(13,852)
Increase in total assets	6,628
<b>Liabilities</b>	
Increase in interest-bearing bank and other borrowings	6,628
Increase in total liabilities	6,628

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
<b>Operating lease commitments as at 31 December 2018</b>	7,300
Less: value added tax included in the operating lease commitments	347
	6,953
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	6,628
<b>Lease liabilities as at 1 January 2019</b>	6,628



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (a) Adoption of IFRS 16 (continued)

#### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

#### *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

#### *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (a) Adoption of IFRS 16 (continued)

#### Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank and other borrowings'), and the movement during the period are as follow:

	Right-of-use assets		
	Plant RMB'000	Prepaid land lease payments RMB'000	Lease liabilities RMB'000
<b>As at 1 January 2019</b>	6,628	1,692,229	6,628
Depreciation charge	(1,657)	(11,329)	–
Transferred to properties under development ("PUD")	–	(643,755)	–
Interest expense	–	–	139
Payments	–	–	(1,739)
<b>As at 30 June 2019</b>	4,971	1,037,145	5,028

- (b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 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) Mining equipment segment

The mining equipment segment (previously known as energy equipment segment) engages in the production and sale of coal mining machinery, non-coal mining machinery, mining transport equipment and spare parts and the provision of related services; and

### (b) Logistics equipment segment

The logistics equipment segment (previously known as port machinery segment) engages in the production and sale of container equipment, bulk material equipment, general equipment 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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit 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.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2019	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue</b> (note 4)			
Sales to customers	1,808,991	1,234,715	3,043,706
Other revenue	120,237	79,905	200,142
Revenue from operations	1,929,228	1,314,620	3,243,848
<b>Segment results</b>	394,679	254,562	649,241
Interest income			25,370
Finance costs			(34,328)
Profit before tax			640,283
Income tax expense			(87,520)
Profit for the period			552,763
<b>Segment assets</b>	8,562,227	5,208,515	13,770,742
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(1,717,221)
Corporate and other unallocated assets			1,278,891
Total assets			13,332,412
<b>Segment liabilities</b>	2,359,485	4,115,508	6,474,993
<i>Reconciliation:</i>			
Elimination of intersegment payables			(1,717,221)
Corporate and other unallocated liabilities			1,800,357
Total liabilities			6,558,129
<b>Other segment information:</b>			
Loss on disposal of items of property, plant and equipment	409	123	532
Impairment losses reversed in profit or loss	(8,004)	(26,954)	(34,958)
Depreciation and amortisation	88,460	43,244	131,704
Other non-cash expense	5,392	5,477	10,869
Capital expenditure*	52,930	118,088	171,018



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2018	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue</b> (note 4)			
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
<b>Segment results</b>			
Interest income			23,450
Finance costs			(7,156)
Profit before tax			444,939
Income tax expense			(86,008)
Profit for the period			358,931
<b>Segment assets</b>			
<i>Reconciliation:</i>	7,328,587	4,801,950	12,130,537
Elimination of intersegment receivables			(1,720,693)
Corporate and other unallocated assets			927,298
Total assets			11,337,142
<b>Segment liabilities</b>			
<i>Reconciliation:</i>	2,062,649	3,847,512	5,910,161
Elimination of intersegment payables			(1,720,315)
Corporate and other unallocated liabilities			926,925
Total liabilities			5,116,771
<b>Other segment information:</b>			
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 in the interim condensed consolidated statement of financial position.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 3. OPERATING SEGMENT INFORMATION (continued)

### Information about major customers

Revenue of approximately RMB279,051,000 (six months ended 30 June 2018: RMB243,412,000) 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

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	2,998,024	2,174,363
Rendering of maintenance services	45,682	21,680
	<b>3,043,706</b>	2,196,043



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 4. REVENUE, OTHER INCOME AND GAINS (continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019

Segments	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Types of goods or services</b>			
Sale of goods	1,778,934	1,219,090	2,998,024
Maintenance services	30,057	15,625	45,682
Total revenue from contracts with customers	1,808,991	1,234,715	3,043,706
<b>Geographical markets</b>			
Mainland China	1,639,564	786,868	2,426,432
Asia (excluding Mainland China)	129,520	256,872	386,392
European Union	34,507	58,713	93,220
United States of America	–	92,455	92,455
Other countries/regions	5,400	39,807	45,207
Total revenue from contracts with customers	1,808,991	1,234,715	3,043,706
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	1,778,934	1,219,090	2,998,024
Services transferred over time	30,057	15,625	45,682
Total revenue from contracts with customers	1,808,991	1,234,715	3,043,706

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 4. REVENUE, OTHER INCOME AND GAINS (continued)

Disaggregated revenue information for revenue from contracts with customers (continued)

For the six months ended 30 June 2018

Segments	Mining equipment RMB'000	Logistics equipment RMB'000	Total RMB'000
<b>Types of goods or services</b>			
Sale of goods	1,218,479	955,884	2,174,363
Maintenance services	21,680	–	21,680
Total revenue from contracts with customers	1,240,159	955,884	2,196,043
<b>Geographical markets</b>			
Mainland China	1,223,877	645,811	1,869,688
Asia (excluding Mainland China)	7,395	206,582	213,977
European Union	–	37,672	37,672
United States of America	–	26,687	26,687
Other countries/regions	8,887	39,132	48,019
Total revenue from contracts with customers	1,240,159	955,884	2,196,043
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	1,218,479	955,884	2,174,363
Services transferred over time	21,680	–	21,680
Total revenue from contracts with customers	1,240,159	955,884	2,196,043



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 4. REVENUE, OTHER INCOME AND GAINS (continued)

### Other income and gain

	Notes	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Other income</b>			
Bank interest income		8,347	5,823
Other interest income		17,023	2,662
Government grants	23	151,502	122,914
Profit from sale of scrap materials		1,024	–
Others		15,658	32,036
		<b>193,554</b>	163,435
<b>Gains</b>			
Fair value gain on financial assets at fair value through profit or loss, net		31,958	14,965
Gain on disposal of a subsidiary	27	–	3,865
		<b>31,958</b>	18,830
		<b>225,512</b>	182,265

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cost of inventories sold		2,089,359	1,473,053
Cost of services provided		39,196	12,886
Depreciation	10	118,718	105,637
Amortisation of right-of-use assets/land lease prepayments**	11	12,986	6,551
Auditors' remuneration		504	430
Addition of warranties*	22	9,408	6,396
Research and development costs**		209,156	85,154
Minimum lease payments under operating leases:		1,825	2,216
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		244,885	176,520
Equity-settled share-based payment		10,869	11,536
Employee retirement benefits		12,073	18,839
Other staff welfare		7,150	9,580
		274,977	216,475
Foreign exchange differences, net***		1,263	6,839
Impairment of financial assets, net: (Reversal of impairment)/impairment of trade receivables***, net	14	(33,593)	19,619
Impairment of other receivables***, net		13,795	1,188
Write-back of slow-moving and obsolete inventories#		(15,160)	(27,841)
Loss on disposal of items of property, plant and equipment***		532	3,806
Gain on disposal of a subsidiary	27	–	(3,865)

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

\*\* Included in "Administrative expenses" and "Cost of sales" 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.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest on interest-bearing bank and other borrowings	28,845	7,006
Interest on discounted bills	5,483	150
	<b>34,328</b>	<b>7,156</b>

## 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 six months ended 30 June 2019.

Two (2018: Three) of the Group's principal operating companies, Sany Heavy Equipment Co., Ltd ("Sany Heavy Equipment") and Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment"), 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 2019.

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current – Mainland China		
Charge for the period	32,062	103,416
Deferred	55,458	(17,408)
Total tax charge for the period	<b>87,520</b>	<b>86,008</b>

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 8. DIVIDEND

The final dividend for the year ended 31 December 2018 of HK\$0.10 per share, totaling HK\$357,806,000 (equivalent to RMB321,223,000), was approved by the Company's shareholders at the annual general meeting on 10 May 2019, which was fully distributed during the six months ended 30 June 2019.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 2019 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,061,638,898 (six months ended 30 June 2018: 3,041,025,000) in issue during the period.

The calculation of the diluted earnings per share is based on the profit for the period 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.

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Profit</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	551,732	357,998
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	551,756	358,022



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Number of shares	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,061,638,898	3,041,025,000
Effect of dilution – convertible preference shares	479,781,034	479,781,034
Effect of dilution – share options	40,190,716	63,542,982
Weighted average number of ordinary shares used in the diluted earnings per share calculation	3,581,610,648	3,584,349,016

## 10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Carrying amount at 1 January	2,462,871	2,584,817
Additions	171,018	144,778
Disposals	(26,716)	(56,378)
Depreciation provided during the period/year	(118,718)	(210,346)
Carrying amount at 30 June/31 December	2,488,455	2,462,871

Assets with a net book value of RMB26,716,000 were disposed by the Group during the six months ended 30 June 2019 (30 June 2018: RMB19,215,000), resulting in a net loss on disposal of RMB532,000 (30 June 2018: RMB3,806,000).

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 RMB58,146,000 as at 30 June 2019 (31 December 2018: RMB58,882,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 11. RIGHT-OF-USE ASSETS/PREPAID LAND LEASE PAYMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Carrying amount at 1 January	1,692,229	575,065
Addition during the period/year	6,628	1,198,356
Recognised during the period/year	(12,986)	(13,942)
Transfer to PUD	(643,755)	–
Transfer to assets of a disposal group classified as held for sale	–	(67,250)
Carrying amount at 30 June/31 December	1,042,116	1,692,229
Current portion included in prepayments, other receivables and other assets	–	(13,852)
Non-current portion	1,042,116	1,678,377

The Group's land is situated in Mainland China and is held under a medium term lease.

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

As at 31 December 2018, Sany Marine Heavy Industry has received parcels of land with a carrying amount of approximately RMB781,319,000 and obtained the land use right certificate. The rest at a consideration of RMB9,650,000 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 3 years after completion of the construction work on the parcels of land. As at 30 June 2019, the Group has invested RMB1,779,091,238 and the remaining investment of RMB3,342,308,981 was a capital commitment as disclosed in note 29. In the event that Sany Marine Heavy Industry fails to meet such investment commitment, Sany Marine Heavy Industry should bear a penalty for breach of contract which is calculated based on the actual shortage in percentage of the total investment multiplied by the total consideration for the land. In the opinion of the Directors, Sany Marine Heavy Industry strictly abides by the terms of the Agreement and no breach of any terms in the Agreement was noted up to the date of approval of these financial statements.

In 2017, Sany (Zhuhai) Asset Co., Ltd., a subsidiary of the Company, made a prepayment to acquire one parcel of land with a carrying amount of approximately RMB625,000,000. During the year ended 31 December 2018, an additional payment for land of RMB18,755,000 was made and the land use right certificate was obtained. In 2019, Sany (Zhuhai) Asset Co., Ltd., acquired construction certificate and prepaid land lease payments of RMB643,755,000 was transferred to PUD.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 12. GOODWILL

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Carrying amount at 30 June/31 December	1,129,520	1,129,520

## 13. INVENTORIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Raw materials	493,316	679,644
Work in progress	194,109	522,134
Finished goods	678,469	603,094
	1,365,894	1,804,872
Less: Provision against slow-moving and obsolete inventories	(141,424)	(270,598)
	1,224,470	1,534,274

## 14. TRADE AND BILLS RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	3,382,767	2,905,258
Impairment	(624,386)	(688,357)
	2,758,381	2,216,901
Less: Trade receivables due after one year	(24,144)	(89,826)
	2,734,237	2,127,075
Bills receivable	439,666	498,997

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 14. TRADE AND BILLS RECEIVABLES (continued)

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 the end of the reporting period, the Group had a certain concentration of credit risk as 6% (31 December 2018: 7%) 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 RMB185,968,000 as at 30 June 2019 (31 December 2018: RMB271,943,000) for sales of products by the Group, which accounted for 7% (31 December 2018: 12%) of the Group's trade receivables at the end of the reporting period. Trade receivables are non-interest-bearing.

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 180 days	1,688,982	1,244,644
181 to 365 days	565,113	504,038
1 to 2 years	310,768	251,368
2 to 3 years	165,816	180,637
Over 3 years	27,702	36,214
	<b>2,758,381</b>	<b>2,216,901</b>

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
At 1 January	688,357	759,941
Impairment losses, net (note 5)	(33,593)	8,931
Amount written off as uncollectible	(30,378)	(80,515)
At 30 June/31 December	<b>624,386</b>	<b>688,357</b>



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 14. TRADE AND BILLS RECEIVABLES (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type, and coverage of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within six months	295,221	407,866
Over six months	144,445	91,131
	<b>439,666</b>	<b>498,997</b>

Included in the bills receivable was an amount of RMB6,000,000 as at 30 June 2019 (31 December 2018: RMB124,924,000) which was pledged for the issuance of a letter of guarantee.

Included in the bills receivable was an amount of RMB19,120,000 as at 30 June 2019 (31 December 2018: RMB13,000,000) which was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

### Transferred financial assets that are not derecognised in their entirety

At 30 June 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB280,900,200 (31 December 2018: RMB236,616,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was RMB280,900,200 (31 December 2018: RMB236,616,000) as at 30 June 2019.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 14. TRADE AND BILLS RECEIVABLES (continued)

### Transferred financial assets that are derecognised in their entirety

At 30 June 2019, 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 RMB 448,536,243 (31 December 2018: RMB612,636,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

## 15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current prepayments	145,431	144,709
Current assets:		
Prepayments	214,983	246,446
Deposits and other receivables	112,510	151,962
Loans to related parties	502,866	203,325
Loans to third parties	100,661	111,763
Gross balance	931,020	713,496
Impairment	(78,877)	(79,100)
	<b>852,143</b>	<b>634,396</b>

Non-current prepayments represent prepayments for the acquisition of land and property, plant and equipment. On 22 May 2018, Zhuhai Sany, a subsidiary of the Group, paid a consideration of RMB135,000,000 for a parcel of land from Guangzhou Jianxiang Wharf. On 14 March 2018 and 23 December 2018, non-current prepayments of RMB625,000,000 and RMB535,014,000 for land have been transferred to prepaid land lease payment as the land use right certificates have been obtained by Sany (Zhuhai) Asset Co., Ltd. and Sany Marine Heavy Industry, respectively. On 31 October 2018, Sany Heavy Equipment disposed of the non-current prepayments of RMB161,602,000 for a parcel of land at a consideration of RMB161,602,000 to a related company.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

No amount included in the current prepayments was due from fellow subsidiaries as at 30 June 2019 (31 December 2018: nil) for purchasing raw materials by the Group.

Deposits and other receivables mainly represent deposits with suppliers. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

Loans to related parties of RMB500,000,000 as at 30 June 2019 (31 December 2018: RMB203,325,000) are unsecured, bearing interest at rates ranging from 6% to 7% per annum (31 December 2018: 6% to 7%) and repayable in 2019.

Loans to third parties of RMB49,228,000 as at 30 June 2019 (31 December 2018: RMB23,121,000) are unsecured, repayable within one year and bearing interest at the prevailing market rate.

## 16. 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 2018 (Audited)	416,016	19,545	435,561
Charged to the consolidated statement of profit or loss	(10,821)	(17,082)	(27,903)
Transfer to assets of a disposal group classified as held for sale (note 26)	(16,991)	–	(16,991)
At 31 December 2018 and 1 January 2019 (Audited)	388,204	2,463	390,667
Charged to the interim condensed consolidated statement of profit or loss (note 7)	(39,987)	(1,009)	(40,996)
At 30 June 2019 (Unaudited)	348,217	1,454	349,671

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 16. DEFERRED TAX (continued)

### Deferred tax liabilities

	Withholding taxes on dividend RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2018 (Audited)	32,793	1,377	34,170
Credited to the consolidated statement of profit or loss	(18,533)	(15)	(18,548)
At 31 December 2018 and 1 January 2019 (Audited)	14,260	1,362	15,622
Charged/(credited) to the interim condensed consolidated statement of profit or loss (note 7)	14,477	(15)	14,462
At 30 June 2019 (Unaudited)	28,737	1,347	30,084

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 2019, the Group has not recognised deferred tax liabilities of RMB67,052,000 (31 December 2018: RMB55,878,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB1,341,029,996 (31 December 2018: RMB1,117,557,000), 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.

## 17. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Unlisted investments		
Financial investments at fair value through profit or loss	1,205,671	1,046,022



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 17. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The above unlisted investments at 30 June 2019 were principal-guaranteed wealth management products issued by banks in Mainland China with maturity periods within 1 year. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

## 18. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash and bank balances	682,229	773,719
Time deposits	230,000	330,000
	912,229	1,103,719
Less: Pledged time deposits for banking facilities	(1,418)	(33,813)
Cash and cash equivalents	910,811	1,069,906
Cash and cash equivalents, time deposits and pledged deposits denominated in		
– RMB	790,231	637,216
– HK\$	75,502	133,715
– United States dollars (“US\$”)	35,724	301,776
– Euro	10,772	31,012
	912,229	1,103,719

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

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 19. TRADE AND BILLS PAYABLES

An ageing 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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 30 days	503,035	585,926
31 to 90 days	473,821	415,678
91 to 180 days	549,579	397,921
181 to 365 days	139,706	107,226
Over 1 year	107,089	312,897
	<b>1,773,230</b>	<b>1,819,648</b>

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

The bills payable are normally due within 180 days.

Included in the trade and bills payables was an amount due to fellow subsidiaries in aggregate of RMB91,944,657 as at 30 June 2019 (31 December 2018: RMB180,429,000) for purchasing raw materials by the Group.

## 20. OTHER PAYABLES AND ACCRUALS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contract liabilities	569,127	694,787
Deposits received for disposal groups	113,433	97,433
Other payables	676,709	548,170
Accruals	117,355	82,710
	<b>1,476,624</b>	<b>1,423,100</b>



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 20. OTHER PAYABLES AND ACCRUALS (continued)

Details of contract liabilities are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Sales of goods	569,127	694,787

Included in the deposits received from customers was an amount of RMB204,595 as at 30 June 2019 (2018: RMB8,614,000) 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 RMB101,067,580 as at 30 June 2019 (2018: RMB25,036,000), which is non-interest-bearing and is repayable on demand.

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

## 21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	4.00	2020	100,000	–	–	–
Bank loans – unsecured	2.92-4.35	2019-2020	1,414,000	2.92-4.35	2019	968,350
Current portion of long term bank loans – unsecured	–	–	–	0.6	2019	431,601
Current portion of Lease liabilities	4.75	2020	3,313	–	–	–
			1,517,313			1,399,951
<b>Non-current</b>						
Lease liabilities	4.75	2020	1,715	–	–	–

- (a) As at 30 June 2019, financial investments at fair value through profit or loss of RMB104,000,000 has been pledged for the Group's bank loans of RMB100,000,000 from China Construction Bank Co., Ltd at the end of the reporting period. All borrowings are in RMB.
- (b) As at 31 December 2018, Sany Group Co., Ltd. and Hua Xia Bank Co., Ltd. (Shenyang branch) have guaranteed certain of the Group's bank loans up to RMB368,350,000 and RMB100,000,000 respectively as at the end of the reporting period. Except for the non-current bank loans of RMB431,601,000 which are denominated in EUR, all borrowings are in RMB.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 22. PROVISION FOR WARRANTIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
At 1 January	9,888	4,872
Additional provision (note 5)	19,296	15,469
Amount utilised during the period/year	(2,924)	(5,581)
Reversal of unutilized amounts (note 5)	(9,888)	(4,872)
At 30 June/31 December	16,372	9,888

The Group provides warranties (one year for mining machinery, and two years or 4,000 hours during usage which is earlier for logistics 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.

## 23. GOVERNMENT GRANTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
At 1 January	1,388,920	1,551,902
Received during the period/year	102,079	117,074
Released to the statement of profit or loss during the period/year	(151,502)	(204,756)
Transfer to liabilities directly associated with the assets classified as held for sale (note 26)	–	(75,300)
At 30 June/31 December	1,339,497	1,388,920
Current portion	(90,584)	(91,087)
Non-current portion	1,248,913	1,297,833

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.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 24. SHARE CAPITAL

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Authorised:		
4,461,067,880 (31 December 2018: 4,461,067,880) ordinary shares of HK\$0.10 each	446,107	446,107
538,932,120 (31 December 2018: 538,932,120) convertible preference shares of HK\$0.10 each	53,893	53,893
<b>Total authorised capital</b>	<b>500,000</b>	500,000
Issued and fully paid:		
3,098,485,500 (31 December 2018: 3,041,025,000) ordinary shares of HK\$0.10 each	309,849	304,103
479,781,034 (31 December 2018: 479,781,034) convertible preference shares of HK\$0.10 each	47,978	47,978
<b>Total issued and fully paid capital</b>	<b>357,827</b>	352,081
<b>Equivalent to RMB'000</b>	<b>307,265</b>	302,214

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital Equivalent to		Share premium	Total
		HK\$'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	3,520,806,034	352,081	302,214	2,239,502	2,541,716
Issue of shares (note)	57,460,500	5,746	5,051	62,293	67,344
Realease of share-based compensation reserve to share premium upon exercise of share options (note)	–	–	–	25,245	25,245
<b>At 30 June 2019</b>	<b>3,578,266,534</b>	<b>357,827</b>	<b>307,265</b>	<b>2,327,040</b>	<b>2,634,305</b>

Note: During the six months ended 30 June 2019, 57,460,500 new ordinary shares were issued for the share options exercised. Cash proceeds of HK\$76,599,000 (equivalent to RMB67,344,000) were received with no transaction costs borne by the Company, and related share option reserve of RMB25,245,000 was transferred to share premium accordingly.

# Notes to the Interim Condensed Consolidated Financial Statements



30 June 2019

## 25. 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, 29 December 2017 and 14 November 2018 (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:

<b>Vesting Date</b>	<b>Percentage of share options to vest</b>
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 <sup>(1)</sup>	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 <sup>(2)</sup>	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 <sup>(3)</sup>	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.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 25. SHARE OPTION SCHEME (continued)

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

	For the six months ended 30 June 2019		Year ended 31 December 2018	
	Price HK\$	Number of options (Unaudited)	Price HK\$	Number of options (Audited)
At 1 January	1.33	138,400,000	1.23	138,300,000
Granted during the period/year	–	–	2.30	12,500,000
Exercised during the period/year	1.33	(57,460,500)	–	–
Forfeited during the period/year	1.29	(9,662,500)	1.22	(12,400,000)
At 30 June/31 December	1.32	71,277,000	1.33	138,400,000

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

### 30 June 2019

Number of options	Exercise price* per share HK\$	Exercise period
64,227,000	1.22	15-12-2017 to 15-3-2021
800,000	1.71	29-12-2017 to 15-3-2021
6,250,000	2.30	14-11-2018 to 31-3-2021
71,277,000.00		

### 31 December 2018

Number of options	Exercise price* per share HK\$	Exercise period
124,300,000	1.22	15-12-2017 to 15-3-2021
1,600,000	1.71	29-12-2017 to 15-3-2021
12,500,000	2.30	14-11-2018 to 31-3-2021
138,400,000		

# Notes to the Interim Condensed Consolidated Financial Statements



30 June 2019

## 25. SHARE OPTION SCHEME (continued)

There were 71,277,000 (31 December 2018:138,400,000) share options outstanding and 3,827,000 of which was exercisable as at 30 June 2019.

The Group recognised a share option expense of HK\$12,559,000 (equivalent to RMB10,869,000) (30 June 2018: RMB11,536,000) during the period.

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	Granted on 14 November 2018
Dividend yield (%)	2.18	1.58	7.83
Expected volatility (%)	46.45	46.72	43.21
Historical volatility (%)	46.45	46.72	43.21
Risk-free interest rate (%)	2.22	2.28	3.02
Expected life of options (year)	10	10	10
Weighted average share price (HK\$ per share)	1.22	1.71	2.30

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.

## 26. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

In the second half of 2018, Sany Heavy Equipment, a direct wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with Xinjiang Xing Ao Investment Co., Ltd. ("Xing Ao Investment") to dispose of Xinjiang Sany, an indirect wholly-owned subsidiary of the Company, which remained dormant in prior years. Pursuant to the Equity Transfer Agreement, Sany Heavy Equipment agreed to sell a 100% equity interest in Xinjiang Sany, and transfer the shareholder's loan due from Xinjiang Sany to Xing Ao Investment for a total consideration of RMB177,400,000, among which RMB1,960,000 would be retained as a guarantee deposit. Cash consideration of RMB97,433,000 and RMB16,000,000 was received by Sany Heavy Equipment in the second half of 2018 and in first of 2019, respectively. However, the transaction was not completed as at 30 June 2019 as certain conditions precedent pursuant to the Equity Transfer Agreement, including but not limited to the full settlement of the consideration and shareholder information update in the business licence, had not yet been fulfilled as at the end of the reporting period.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 26. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

(continued)

The major classes of assets and liabilities of Xingjiang Sany classified as held for sale as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
<i>Assets</i>		
Right-of-use assets	67,250	–
Prepaid land lease payments (note 11)	–	67,250
Defer tax assets (note 16)	16,991	16,991
Assets classified as held for sale	84,241	84,241
<i>Liabilities</i>		
Government grants (note 23)	(75,300)	(75,300)
Tax payable	(6,399)	(6,798)
Liabilities directly associated with the assets classified as held for sale	(81,699)	(82,098)
Net assets directly associated with the disposal group	2,542	2,143

## 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.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 27. DISPOSAL OF A SUBSIDIARY (continued)

	On disposal date RMB'000 (Unaudited)
Net assets disposed of:	
Property, plant and equipment	111,491
Prepaid land lease payments	104,373
Non-current prepayments	29,334
Cash and bank balances	1
Other Payable	(64)
Government grants	(5,000)
	240,135
Gain on disposal of a subsidiary (note 5)	3,865
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
Cash consideration	244,000
Less: Cash consideration received in 2017	(200,000)
Cash and bank balances disposed of	(1)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	43,999



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 28. CONTINGENT LIABILITIES

At the end of the reporting period, the finance guarantee contracts not provided for in the financial information were as follows:

	Notes	2019 RMB'000	2018 RMB'000
Guarantees given to banks in connection with loans granted to customers	(a)	12,439	10,915
Guarantees given to the finance lease companies in connection with the unsettled lease amounts due from customers	(b)	29,877	41,667
		42,316	52,582

- (a) Hunan Sany Port Equipment enters into sale agreements with end-user customers directly for the sales of port machinery. The end-user customers 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.
- (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, China Kangfu Finance Lease Co., Ltd. ("Kangfu Leasing") and Hunan Zhonghong Finance Lease Co., Ltd. ("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 default 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.

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, and accordingly, no provision has been made at the inception of the guarantee contracts and at 30 June 2019.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 29. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	951,841	716,449
Plant and machinery	3,348,941	3,490,597
	<b>4,300,782</b>	<b>4,207,046</b>

## 30. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

### (1) Recurring transactions

	Notes	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sales of products to:			
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(v)	73,393	139,860
Sany America Inc (三一美國)	(i)&(v)	69,946	-
Sany International Development Limited. (三一國際發展有限公司)	(i)&(v)	66,985	96,316
PT.SANY INDONESIA MACHINERY (印度尼西亞三一機械有限公司)	(i)&(v)	13,290	-
Sany Hong Kong Group Co., Ltd. (三一香港集團有限公司)	(i)&(v)	1,327	-
Others	(i)&(v)	59	-
		<b>225,000</b>	<b>236,176</b>



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 30. RELATED PARTY TRANSACTIONS (continued)

### (1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sales of raw materials to:			
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(v)	23,541	186
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(v)	7,993	–
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(v)	7,560	2
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(v)	7,386	6,164
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(i)&(v)	3,472	–
Sany Automobile Lifting Machinery Co, Ltd. (三一汽車起重機械有限公司)	(i)&(v)	1,747	220
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(v)	1,364	–
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(v)	453	24
Hunan Sany Culture Co., Ltd. (湖南三一文化產業有限公司)	(i)&(v)	363	–
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(i)&(v)	133	–
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(v)	15	372
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(v)	1	15
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
Others	(i)&(v)	23	176
		<b>54,051</b>	<b>7,236</b>

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 30. RELATED PARTY TRANSACTIONS (continued)

### (1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 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)	(ii)&(v)	34,367	49,026
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(v)	13,969	18,486
Sany Germany GmbH (三一德國有限公司)	(ii)&(v)	6,722	1,962
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(ii)&(v)	5,477	3,198
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(v)	3,448	551
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(ii)&(v)	3,006	15,881
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(ii)&(v)	1,721	102
Loudi zhongyuan Machinery Co., Ltd. (婁底市中源機械有限公司)	(ii)&(v)	1,415	–
Shanghai Huaxing Digital Technology Co., Ltd. (上海華興數字科技有限公司)	(ii)&(v)	786	–
Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司)	(ii)&(v)	764	–
Sany Hoisting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(ii)&(v)	210	410
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	(ii)&(v)	12	620
Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司)	(ii)&(v)	5	96
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(ii)&(v)	–	8,848
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(ii)&(v)	–	7,305



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 30. RELATED PARTY TRANSACTIONS (continued)

### (1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sany Petroleum Intelligent Equipment Co., Ltd. (三一石油智能裝備有限公司)	(ii)&(v)	—	2,909
Beijing Sany Machinery Co., Ltd. (北京市三一重機有限公司)	(ii)&(v)	—	600
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(ii)&(v)	—	315
Kunshan Sany Machinery Co., Ltd. (昆山三一機械有限公司)	(ii)&(v)	—	126
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(ii)&(v)	—	98
Sany Group Co., Ltd. (三一集團有限公司)	(ii)&(v)	—	6
Others	(ii)&(v)	577	646
		<b>72,479</b>	<b>111,185</b>
Purchases of equipment from:			
Sany Group Co., Ltd. (三一集團有限公司)	(ii)&(v)	—	953
Operating rental fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(v)	1,739	2,348
Hunan Zhongtai Equipment Engineering Co., LTD (湖南中泰設備工程有限公司)	(iii)&(v)	797	2,211
		<b>2,536</b>	<b>4,559</b>
Service fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(v)	3,122	2,165
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(iv)&(v)	83,644	58,060

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 30. 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 17 shareholders: Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Zhao Xiangzhang, Wang Zuochun, Duan Dawei, Zhai Xian, Liang Linhe, Zhai Chun and Huang Jianlong, Sany Foundation (“北京三一公益基金會”), Beijing Deqing Foundation (“北京德清公益基金會”), who hold 56.38%, 8.70%, 7.95%, 7.95%, 4.72%, 3.48%, 2.98%, 2.98%, 0.99%, 0.99%, 0.68%, 0.60%, 0.50%, 0.40%, 0.08%, 0.31% and 0.31% 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.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 30. RELATED PARTY TRANSACTIONS (continued)

### (2) Non-recurring transactions

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
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
Service fee paid to:		
Sany America Inc. (三一美國有限公司)	2,175	1,065
Sany Group Co., Ltd. (三一集團有限公司)	37	28
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	–	213
	2,212	1,306
Sales of equipment to:		
Sany Group Co., Ltd. (三一集團有限公司)	2	2
Others	2	2
	4	4

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 30. RELATED PARTY TRANSACTIONS (continued)

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

	Notes	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Loans to the related parties:			
Hunan Zhonghong (湖南中宏融資租賃有限公司)	(i)	200,000	230,000
Kangfu Leasing (中國康富國際租賃股份有限公司)	(ii)	200,000	–
		400,000	230,000
Repayment of loans from a related party:			
Hunan Zhonghong (湖南中宏融資租賃有限公司)	(i)	100,000	–
Deposit to a related party:			
Sanxiang Bank (湖南三湘銀行股份有限公司)		–	100,000
Construction fees paid to related parties:			
Shenyang Sany Architectural Design and Research Co., Ltd. (瀋陽三一建築設計研究有限公司)	(iii)	532,390	–

Notes:

- (i) On 22 October 2018, a loan of RMB100,000,000 was lent to Hunan Zhonghong at an interest rate of 6% per annum and was guaranteed by Sany Group, which has been repaid on 21 April 2019. On 27 February 2019, a loan of RMB200,000,000 was lent to Hunan Zhonghong at an interest rate of 6% per annum and was guaranteed by Sany Group Co., Ltd., which would be repayable on 11 December 2019.
- (ii) On 15 January 2019, loans of RMB200,000,000 were lent to Kangfu Leasing at an interest rate of 6.5% per annum and would be repaid on 21 August 2019.
- (iii) In 2019, Sany Marine Heavy Industry engaged Shenyang Sany Architectural Design and Research Co., Ltd. for the soft foundation of a parcel of land at a consideration of RMB53,239,000.

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



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 30. RELATED PARTY TRANSACTIONS (continued)

### (3) Compensation of key management personnel

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Salaries, allowances, and benefits in kind	3,423	2,607
Employee retirement benefits and other staff welfare	805	1,023
Equity-settled share option expenses	3,482	2,863
<b>Total compensation paid to key management personnel</b>	<b>7,710</b>	<b>6,493</b>

## 31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair value	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
<u>Financial assets</u>				
Trade receivables, non-current portion	24,144	89,826	24,144	89,826
Bills receivable	439,666	498,997	439,666	498,997
Financial assets at fair value through profit or loss	1,205,671	1,046,022	1,205,671	1,046,022
	<b>1,669,481</b>	<b>1,634,845</b>	<b>1,669,481</b>	<b>1,634,845</b>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, current portion of trade receivables, financial assets included in prepayments, other receivables and other assets, interest-bearing bank and other borrowings, trade and bills payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts as at the end of the reporting period due to the short term maturities of these instruments.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019



## 31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows: (continued)

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 finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

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 following methods and assumptions were used to estimate the fair values:

The fair values of non-current portion of trade receivable has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of bills receivable measured at fair value through other comprehensive income, which were previously classified as loans and receivables, have been estimated using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2019

## 31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

### Assets measured at fair value:

As at 30 June 2019

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Bills receivable	–	439,666	–	439,666
Financial assets at fair value through profit or loss	–	1,205,671	–	1,205,671
	–	1,645,337	–	1,645,337

As at 31 December 2018

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Bills receivable	–	498,997	–	498,997
Financial assets at fair value through profit or loss	–	1,046,022	–	1,046,022
	–	1,545,019	–	1,545,019

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2018: Nil).

## 32. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

These interim condensed consolidated financial information were approved and authorised for issue by the board of directors on 21 August 2019.