



# SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631



# 2020

INTERIM REPORT



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# Financial Summary

(RMB: '000)	Six months ended 30 June		
	2020 (Unaudited)	2019 (Unaudited)	Increase (%)
Revenue	3,815,076	3,043,706	25.3%
Gross profit	1,030,096	943,993	9.1%
Profit before tax	753,952	640,283	17.8%
Net profit	638,619	552,763	15.5%
Profit attributable to owners of the parent	639,705	551,732	15.9%
Total assets	17,390,102	13,332,412	30.4%
Total equity	7,409,704	6,774,283	9.4%
Cash flows of operating activities	648,604	515,687	25.8%
Cash flows of investing activities	(1,180,500)	(521,098)	126.5%
Cash flows of financing activities	466,877	(176,147)	(365.0%)
Earnings per share <sup>1</sup>			
– Basic (RMB Yuan)	0.21	0.18	16.7%
– Diluted (RMB Yuan)	0.18	0.15	20.0%

(Percentage)	Six months ended 30 June		
	2020	2019	Increase (%)
Gross profit margin	26.2%	30.5%	(4.3%)
Percentage of profit margin before tax attributable to shareholders of the Company <sup>2</sup>	19.8%	21.0%	(1.2%)
Assets turnover	23.2%	23.2%	–
Gearing ratio	57.4%	49.2%	8.2%
Average total assets (RMB'000)	16,468,269	13,128,553	25.4%

1 The weighted average number of ordinary shares for the six months ended 30 June 2020 was 3,104,960,486 (six months ended 30 June 2019: 3,061,638,898), 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. Liang Zaizhong (*Chairman*)

Mr. Qi Jian

Mr. Fu Weizhong

Mr. Zhang Zhihong

### Non-executive Directors

Mr. Tang Xiuguo

Mr. Xiang Wenbo

### Independent Non-executive Directors

Mr. Ng Yuk Keung

Mr. Poon Chiu Kwok

Mr. Hu Jiquan

### Joint Company Secretaries

Mr. Zhou Huidong

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. Liang Zaizhong (*Chairman*)

Mr. Poon Chiu Kwok

Mr. Hu Jiquan

### Strategic Investment Committee

Mr. Liang Zaizhong (*Chairman*)

Mr. Qi Jian

Mr. Fu Weizhong

Mr. Zhang Zhihong

Mr. Ng Yuk Keung

Mr. Poon Chiu Kwok

### Registered Office

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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

Sidley Austin (as to Hong Kong law)

Jingtian & Gongcheng (as to PRC law)

### Stock Code

00631

### Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited

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Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

### Company Website

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### Investor Relations

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# Chairman's Statement

Dear Shareholders,

In the first half of 2020, the demand of the coal mining industry grew significantly following an increase in supply due to the implementation of supply side reform. With further computerization in the operation of coal mining, the demand for computerized, automated, green, safe and efficient coal machinery and equipment increased. Meanwhile, the acceleration in the construction of smart terminals gave rise to upgrading of port stevedoring and transportation equipment towards computerization and automation. The rapid development of special railway construction, containerized transportation of bulk cargo and multi-modal transportation also brought rapid growth in the demand of freight handling equipment for railway containers.

During the first half of the year, the Company and its subsidiaries (collectively, the “**Group**”) overcame difficulties with concerted efforts amid the severe challenges brought by the Coronavirus Disease 2019 (“**COVID-19**”) on the global economy, realizing a positive growth in its operating performance. In the first half of 2020, the Group recorded revenue of approximately RMB3,815.1 million, representing an increase of approximately 25.3% over the same period of last year. Net profit attributable to the parent amounted to approximately RMB639.7 million, representing an increase of approximately 15.9% over the same period of last year. During the first half of the year, the return on net assets of the Group was approximately 8.6%, representing an increase of 0.4 percentage point over the same period of last year. The net cash inflow of the Group from operating activities was approximately RMB648.6 million, representing an increase of approximately 25.8% over the same period of last year.

During the first half of the year, the Group made breakthroughs in its core intelligent technologies and launched many new products. For the mining equipment sector, the Group's intelligent excavator featuring the functions of remote control, automatic cutting, efficient dust removal and precise positioning has maintained its leading position in technology in the industry. Intelligent shearers achieved breakthroughs in core intelligent technologies such as transparent surface compatibility and predictive maintenance, and were verified and promoted in coal mines of Huaibei and Shanxi. The optimization and upgrading of electro-hydraulic control technology, channel central control technology, and underground visualization technology have laid the technical foundation for the future intelligent combined coal mining unit. For the logistics equipment sector, the Group developed high-efficiency motor electronic control technology, all-in-one controller technology, dual-motor + AMT control technology, realizing the electrification upgrade of front loaders and stacking machines. Automation technologies such as fully automatic container grabbing and releasing system, equipment management system and others were successfully applied in multiple port automation projects.

The Group actively promotes digital transformation and upgrade, achieving significant results in the first half of the year. Through digitalization, the Group enhanced its research and development (“R&D”) capability and accelerated the upgrading of products towards computerization and automation. Intelligent excavators and intelligent shearers received orders from multiple customers. Electric widebodied vehicles were successfully put into commercial operation. Unmanned electric widebodied vehicles were accepted by customers upon testing. The automation projects of Tianjin Port and Haixing Port were put into operation. Integrated electric control of large port machinery was successfully applied in projects in Huangshi, Thailand, etc. Small port machinery electric products such as electric front loaders/stacking machines and others were successfully launched, realizing sales in bulk. The



Group actively promotes intelligent manufacturing and improves production management through real-time and on-site remote monitoring of physical objects, and with the interconnection of production equipment and online data monitoring, real-time management of utilities. The Group enhanced its operation management through data management and application. C-terminal interconnection enables real-time data reporting, monitoring of equipment operation status and early alert to problems, creating value for customers. Through predictive maintenance, equipment malfunctioning are diagnosed in advance, which improved the attendance rate. The supply chain cloud platform realizes real-time supply chain management and improves supply capacity, reducing the operating costs of suppliers.

In the first half of 2020, the Group made more efforts in the development of international market, which resulted in significant breakthroughs in overseas strategic markets and greater cooperation with strategic customers. During the first half of the year, the Group recorded international sales revenue of approximately RMB778.6 million, representing an increase of approximately 26.1% over the same period of last year. For the mining equipment sector, the channel planning of 6 major regional markets including Eastern Europe, Central Asia, India, Indonesia, Africa and South America was completed. For logistics equipment sector, the Group deepened strategic cooperation with famous operators such as MSK, PSA, DP, Hutchison Whampoa, China Merchants, and COSCO, to rapidly expand its business in emerging markets such as Indonesia, Qatar, Thailand, and Vietnam. As a result, international revenue of large port machinery sector increased significantly over the same period of last year. The small port machinery sector started cooperation with multiple overseas customers in countries such as Australia, United Arab Emirates, Mexico, New Zealand, the United Kingdom, and others under the premise of maintaining its existing cooperative relations with customers.

In 2020, facing the complicated and dynamic domestic and overseas environment, the Group will continue to adhere to digital transformation, strengthen cost control, and promote quality and efficiency improvement, in order to improve its operating efficiency. It will also make more efforts in R&D, improve its marketing services and advance its internationalization to pursue stable and steady development of Sany International.

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.

**Liang Zaizhong**

*Chairman*

Hong Kong, 17 August 2020



# Management Discussion and Analysis

## BUSINESS REVIEW

In the first half of 2020, as the COVID-19 pandemic continued its spread across the world, the global economy entered into a recession due to the shrinking demand. From the beginning of the second quarter, as COVID-19 was gradually kept under control, China's economy stabilized in general with signs of recovery. For the coal mining industry, following the implementation of supply side reform, efforts on capacity reduction made good progress with the overall production and demand turning stable and coal prices fluctuated in a positive trend, giving continued support to the profitability of the industry. With further computerization in the operation of coal mining, the demand for computerized, automated, green, safe and efficient coal machinery and equipment increased, and orders for coal machinery products of the Group increased as compared with last year. At the same time, as the Group made more efforts in the R&D and promotion of its new mining equipment products, the sales revenue of its wide-bodied vehicles grew rapidly as a result. For the logistics equipment segment, the acceleration in the construction of smart terminals gave rise to upgrading of port stevedoring and transportation equipment towards computerization and automation. The rapid development of special railway construction, containerized transportation of bulk cargo and multi-modal transportation also brought rapid growth in the demand of freight handling equipment for railway containers, the share of the Group's front loaders and stacking machines in its major markets continued to increase with growth in sales revenue. In addition, the Group achieved significant breakthroughs in its overseas markets and the international sales revenue of logistics equipment increased significantly as compared with last year.

## Major products

The Group divides its products into two categories, namely (1) the mining equipment business 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, 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 adheres to an innovation-driven strategy in its R&D and adapts to new market demand for computerized, automated, green and efficient equipment by upgrading products through technological innovation. In the first half of 2020, for the mining equipment sector, the SKT90E pure electric widebodied vehicle was the first product to use a serial dual-motor drive system, which reduces energy consumption by approximately 75% on average. The prototype of SKT90Ei unmanned electric widebodied vehicle has been completed; our intelligent excavator featuring the functions of remote control, automatic cutting, efficient dust removal and precise positioning has maintained the leading position in technology in the industry; the SCR series mining machines, which received orders from South Africa, Southeast Asia, and Central Asia, changed the traditional mining methods and greatly improved mining efficiency; the STR318H engineering roadheaders featuring strong rock-breaking capability has significantly improved construction efficiency; our pure water supports received new sales orders due to its high recognition by customers. As for the logistics equipment sector, our self-developed core technologies such as the fully automatic container grabbing and releasing system and yard TCS system were successfully applied in automation projects which significantly enhanced the container loading efficiency; the development of fully automated RMG, combined RTG and full-function trolley RTG was completed which further enhanced the competitiveness of these products. The completion of the design and development of Euro V and China IV stackers will satisfy future demand for emission upgrade in the domestic and foreign markets, while completion of the development of three models in the G5 series front loaders will enable the Group to enter the high-end market in Europe.

For the six months ended 30 June 2020, the Group obtained 85 new authorized patents, including 12 invention patents, 69 utility model patents, 3 design patents 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 located in Zhuhai Gaolan Port Economic Area commenced operation on 6 May 2015. Occupying an area of 800 mu, phase one of the project is 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 proceeds in full speed the construction of the "Lighthouse Factory". It has automated eight major techniques, logistics and inspection manufacturing processes through the application of robots, automated guided vehicles and controlling technology. An intelligent island processing unit and smart logistics are built so as to strive for the establishment of top-tier smart manufacturing workshops.





# Management Discussion and Analysis

The Group is committed to improving the level of production management. The Group's networking and computerization of production management is achieved through real-time and on-site remote monitoring of physical objects, and with the interconnection of production equipment and online data monitoring, real-time management of utilities including water, electricity, oil and gas is made possible, providing basic energy consumption data for us to optimize the technical process and reduce energy consumption.

## 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 AsiaPacific 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 adheres to its service philosophy of "All For Customers, Creating Values For Customers", and prioritizes customer needs to maximize values for its customers. The Group has accelerated the transformation and upgrading of digitalization and intellectualization with the combination of a digitalized mindset and means, striving to provide its customers with efficient and accurate quality services. Customers are provided with one-stop accessible services through the Root Cloud Platform, CRM, and the Customer Cloud Platform. In 2020, the digitization of service accessories will upgrade again, and the five core service solutions comprising large lecture halls, remote services, intelligent call centers, accessory malls, and visual logistics will bring customers an all-round enjoyable experience. With the vision of changing the world with quality, the Group's superior product quality, attentive aftersales services and prompt responses have won high recognition from customers. Sany services will escort the realization of Smart Mines and Smart Ports, which are safe and environmentally friendly.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB3,815.1 million, representing an increase of approximately RMB771.4 million, or 25.3%, from approximately RMB3,043.7 million for the six months ended 30 June 2019. Such increase was mainly attributable to the fact that: (1) following the gradual increase in market share of major products, the Group further consolidated its leading position in the industry, resulting in a continuous growth in revenue; (2) widebodied vehicles newly launched by the Group gained customers' recognition due to their high attendance rate, resulting in a significant growth in revenue by more than 300% as compared with last year; and (3) the significant increase in the overseas sales revenue of the logistics equipment of the Group.



## Other income and gains

For the six months ended 30 June 2020, the Group's other income and gains were approximately RMB234.7 million, with an increase of approximately RMB9.2 million from approximately RMB225.5 million for the six months ended 30 June 2019. The change was mainly due to the increase in fair value gains on wealth management products.

## Cost of sales

For the six months ended 30 June 2020, the Group's cost of sales was approximately RMB2,785.0 million, representing an increase of approximately 32.6% from approximately RMB2,099.7 million for the six months ended 30 June 2019. The increase was mainly due to a significant increase in the Group's sales revenue.

## Gross profit margin

For the six months ended 30 June 2020, the gross profit margin of the Group was approximately 26.2%, representing a decrease of approximately 4.3 percentage points as compared with approximately 30.5% for the six months ended 30 June 2019. Such decrease was mainly due to the increase in the sales proportion of new products with low gross profit margin such as wide-bodied vehicles, which resulted in a decrease in the overall gross profit margin.

## Profit margin before tax

For the six months ended 30 June 2020, the Group's profit margin before tax was approximately 19.8%, representing a decrease of approximately 1.2 percentage points as compared with that of approximately 21.0% for the six months ended 30 June 2019. Such decrease was mainly due to the structural changes in the Group's product sales, which was caused mainly by the increase in the sales proportion of relatively low gross profit margin products, which resulted in a decrease in the overall gross profit margin.

## Selling and distribution expenses

For the six months ended 30 June 2020, the selling and distribution expenses were approximately RMB179.6 million, representing a decrease of approximately 0.6% compared with that of approximately RMB180.6 million for the six months ended 30 June 2019.

During the reporting period, the ratio of the Group's selling and distribution expenses to revenue was approximately 4.7%, representing a decrease of approximately 1.2 percentage points as compared with approximately 5.9% for the six months ended 30 June 2019. Such decrease was mainly due to improvement in operation efficiency through digitalization and adoption of multiple cost reduction measures by the Group to reduce wastage and the percentage of expenses.



# Management Discussion and Analysis

## Research and development expenses

For the six months ended 30 June 2020, the R&D expenses of the Group were approximately RMB189.8 million, representing a decrease of approximately 9.3% as compared with approximately RMB209.2 million for the six months ended 30 June 2019. For the six months ended 30 June 2020, the ratio of R&D expenses against total revenue was approximately 5.0%, representing a decrease of approximately 1.9 percentage points as compared with approximately 6.9% for the six months ended 30 June 2019. Such decrease was mainly due to (1) the increase in sales revenue; and (2) that the Group enhanced its R&D efficiency through acceleration of digital transformation and application of digital methods for R&D.

## Administrative expenses

For the six months ended 30 June 2020, administrative expenses of the Group were approximately RMB310.8 million compared with that for the six months ended 30 June 2019 of approximately RMB335.9 million. The administrative expenses (excluding R&D expenses) were approximately RMB121.0 million compared with that for the six months ended 30 June 2019 of approximately RMB126.7 million, which accounted for approximately 3.2% of total revenue, representing a decrease of approximately 1.0 percentage point compared with that of approximately 4.2% for the six months ended 30 June 2019. Such change was mainly attributable to the decrease in percentage of expenses resulted from the Group's adoption of strict cost control measures featuring individual responsibility, and clear distinction between incentives and penalties.

## Finance costs

For the six months ended 30 June 2020, finance costs of the Group were approximately RMB75.2 million, representing an increase of 119.2% compared with that for the six months ended 30 June 2019 which was approximately RMB34.3 million. The increase was mainly due to the increase in the Group's bank borrowings.

## Taxation

For the six months ended 30 June 2020, the Group's effective tax rate was approximately 15.3% (for the six months ended 30 June 2019: the effective tax rate was approximately 13.7%).

## Profit attributable to owners of the parent

For the six months ended 30 June 2020, the Group's profit attributable to owners of the parent was approximately RMB639.7 million, which is an increase of approximately 16.0% as compared with approximately RMB551.7 million for the six months ended 30 June 2019. For the main reasons of such change, please refer to the paragraphs headed "Revenue", "Gross profit margin" and "Profit margin before tax".



## Liquidity and financial resources

As at 30 June 2020, total current assets of the Group were approximately RMB12,291.3 million (as at 31 December 2019: RMB10,337.9 million). As at 30 June 2020, total current liabilities of the Group were approximately RMB8,475.8 million (as at 31 December 2019: RMB6,421.3 million).

As at 30 June 2020, total assets of the Group were approximately RMB17,390.1 million (as at 31 December 2019: approximately RMB15,546.4 million), and total liabilities were approximately RMB9,980.4 million (as at 31 December 2019: approximately RMB8,400.9 million).

In order to better utilize the Group's temporary idle funds, the Group would invest in financial products and securities investment funds to earn better returns than demand deposits placed with banks. As at 30 June 2020, the Group's financial investments at fair value through profit or loss amounted to RMB4,715.0 million (31 December 2019: RMB3,276.4 million) accounted for 27.1% (31 December 2019: 21.1%) of the balance of total assets of the Group as at 30 June 2020. These investments consisted of wealth management products and securities investment funds. The wealth management products as at 30 June 2020 were purchased from Hua Xia Bank Co., Ltd., China Zheshang Bank Co., Ltd., China Construction Bank Co., Ltd., Industrial Bank Co., Ltd and China CITIC Bank Co., Ltd. with maturity periods within one year at expected interest rates ranging from 3.45% to 4.7% per annum (31 December 2019: 2.7% to 4.7%). Securities investment funds as at 30 June 2020 were purchased from Tianhong Creation Assets Management Co., Ltd., China Fortune International Trust Co., Ltd. and China Golden Wealth Securities Co., Ltd. with maturity periods within one year at expected interest rates ranging from 4.0% to 5.8% per annum (31 December 2019: 5.3% to 5.8%). Details of which are set out in note 18 to the interim condensed consolidated financial statements.

As at 30 June 2020, the gearing ratio (the asset to liability ratio) was approximately 57.4% (as at 31 December 2019: approximately 54.0%).

## Trade and bills receivables

As at 30 June 2020, the Group's trade and bills receivables (before impairment) were approximately RMB4,675.4 million, representing an increase of approximately 24.0% as compared to approximately RMB3,769.0 million as at 31 December 2019, in which the amount of trade receivables increased by approximately 23.5% to approximately RMB4,131.5 million as compared with approximately RMB3,344.5 million as at 31 December 2019. Such changes were mainly attributable to the increase in sales revenue. The bills receivables increased by approximately 28.1% to approximately RMB543.8 million as compared to approximately RMB424.5 million as at 31 December 2019. Such changes were mainly due to the increase in sales revenue.



# Management Discussion and Analysis

## Interest-bearing bank and other borrowings

As at 30 June 2020, interest-bearing bank and other borrowings of the Group were approximately RMB4,172.9 million (31 December 2019: approximately RMB3,256.1 million). Such change was mainly due to the increase in short term bank borrowings in preparation of the potential capital investments and acquisition opportunities and to meet R&D and operational needs of the Group as well. As at the date of this report, the Group has not entered into any letter of intention or definitive agreement for the capital investments and acquisitions.

## Cash flow

As at 30 June 2020, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB1,070.4 million in total. For the six months ended 30 June 2020, the net cash inflow of the Group from operating activities was approximately RMB648.6 million (for the six months ended 30 June 2019: net cash inflow of approximately RMB515.7 million). Such change was mainly due to the fact that (1) the Group implemented customer hierarchical management and strictly controlled transaction terms; (2) the Group strengthened its control over inventories, resulting in the continuous decline in inventories and increase in inventories turnover; and (3) the Group put greater efforts in the collection of trade receivables and those receivables aged over three years were gradually received.

For the six months ended 30 June 2020, the net cash outflow from investing activities was approximately RMB1,180.5 million (for the six months ended 30 June 2019: net cash outflow of approximately RMB521.1 million). The increase in investing cash outflow during the six months ended 30 June 2020 was mainly due to the increase in the Group's purchase of wealth management products issued by third party banks, funds and trusts, by RMB1,294.1 million.

For the six months ended 30 June 2020, the net cash inflow of the Group from financing activities was approximately RMB466.9 million (for the six months ended 30 June 2019: net cash outflow of approximately RMB176.1 million). Such change was mainly due to the increase in new bank loans of approximately RMB918.5 million.

## Turnover days

The Group's average turnover days of inventory were approximately 89.8 days as at 30 June 2020, representing a decrease of approximately 47.0 days from approximately 136.8 days as at 30 June 2019. Such change was mainly due to the increased sales and the Group's strengthened control over inventories, such as accelerating the process of disposing of obsolete inventories to activate sluggish inventories.

The turnover days of trade and bills receivables as at 30 June 2020 were approximately 202.0 days, representing a decrease of approximately 14.7 days from approximately 216.7 days as at 30 June 2019. Such change was mainly due to (1) the increase in sales revenue; (2) a value sales strategy adopted by the Group to manage customers



at different levels, strictly control transaction conditions, and shorten the collection period; and (3) compulsory collection measures adopted by the Group for long ageing receivables, resulting in a continuous decrease in receivables aged more than three years.

The turnover days of trade and bills payables as at 30 June 2020 were approximately 136.5 days, representing a decrease of approximately 18.5 days from approximately 155.0 days as at 30 June 2019. Such decrease was mainly due to the Group's shortened payment cycle to the suppliers in return for ensuring a stable supply of raw materials and parts.

## Financial guarantee contracts

As at 30 June 2020, the financial guarantee contracts not provided for in the financial statements amounted to RMB38.1 million, being the financial guarantee under equipment mortgage loan arrangements and finance lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. (31 December 2019: RMB39.1 million).

## Capital commitment

As at 30 June 2020, the contracted capital commitments of the Group which were not provided for in the Group's financial statements were approximately RMB3,348.8 million (31 December 2019: approximately RMB3,457.6 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 on an ongoing basis so as 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 contribution and dedication to the Group. The remuneration of the directors of the Group is determined with reference to their positions, responsibilities, 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 2020. As at the date of this report, the board (the "**Board**") of directors (the "**Directors**") of the Company had not authorised any plan for other material investments or acquisition of capital assets.



# Management Discussion and Analysis

## Pledge on assets

As at 30 June 2020, the Group recorded pledged deposits with an aggregate value of approximately RMB30.5 million (as at 31 December 2019: approximately RMB2.0 million), for the purpose of issuing bills payable. As at 30 June 2020, RMB324,829,000 of the Group's bank loans were secured by financial assets at fair value through profit or loss of RMB354,000,000. As at 30 June 2020, none of the Group's bank loans was secured by property, plant and equipment and prepaid land lease payments (as at 31 December 2019: Nil).

## Foreign exchange risk

As at 30 June 2020, the Group's cash and bank balances denominated in foreign currency such as HK\$, Euro and US\$ were equivalent to approximately RMB458.7 million. The Group will monitor the risk exposures and may consider hedging against material currency risk as appropriate.

## 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 and striving to contribute to the local economy, people's livelihood and community support. The management and staff of the Group provides manpower and materials to help and support local community development. During the Spring Festival, the Group launched activities to provide support and help staff mitigate their financial pressure. The management visited staff who had family with financial and medical difficulties and provided them with consolation money and items; purchased family insurance for staff; and organized staff health checks. The Group also raised funds to staff members who were in need of support.

At the beginning of 2020, COVID-19 has brought an unprecedented enormous challenge to the People's Republic of China (the "PRC") and around the world. In view of the epidemic, the Group utilized its resources around the world for emergency procurement of medical resources which were in shortage. After estimating the shortage of protective masks among the community and its customers, the Group purchased protective masks from overseas and donated a total of more than 600,000 protective masks to the local community and its customers, which helped to combat the epidemic.



## 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 2020, the interests and short positions of each Director and chief executive of the Company 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”) as recorded in the register required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) were as follows:

### Long positions in shares and underlying shares of the Company:

Name of Director	Capacity	Number of ordinary shares as at 30 June 2020	Percentage of total issued share capital as at 30 June 2020
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	2,109,000	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	1,200,000	0.04%
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 adopted by the Company on 16 February 2013 (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 2,109,000 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 109,000 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. 200,000 shares of the Company were directly held by Mr. Poon Chiu Kwok.





# Disclosure of Interests

- (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%

*Note:* Each of Mr. Tang Xiuguo and Mr. Xiang Wenbo holds 8.70% 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 2020, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. 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 of the Company (including their spouses or children under the age of eighteen) to acquire any interests or short positions in the 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 2020, the following persons and corporations (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

### Long positions in shares and underlying shares of the Company:

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	82.85%
Sany BVI (Note 2)	Interest of a controlled corporation	2,578,228,722	82.85%
Mr. Liang Wengen (Note 3)	Interest of a controlled corporation/ Beneficial owner	2,589,098,722	83.20%

#### 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 2020, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## 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 2020 and up to as at the date of this interim report.



# Disclosure of Interests

## Share Option Scheme

The Company has adopted 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 30 June 2020.

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 9.77% of the Shares in issue as at 30 June 2020. As at 30 June 2020, 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 52,641,750 Shares, representing 1.69% of the Shares in issue of the Company as at 30 June 2020.

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. As at the date of this report, the remaining life of the Share Option Scheme is approximately 2 years and 5 months.

# Disclosure of Interests



Details of the movement of share options granted under the Share Option Scheme during the six months ended 30 June 2020 are as follows:

Category of participants	Date of grant <sup>(1)</sup>	Exercise price per share (HK\$)	Outstanding at 1 January 2020	Granted during the period	Exercised during the period	Forfeited/Cancelled during the period	Outstanding at 30 June 2020
Directors							
Mr. Qi Jian	15 December 2017	1.22	3,000,000	-	-	-	3,000,000
Mr. Fu Weizhong	15 December 2017	1.22	3,000,000	-	-	-	3,000,000
Mr. Zhang Zhihong	15 December 2017	1.22	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	51,100,000	-	10,187,000	4,960,000	35,953,000
Employees	29 December 2017	1.71	800,000	-	-	80,000	720,000
Employees	14 November 2018	2.30	6,100,000	-	877,500	253,750	4,968,750
<b>Total</b>			<b>69,000,000</b>	<b>-</b>	<b>11,064,500</b>	<b>5,293,750</b>	<b>52,641,750</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 2020, 5,293,750 share options were forfeited for the following reasons: (1) certain employees' performance appraisal results for 2019 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 2020, no share option was granted, exercised, lapsed or cancelled under the Share Option Scheme.



## Share Award Scheme

The Company has adopted the restricted share award scheme (the “Scheme”) on 3 December 2019 (the “Adoption Date”). The purpose of the Scheme is to provide the eligible persons (the “Selected Participants”) with an opportunity to acquire a proprietary interest in the Company and to encourage and retain such individuals to work with the Company, and to provide additional incentive for them to achieve performance goals.

The Board may, subject always to the Scheme rules, from time to time determine the number of restricted shares (the “Restricted Shares”) to be granted and at its absolute discretion select any participant to be a Selected Participant under the Scheme. In determining the number of grant shares to any Selected Participant, the Board shall take into consideration matters including, but without limitation to (i) the present contribution and expected contribution of the relevant Selected Participant to the profits of the Group, (ii) the general financial condition of the Group, (iii) the Group’s overall business objectives and future development plan, and (iv) any other matter which the Board considers relevant.

The Restricted Shares (where the Board has determined such number pursuant to the terms of the Scheme) shall be either (i) allotted and issued by the Company, by using the general mandate granted to the Board by the shareholders of the Company in the annual general meeting of the Company from time to time, or (ii) acquired by the trustee from the open market by utilising the Company’s resources provided to the trustee, subject to the absolute discretion of the Board.

After the Board has determined the number of grant shares and the Selected Participants, it shall notify the trustee and the Selected Participants in writing on the proposed grant date (the “Grant Date”). Upon receipt of the notification of the grant, the Selected Participants are required to confirm his/her acceptance of the grant by (i) returning to the Company a notice of acceptance duly executed by him/her; or (ii) completing any other required steps as specified by the Board to confirm his/her acceptance of the grant within 28 days after the Grant Date.

The vesting of the Restricted Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the vesting date (as the case may be, on each relevant vesting date) a participant. Any Share held by the trustee on behalf of a Selected Participant pursuant to the provisions shall vest in such Selected Participant in accordance with the vesting schedule as communicated and confirmed in writing by the Board to the trustee from time to time. When Shares vest in a Selected Participant, the Board shall issue to the trustee a confirmation letter that the vesting conditions have been fulfilled. The Board shall also forward to the trustee, at the same time when the confirmation letter is sent, a written consolidated security account details of all relevant Selected Participants to effect the transfer of the relevant vested shares to the relevant Selected Participants.

As at the date of this report, no Restricted Shares have been granted under the Scheme.



# Corporate Governance and General Information

## Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures with a view to be 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 the Group's operations. 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 maximize returns for shareholders.

The Company has complied with the code provisions under the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules from 1 January 2020 to 30 June 2020.

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

The Company has adopted the Model Code as its own code of conduct for securities transactions. Upon specific enquiries made with all Directors, each of them has confirmed that he/she had complied with the Model Code during the six months ended 30 June 2020.

## Review of Interim Financial Statements

The interim financial results of the Group for the six months ended 30 June 2020 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 2020 (six months ended 30 June 2019: Nil).



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

For the six months ended 30 June 2020, 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 2019: Nil).

## The Board

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

## Audit Committee

The audit committee of the Company (the "**Audit Committee**") was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The 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, who 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 2020.





# Corporate Governance and General Information

## 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. Liang Zaizhong, Mr. Poon Chiu Kwok and Mr. Hu Jiquan. Mr. Liang Zaizhong 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. Liang Zaizhong and the other five members are Mr. Qi Jian, Mr. Fu Weizhong, Mr. Zhang Zhihong, 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. For the six months ended 30 June 2020, the Board determined the policy for the corporate governance of the Company.



## Executive Directors

**Mr. Liang Zaizhong (梁在中)**, aged 36, was appointed as an executive Director of the Company, the chairman of the Board, the Nomination Committee and the Strategic Investment Committee on 21 October 2019.

Mr. Liang joined Sany Group Co., Ltd (三一集團有限公司) (“Sany Group”) in June 2006. During the period from June 2006 to January 2007, he acted as dispatcher of the manufacturing department of Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司) (“Sany Automobile Manufacturing”), a subsidiary of Sany Group. During the period from January 2007 to October 2010, Mr. Liang held various management positions in the financial operations of Sany Group, including the deputy supervisor of the fund settlement center, the deputy general manager of the general department of finance and the director of the general department of finance. Mr. Liang acted as the vice president of Sany Group and the general manager of Sany Automobile Manufacturing during the period from October 2010 to December 2011. During the period from December 2011 to March 2016, Mr. Liang held various key positions in Sany Group, including the manufacturing business director, the investment director and the process informatization director. In March 2016, Mr. Liang took the lead to establish Long Property & Casualty Insurance Co., Ltd. (久隆財產保險有限公司) (“Long Insurance”) and Hunan Sanxiang Bank Co., Ltd. (湖南三湘銀行股份有限公司) (“Sanxiang Bank”), and acted as a director, the vice chairman of the board of Long Insurance during the period from March 2016 to June 2019, while serving as the chairman of the board of Sanxiang Bank from December 2016 to June 2019. Mr. Liang has also acted as a director of Sany Heavy Industry Co., Ltd. (三一重工股份有限公司) (“Sany Heavy Industry”), which is listed on Shanghai Stock Exchange (stock code: 600031) and a non-wholly owned subsidiary of Sany Group since January 2010, a director and the senior vice president of Sany Group since December 2011 and president of the board of Rootcloud Technology Co., Ltd. (樹根互聯技術有限公司) since June 2016. In December 2013, Mr. Liang took the lead to establish Beijing Sany Commercial Foundation (北京三一公益基金會) and served as the president of Sany Foundation during the period from December 2013 to March 2019. Mr. Liang has been serving as the executive vice president of Relay China Foundation (北京接力公益基金會) since February 2019 and a member of Leping Social Entrepreneur Foundation (北京樂平公益基金會) since April 2019.

Mr. Liang obtained a bachelor’s degree in computer and management sciences from the University of Warwick in June 2006 and a master’s degree in public administration in international development from the John F. Kennedy School of Government at Harvard University in June 2014.



## Directors and Senior Management

**Mr. Qi Jian (戚建)**, aged 60, was appointed as an executive Director, chairman of the Board and chief executive officer of the Company on 6 August 2015, and was re-designated as the vice chairman of the Board and remained as the chief executive officer since 21 October 2019..

Mr. Qi joined Sany Group since May 2001. He served as the deputy dean of the research institute of Sany Heavy Industry, from May 2001 to May 2003, overseeing the R&D 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 R&D 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 (武漢大學) in 2005.

**Mr. Fu Weizhong (伏衛忠)**, aged 46, was appointed as an executive Director and a member of the Strategic Investment Committee on 13 March 2018.

Mr. Fu acted as the director of the marine machinery operation department of the Group from January 2015 to September 2016 and since September 2017. He 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 Machinery Co., Ltd. (三一重型能源裝備有限公司) (“Sany Heavy Energy”), 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 49, 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, including the deputy general manager of the marketing department and the general manager of the services branch. During the period from February 2010 to June 2016, Mr. Zhang also served various positions in Sany Heavy Equipment, including the director of manufacturing operations and the deputy general manager. Mr. Zhang worked in Sany Group, and its subsidiaries from May 2000 to January 2010 including the digging machine plant of the research institute of Sany Heavy Industry (三一重工研究院挖機所), Sany Heavy Machinery Co., Ltd. (三一重機有限公司), Sany Heavy Road Machine (三一重工路面機械), pump business department of Sany Heavy Industry (三一重工泵送事業部), Lean Quality Headquarter (精益質量總部), the Office of the Chairman and Loudi Zhongxing Hydraulic Parts. Co., Ltd. (婁底市中興液壓件有限公司). Before joining Sany Group in May 2000, Mr. Zhang had worked in Changsha Heavy Machinery Plant (長沙重型機械廠) for seven years.

Mr. Zhang studied in Hunan Agricultural University (湖南農業大學) from September 1990 to June 1994 majoring in mechanical design and manufacturing and obtained a bachelor’s degree in June 1994, and he studied EMBA in Huazhong University of Science and Technology (華中科技大學) from November 2006 to December 2011 and obtained a master’s degree in December 2011. He was awarded the Master of Business Administration degree from the China Europe International Business School (中歐國際工商學院) on 18 August 2019.

## Non-executive Directors

**Mr. Tang Xiuguo (唐修國)**, aged 57, 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 58, 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)".

## Independent Non-executive Directors

**Mr. Ng Yuk Keung (吳育強)**, aged 55, 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. 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 Irco 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).

# Directors and Senior Management



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 58, was appointed as an independent non-executive Director of the Company on 18 December 2015.

Mr. Poon has many 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 Hong Kong 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 Main Board of the Hong Kong 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) (stock code: 2080), 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) and Yanzhou Coal Mining Company Limited (兗州煤業股份有限公司) (stock code: 1171). He served as a non-executive director of Chong Kin Group Holdings Limited (創建集團(控股)有限公司) (stock code: 1609), and retired in June 2018. He also served as an independent non-executive director of TUS International Ltd. (啟迪國際有限公司) (stock code: 872), and retired in July 2020.

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

**Mr. Hu Jiquan (胡吉全)**, aged 62, 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



# Directors and Senior Management

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 44, 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 Peking University (北京大學). In July 2014, he obtained a master's degree in business administration from Guanghua School of Management of Peking 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.

**Mr. Zhu Xiangjun (朱向軍)**, aged 36, 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 Chinese Certified Public Accountant in June 2009.



## Joint Company Secretaries

**Mr. Yu Leung Fai (余亮暉)**, aged 43, 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 Managing Partner. He holds a Degree of Bachelor of Commerce (Hon.) from the University of Toronto (多倫多大學) and a Degree of Bachelor of Laws from the University of London (倫敦大學), and is a member of the American Institute of Certified Public Accountants, Certified Public Accountants of Australia and the Hong Kong Institute of Certified Public Accountants.

Mr. Yu has also been the joint company secretary and alternative authorised representative of Beijing Media Corporation Limited (北青傳媒股份有限公司) (Hong Kong 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) (Hong Kong 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) (Hong Kong stock code: 1196) since June 2014; the independent non-executive director of Dowway Holdings Limited (天平道合控股有限公司) (Hong Kong stock code: 8403) since October 2019; the joint company secretary and authorized representative of China National Materials Company Limited (中國中材股份有限公司) (Hong Kong stock code: 1893) from May 2009 to April 2018; the company secretary and authorized representative of Haichang Ocean Park Holdings Ltd. (海昌控股有限公司) (Hong Kong 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) (Hong Kong stock code: 601) from August 2014 to August 2015; the company secretary and authorized representative of Bamboos Health Care Holdings Limited (百本醫護控股有限公司) (Hong Kong stock code: 2293) from November 2018 to November 2019; the company secretary and authorised representative of Vale S.A. (淡水河谷) (Hong Kong 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 on the Hong Kong Stock Exchange, except that Vale S.A. and China National Materials Company Limited were delisted from the Hong Kong Stock Exchange in July 2016 and April 2018, 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 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>REVENUE</b>	4	3,815,076	3,043,706
Cost of sales		(2,784,980)	(2,099,713)
<b>Gross profit</b>		1,030,096	943,993
Other income and gains	4	234,681	225,512
Selling and distribution expenses		(179,567)	(180,605)
Administrative expenses		(310,842)	(335,918)
Reversal of impairment losses on financial assets, net		56,535	19,798
Other expenses		(1,793)	1,831
Finance costs	6	(75,158)	(34,328)
<b>PROFIT BEFORE TAX</b>	5	753,952	640,283
Income tax expense	7	(115,333)	(87,520)
<b>PROFIT FOR THE PERIOD</b>		638,619	552,763
Attributable to:			
Owners of the parent		639,705	551,732
Non-controlling interests		(1,086)	1,031
		638,619	552,763
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
Basic (RMB Yuan)		0.21	0.18
Diluted (RMB Yuan)		0.18	0.15

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020



	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>PROFIT FOR THE PERIOD</b>	<b>638,619</b>	552,763
<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	1,788	22,463
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>	<b>1,788</b>	22,463
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>1,788</b>	22,463
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>640,407</b>	575,226
Attributable to:		
Owners of the parent	641,493	574,195
Non-controlling interests	(1,086)	1,031
	<b>640,407</b>	575,226



# Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	2,380,142	2,413,167
Right-of-use assets	12(a)	1,013,750	1,026,736
Goodwill	13	1,129,520	1,129,520
Trade receivables	16	144,385	145,973
Non-current prepayments	17	148,546	144,689
Deferred tax assets	26	282,506	348,494
Total non-current assets		5,098,849	5,208,579
<b>CURRENT ASSETS</b>			
Inventories	14	1,098,398	1,438,272
Properties under development	15	801,018	760,002
Trade receivables	16	3,536,465	2,634,423
Bills receivable	16	543,848	424,485
Prepayments, other receivables and other assets	17	441,848	614,839
Financial assets at fair value through profit or loss	18	4,715,037	3,276,414
Pledged deposits	19	30,458	2,010
Cash and cash equivalents	19	1,039,940	1,103,171
		12,207,012	10,253,616
Assets of a disposal group classified as held for sale	10	84,241	84,241
Total current assets		12,291,253	10,337,857
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	20	2,376,525	1,831,552
Other payables and accruals	21	1,675,028	1,535,126
Dividend payable		78,866	77,349
Interest-bearing bank and other borrowings	22	3,873,914	2,508,954
Lease liabilities	12(b)	1,715	3,391
Tax payable		260,818	253,423
Provision for warranties	23	35,616	32,496
Government grants	24	86,858	94,231
Derivative financial instruments	25	5,571	3,864
		8,394,911	6,340,386
Liabilities directly associated with the assets classified as held for sale	10	80,923	80,923
Total current liabilities		8,475,834	6,421,309
<b>NET CURRENT ASSETS</b>		<b>3,815,419</b>	<b>3,916,548</b>

# Interim Condensed Consolidated Statement of Financial Position



30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>8,914,268</b>	9,125,127
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	22	298,982	747,181
Government grants	24	1,161,398	1,195,142
Deferred tax liabilities	26	44,184	37,239
Total non-current liabilities		1,504,564	1,979,562
Net assets		7,409,704	7,145,565
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	27	308,479	307,469
Reserves		7,088,549	6,824,334
		7,397,028	7,131,803
<b>Non-controlling interests</b>		<b>12,676</b>	13,762
Total equity		7,409,704	7,145,565

**Qi Jian**  
Director

**Fu Weizhong**  
Director



# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent											
	Issued capital											Total equity
	Convertible		Share		Share		Exchange		Capital		Non-	
	Ordinary	preference	premium	Contributed	Share	Reserve	fluctuation	redemption	Retained	controlling	Total	
shares	shares	account	surplus	option	funds	reserve	reserve*	profits	interests	equity		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(note 27)	(note 27)											
At 1 January 2020 (Audited)	269,621	37,848	2,333,677	1,350,390	27,879	558,444	(21,199)	5,744	2,569,399	7,131,803	13,762	7,145,565
Profit for the period	-	-	-	-	-	-	-	-	639,705	639,705	(1,086)	638,619
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,788	-	-	1,788	-	1,788
Total comprehensive income for the period	-	-	-	-	-	-	1,788	-	639,705	641,493	(1,086)	640,407
Issue of shares (note 27)	1,010	-	12,172	-	-	-	-	-	-	13,182	-	13,182
Share-based payments (note 28)	-	-	-	-	4,602	-	-	-	-	4,602	-	4,602
Re-release of share-based compensation reserve to share premium upon exercise of share options	-	-	4,319	-	(4,319)	-	-	-	-	-	-	-
Final 2019 dividend declared	-	-	-	-	-	-	-	-	(394,052)	(394,052)	-	(394,052)
At 30 June 2020 (unaudited)	270,631	37,848	2,350,168 <sup>†</sup>	1,350,390 <sup>†</sup>	28,162 <sup>‡</sup>	558,444 <sup>‡</sup>	(19,411) <sup>‡</sup>	5,744 <sup>‡</sup>	2,815,052 <sup>‡</sup>	7,397,028	12,676	7,409,704

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020



Attributable to owners of the parent

	Issued capital											Total equity
	Ordinary shares	Convertible preference shares	Share premium account	Contributed surplus	Share option reserve	Reserve funds	Exchange fluctuation reserve	Capital redemption reserve*	Retained profits	Non-controlling interests		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 27)	(note 27)										
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 27)	5,051	-	62,293	-	-	-	-	-	-	67,344	-	67,344
Share-based payments (note 28)	-	-	-	-	10,869	-	-	-	-	10,869	-	10,869
Re-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	1,350,390	26,400	464,111	(15,017)	5,744	2,295,758	6,761,691	12,592	6,774,283

# These reserve accounts comprise the consolidated reserves of RMB7,088,549,000 (2019: RMB6,454,426,000) 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 Cash Flows

For the six months ended 30 June 2020

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Note		
Net cash flows from operating activities	648,604	515,687
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	8,465	1,825
Purchases of items of property, plant and equipment	(107,794)	(134,454)
Advance from disposal of disposal groups classified as held for sale	30,000	16,000
Proceeds from disposal of items of property, plant and equipment	15,236	8,019
Additional payment for a parcel of land	(3,857)	–
Purchases of financial assests at fair value through profit or loss	(2,732,783)	(3,183,484)
Proceeds from disposal of financial assests at fair value through profit or loss	1,438,681	3,038,601
Loans to the related companies	(200,000)	(400,000)
Repayment of loans from the related companies	400,000	100,000
(Increase)/decrease of pledged time deposits	(28,448)	32,395
Net cash flows used in investing activities	(1,180,500)	(521,098)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	13,182	67,344
New bank loans	1,991,105	916,000
Repayment of bank loans	(1,072,637)	(801,951)
Dividends paid	(394,052)	(321,223)
Principal portion of lease payments	(1,739)	(1,739)
Interest paid	(68,982)	(34,578)
Net cash flows from/(used in) financing activities	466,877	(176,147)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(65,019)	(181,558)
Effect of foreign exchange rate changes, net	1,788	22,463
Cash and cash equivalents at beginning of period	1,103,171	1,069,906
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	1,039,940	910,811
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	1,039,940	910,811
	1,039,940	910,811

# Notes to Interim Condensed Consolidated Financial Information



30 June 2020

## 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”). During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacture and sale of roadheaders, combined coal mining units (“CCMU”), mining transport equipment (including underground and surface equipment), logistics 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 2020 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The interim condensed consolidated financial information is 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 2019.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the 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 2019, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) and International Accounting Standards (“IASs”) for the first time for the current period’s financial information.





# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The directors expect that the adoption of these revised standards has had no material impact on the interim condensed consolidated financial statements of the Group.

## 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 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 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, non-lease-related 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 Interim Condensed Consolidated Financial Information



30 June 2020

## 3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2020	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue</b> (note 4)			
Sales to customers	2,369,553	1,445,523	3,815,076
Intersegment sales	945	665	1,610
Other revenue	177,683	37,641	215,324
	2,548,181	1,483,829	4,032,010
<i>Reconciliation:</i>			
Elimination of intersegment sales			(1,610)
Revenue from operations	2,547,236	1,483,164	4,030,400
<b>Segment results</b>	560,558	249,132	809,690
Interest income			19,357
Finance costs (other than interest on lease liabilities)			(75,095)
Profit before tax			753,952
Income tax expense			(115,333)
Profit for the period			638,619
<b>Segment assets</b>	12,529,615	8,924,456	21,454,071
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(5,416,873)
Corporate and other unallocated assets			1,352,904
Total assets			17,390,102
<b>Segment liabilities</b>	5,065,357	6,151,283	11,216,640
<i>Reconciliation:</i>			
Elimination of intersegment payables			(5,416,873)
Corporate and other unallocated liabilities			4,180,631
Total liabilities			9,980,398
<b>Other segment information:</b>			
(Gain)/loss on disposal of items of property, plant and equipment	(5,306)	279	(5,027)
(Reversal of impairment)/impairment of trade receivables, net	(71,298)	7,017	(64,281)
Impairment of other receivables, net	7,462	284	7,746
(Write-back of provision)/provision against slow-moving and obsolete inventories	(29,694)	944	(28,750)
Depreciation and amortisation	77,805	46,451	124,256
Other non-cash expense	2,394	2,208	4,602
Capital expenditure*	83,368	16,874	100,242



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 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	254,423	649,102
Interest income			25,370
Finance costs (other than interest on lease liabilities)			(34,189)
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
Reversal of impairment of trade receivables, net	(2,361)	(31,232)	(33,593)
Impairment of other receivables, net (Write-back of provision)/provision against slow-moving and obsolete inventories	13,573	222	13,795
Depreciation and amortisation	(19,216)	4,056	(15,160)
Other non-cash expense	88,460	43,244	131,704
Capital expenditure*	5,392	5,477	10,869
	52,930	118,088	171,018

\* Capital expenditure consists of additions to property, plant and equipment in the interim condensed consolidated statement of financial position.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020



## 3. OPERATING SEGMENT INFORMATION (continued)

### Information about major customers

Revenue of approximately RMB344,309,000 (six months ended 30 June 2019: RMB279,051,000) was derived from sales to fellow subsidiaries, including sales to a group of entities which are known to be under common control with that customer.

## 4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>	3,815,076	3,043,706



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

Segments	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Types of goods or services</b>			
Sale of industrial products	2,325,173	1,424,001	3,749,174
Maintenance services	44,380	21,522	65,902
Total revenue from contracts with customers	2,369,553	1,445,523	3,815,076
<b>Geographical markets</b>			
Mainland China	2,157,577	878,931	3,036,508
Asia (excluding Mainland China)	130,974	306,242	437,216
United States of America	–	108,072	108,072
European Union	–	67,098	67,098
Other countries/regions	81,002	85,180	166,182
Total revenue from contracts with customers	2,369,553	1,445,523	3,815,076
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	2,325,173	1,424,001	3,749,174
Services transferred over time	44,380	21,522	65,902
Total revenue from contracts with customers	2,369,553	1,445,523	3,815,076

# Notes to Interim Condensed Consolidated Financial Information



30 June 2020

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

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

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 industrial products	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 Interim Condensed Consolidated Financial Information

30 June 2020

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

### Other income and gain

		For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
	Notes	(Unaudited)	(Unaudited)
<b>Other income</b>			
Bank interest income		13,265	8,347
Other interest income		6,092	17,023
Government grants	24	104,105	151,502
Profit from sale of scrap materials		–	1,024
Rental income	12	4,745	2,582
Others		13,488	13,076
		141,695	193,554
<b>Gains</b>			
Fair value gains, net		87,959	31,958
Gain on disposal of items of property, plant and equipment, net		5,027	–
		92,986	31,958
		234,681	225,512

# Notes to Interim Condensed Consolidated Financial Information



30 June 2020

## 5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories sold		2,807,565	2,089,359
Cost of services provided		54,024	39,196
Depreciation of property, plant and Equipment	11	111,270	118,718
Depreciation of right-of-use assets	12(a)	12,986	12,986
Auditors' remuneration		500	504
Provision of warranties*	23	10,787	9,408
Research and development costs**		189,803	209,156
Lease payments not included in the measurement of lease liabilities	12(c)	4,637	3,008
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		301,599	244,885
Equity-settled share-based payment		4,602	10,869
Employee retirement benefits		5,182	12,073
Other staff welfare		3,648	7,150
		315,031	274,977
Foreign exchange differences, net***		389	1,263
(Reversal of impairment)/impairment of financial assets, net****:			
Reversal of impairment of trade receivables, net	16	(64,281)	(33,593)
Impairment of other receivables, net	17	7,746	13,795
		(56,535)	(19,798)
Write-back of provision against slow-moving and obsolete inventories*****		(28,750)	(15,160)
(Gain)/loss on disposal of items of property, plant and equipment***		(5,027)	532
Loss/(gain) from sales of scrap materials***		1,404	(1,024)
Fair value gains, net***:			
Financial assets at fair value through profit or loss – mandatorily classified as such		(87,566)	(31,958)
Derivative instruments – transactions not qualifying as hedges		(393)	–
		(87,959)	(31,958)





# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 5. PROFIT BEFORE TAX (continued)

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

- \* Included in "Selling and distribution expenses" in the interim condensed consolidated statement of profit or loss
- \*\* Included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss
- \*\*\* Included in "Other income and gains" or "Other expenses" in the interim condensed consolidated statement of profit or loss
- \*\*\*\* Included in "Reversal of impairment losses on financial assets, net" in the interim condensed consolidated statement of profit or loss
- \*\*\*\*\* Included in "Cost of sales" in the interim condensed consolidated statement of profit or loss

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest on interest-bearing bank and other borrowings	69,926	28,706
Interest on lease liabilities	63	139
Interest on discounted bills	5,169	5,483
	<b>75,158</b>	<b>34,328</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.

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

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 2020.

# Notes to Interim Condensed Consolidated Financial Information



30 June 2020

## 7. INCOME TAX (continued)

Two (six months ended 30 June 2019: Two) of the Group's principal operating companies, Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") and Sany Marine Industry International Holdings Co., Ltd. ("Sany Marine Heavy Industry"), were recognised as High and New Technology Enterprises and were therefore subject to CIT at a rate of 15% for the six months ended 30 June 2020.

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current – Mainland China		
Charge for the period	42,400	32,062
Deferred	72,933	55,458
Total tax charge for the period	115,333	87,520

## 8. DIVIDEND

The final dividend for the year ended 31 December 2019 of HK\$0.12 cents per share, totaling HK\$430,964,000 (equivalent to RMB394,052,000), was approved by the Company's shareholders at the annual general meeting on 25 May 2020, which was fully distributed during the six months ended 30 June 2020.

A special dividend of HK\$0.18 per share, totalling HK\$633,746,000 (equivalent to RMB518,791,000), was approved by the board of directors on 23 January 2018. RMB442,999,000 of the dividend was subsequently distributed during the year ended 31 December 2018 and the rest was recorded in "dividend payable" in the consolidated statement of financial position as at 31 December 2019 and 30 June 2020.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 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 2020 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,104,960,486 (six months ended 30 June 2019: 3,061,638,898) in issue during the period.

The calculation of the diluted earnings per share amounts 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Profit</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	639,705	551,732
Preferred distribution to the convertible preference shares	44	42
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	639,749	551,774

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020



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

	Number of shares	
	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,104,960,486	3,061,638,898
Effect of dilution – convertible preference shares	479,781,034	479,781,034
Effect of dilution – share options	35,972,440	40,190,716
Weighted average number of ordinary shares used in the diluted earnings per share calculation	3,620,713,960	3,581,610,648

## 10. 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 directly 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 indirectly 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 considerations of RMB97,433,000, RMB38,000,000 and RMB30,000,000 were received by Sany Heavy Equipment in 2018, 2019 and the first half of 2020, respectively. However, the transaction was not completed as at 30 June 2020 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 Interim Condensed Consolidated Financial Information

30 June 2020

## 10. 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 2020 and 31 December 2019 are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<i>Assets</i>		
Right-of-use assets	67,250	67,250
Deferred tax assets	16,991	16,991
Assets classified as held for sale	84,241	84,241
<i>Liabilities</i>		
Government grants	(75,300)	(75,300)
Tax payable	(5,623)	(5,623)
Liabilities directly associated with the assets classified as held for sale	(80,923)	(80,923)
Net assets directly associated with the disposal Group	3,318	3,318

## 11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Carrying amount at 1 January	2,413,167	2,462,871
Additions	100,242	253,463
Disposals	(21,997)	(79,656)
Depreciation provided during the period/year (note 5)	(111,270)	(223,511)
Carrying amount at 30 June/31 December	2,380,142	2,413,167

Assets with a net book value of RMB21,997,000 were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB26,716,000), resulting in a net gain on disposal of RMB5,027,000 (six months ended 30 June 2019: a net loss of RMB532,000).

The Group's buildings are located in Mainland China.

# Notes to Interim Condensed Consolidated Financial Information



30 June 2020

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

Certificates of ownership in respect of buildings of the Group with a net carrying amount of approximately RMB54,466,000 as at 30 June 2020 (31 December 2019: RMB55,938,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

## 12. LEASES

### The Group as a lessee

The Group has lease contracts for a production plant, machinery and offices used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Lease of the production plant has lease terms of 2 years, while leases of machinery and offices generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	<b>Leasehold land</b>	<b>Buildings</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
As at 1 January 2019 (Audited)	1,692,229	6,628	1,698,857
Transferred to properties under development ("PUD") (note 15)	(643,755)	–	(643,755)
Depreciation charge (note 5)	(22,659)	(3,314)	(25,973)
Re-measurement of acreage	(2,393)	–	(2,393)
As at 31 December 2019 and 1 January 2020 (Audited)	1,023,422	3,314	1,026,736
Depreciation charge	(11,329)	(1,657)	(12,986)
As at 30 June 2020 (Unaudited)	1,012,093	1,657	1,013,750



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 12. LEASES (continued)

### The Group as a lessee (continued)

#### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Carrying amount at 1 January	3,391	6,628
Accretion of interest recognised during the year	63	240
Payments	(1,739)	(3,477)
Carrying amount at 30 June/31 December	1,715	3,391
Analysed into:		
Current portion	1,715	3,391

(c) The amounts recognised in profit or loss in relation to leases are as follows:

The carrying amount of lease liabilities and the movements during the year are as follows:

	<b>For the six months ended 30 June</b>	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets	12,986	12,986
Interest charge on lease liabilities	63	139
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 30 June (note 5)	4,637	3,008
Total amount recognised in profit or loss	17,686	16,133

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020



## 12. LEASES (continued)

### The Group as a lessor

The Group leases certain area of land which was classified as right-of-use assets and office buildings, and machinery which was classified as property, plant and equipment under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the six months was RMB4,745,000 (six months ended 30 June 2019: RMB2,582,000), details of which are included in note 4 to the interim condensed consolidated financial statements.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	7,387	9,840
After 1 year but within 2 years	5,328	6,826
After 2 years but within 3 years	3,094	4,627
After 3 years but within 4 years	400	–
	<b>16,209</b>	<b>21,293</b>

The net carrying amounts of the Group's assets held under operating leases included in the total amounts of leasehold land, office buildings and machinery as at 30 June 2020 were RMB28,905,000, RMB18,400,000 and RMB17,065,000, respectively (31 December 2019: RMB33,070,000, RMB18,994,000 and RMB16,406,000).

## 13. GOODWILL

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Carrying amount at 30 June/31 December	<b>1,129,520</b>	<b>1,129,520</b>





# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 14. INVENTORIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Raw materials	431,280	513,293
Work in progress	340,246	403,660
Finished goods	428,917	652,114
	1,200,443	1,569,067
Less: Provision against slow-moving and obsolete inventories	(102,045)	(130,795)
	1,098,398	1,438,272

## 15. PROPERTIES UNDER DEVELOPMENT

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Carrying amount as at 1 January		760,002	–
Transferred from right-of-use assets	12(a)	–	643,755
Additions		41,016	116,247
Carrying amount as at 30 June/31 December		801,018	760,002

No impairment/reversal of impairment was recognised in the interim condensed consolidated statement of profit or loss and the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2020 (six months ended 20 June 2019: Nil).

All properties under development are situated in Mainland China.

# Notes to Interim Condensed Consolidated Financial Information



30 June 2020

## 16. TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	4,131,539	3,344,547
Impairment	(450,689)	(564,151)
	<b>3,680,850</b>	2,780,396
Less: Trade receivables due after one year	(144,385)	(145,973)
	<b>3,536,465</b>	2,634,423
Bills receivable	<b>543,848</b>	424,485

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 3% (31 December 2019: 4%) 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 RMB294,471,000 as at 30 June 2020 (31 December 2019: RMB283,324,000) for sales of products by the Group, which accounted for 7% (31 December 2019: 10%) 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 180 days	2,296,276	1,562,378
181 to 365 days	948,282	776,888
1 to 2 years	337,078	357,836
2 to 3 years	69,042	57,257
Over 3 years	30,172	26,037
	<b>3,680,850</b>	2,780,396



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 16. TRADE AND BILLS RECEIVABLES (continued)

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At 1 January	564,151	688,357
Reversal of impairment losses, net (note 5)	(64,281)	(54,665)
Amount written off as uncollectible	(49,181)	(69,541)
At 30 June/31 December	450,689	564,151

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.

Bills receivable have been classified as financial assets at fair value through other comprehensive income. The maturity profile of the bills receivable of the Group as at the end of the reporting period is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within six months	482,288	244,801
Over six months	61,560	179,684
	543,848	424,485

Included in the bills receivable was an amount of RMB91,571,000 as at 30 June 2020 (31 December 2019: RMB43,987,000) which was pledged for the issuance of a letter of guarantee.

There was no bills receivable endorsed to fellow subsidiaries for purchasing raw materials by the Group during the period (31 December 2019: RMB450,000).

# Notes to Interim Condensed Consolidated Financial Information



30 June 2020

## 16. TRADE AND BILLS RECEIVABLES (continued)

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

At 30 June 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China (the “Endorsed Bills”) with a carrying amount of RMB280,808,000 (31 December 2019: RMB191,510,000) 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 RMB280,808,000 (31 December 2019: RMB191,510,000) as at 30 June 2020.

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

At 30 June 2020, 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 RMB546,334,000 (31 December 2019: RMB574,697,000). 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.



# Notes to Interim Condensed Consolidated Financial Information

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## 17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current prepayments	148,546	144,689
Current assets:		
Prepayments	147,810	149,390
Deposits and other receivables	173,052	145,375
Loans to related parties	100,000	300,000
Loans to third parties	88,307	107,739
Gross balance	509,169	702,504
Impairment allowance	(67,321)	(87,665)
	441,848	614,839

Non-current prepayments represent prepayments for the acquisition of land and property, plant and equipment.

No amount included in the current prepayments was due from fellow subsidiaries as at 30 June 2020 (31 December 2019: 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. The loss rate applied as at 30 June 2020 was 0.7% (31 December 2019: 0.7%).

Loans to related parties of RMB100,000,000 as at 30 June 2020 (31 December 2019: RMB300,000,000) are unsecured, bear interest at rates of 5.6% per annum (31 December 2019: 5.6%) and repayable in 2020. There was no recent history of default and past due amounts for the balances. As at 30 June 2020 and 31 December 2019, the loss allowance was assessed to be minimal.

Loans to third parties of RMB22,782,000 as at 30 June 2020 (31 December 2019: RMB21,863,000) are unsecured, repayable within one year and bear interest at the prevailing market rate. As at 30 June 2020 and 31 December 2019, except for the default receivables, the Group assessed the expected loss rate for the rest to be minimal.

# Notes to Interim Condensed Consolidated Financial Information

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

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At 1 January	87,665	79,100
Impairment losses, net ( <i>note 5</i> )	7,746	22,582
Amount written off as uncollectible	(28,090)	(14,017)
At 30 June/31 December	67,321	87,665

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial investments at fair value through profit or loss:		
– Wealth management products	2,012,666	1,762,844
– Securities investment funds	2,702,371	1,513,570
	4,715,037	3,276,414

The above unlisted investments were wealth management products and securities investment funds issued by banks and other financial institutions in Mainland China with maturity periods within one 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.



# Notes to Interim Condensed Consolidated Financial Information

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	747,240	665,982
Time deposits	323,158	439,199
	<b>1,070,398</b>	1,105,181
Less: Pledged time deposits for banking facilities	<b>(30,458)</b>	(2,010)
Cash and cash equivalents	<b>1,039,940</b>	1,103,171
Cash and cash equivalents, time deposits and pledged deposits denominated in		
– RMB	611,728	948,334
– Hong Kong dollar (“HK\$”)	405,725	116,875
– United States dollars (“US\$”)	42,362	30,162
– Euro (“EUR”)	10,054	9,810
– Australian dollar (“AUD”)	529	–
	<b>1,070,398</b>	1,105,181

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

At 30 June 2020, bank balances of RMB230,000,000 (31 December 2019: RMB280,000,000) are deposited in Sanxiang Bank, a related company of the Group.

# Notes to Interim Condensed Consolidated Financial Information



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## 20. 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 30 days	440,757	521,693
31 to 90 days	482,824	811,072
91 to 180 days	561,483	393,677
181 to 365 days	791,656	49,141
Over 1 year	99,805	55,969
	<b>2,376,525</b>	<b>1,831,552</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 RMB55,050,000 as at 30 June 2020 (31 December 2019: RMB93,821,000) for purchasing raw materials by the Group.

## 21. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contract liabilities	<i>(a)</i>	642,857	590,809
Deposits received for disposal groups	<i>10</i>	165,433	135,433
Other payables	<i>(b)</i>	779,797	747,605
Accruals		86,941	61,279
		<b>1,675,028</b>	<b>1,535,126</b>





# Notes to Interim Condensed Consolidated Financial Information

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## 21. OTHER PAYABLES AND ACCRUALS (continued)

(a) Details of contract liabilities are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Sales of industrial products	642,857	590,809

Contract liabilities include short-term advances received to deliver industrial products. Included in the contract liabilities was an amount of RMB139,834,000 as at 31 December 2019 (31 December 2019: RMB50,361,000) payable to fellow subsidiaries for the purchase of products.

(b) Other payables are non-interest-bearing and are due within one year.

Included in the other payables was an amount due to fellow subsidiaries in aggregate of RMB308,399,000 as at 30 June 2020 (31 December 2019: RMB361,298,000), which is non-interest-bearing and is repayable on demand.

## 22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	2.25-4.00	2020-2021	324,829	4.00	2020	200,000
Bank loans – unsecured	1.14-4.35	2020-2021	3,549,085	2.92-4.35	2020	2,308,954
			3,873,914			2,508,954
<b>Non-current</b>						
Bank loans – unsecured	4.17	2022	298,982	4.17-4.28	2022	747,181

# Notes to Interim Condensed Consolidated Financial Information

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## 22. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	3,873,914	2,508,954
In the second to third years, inclusive	298,982	747,181
	<b>4,172,896</b>	<b>3,256,135</b>

- (a) As at 30 June 2020, financial assets at fair value through profit or loss of RMB250,000,000 (31 December 2019: Nil) have been pledged for the Group's bank loans of US\$32,000,000 (RMB224,829,000) (31 December 2019: Nil) from Industrial Bank Co., Ltd. at the end of the reporting period.
- (b) As at 30 June 2020, financial assets at fair value through profit or loss of RMB104,000,000 (31 December 2019: RMB208,000,000) have been pledged for the Group's bank loans of RMB100,000,000 (31 December 2019: RMB200,000,000) from China Construction Bank Co., Ltd. at the end of the reporting period.
- (c) As at 30 June 2020, Sany Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB1,839,440,000 as at the end of the reporting period (31 December 2019: RMB1,186,136,000).
- (d) Except for the secured bank loan of RMB224,829,000 and the unsecured bank loan of RMB589,294,000 which are denominated in US\$, all borrowings are in RMB.



# Notes to Interim Condensed Consolidated Financial Information

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## 23. PROVISION FOR WARRANTIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At 1 January	32,496	9,888
Additional provision ( <i>note 5</i> )	43,283	41,328
Amount utilised during the period/year	(7,667)	(8,832)
Reversal of unutilized amounts ( <i>note 5</i> )	(32,496)	(9,888)
At 30 June/31 December	35,616	32,496

The Group provides warranties (one year for coal machinery, and the earlier of two years and 4,000 hours during usage for logistics equipment) for repair and maintenance of the products sold to its customers. The amount of the warranty provision is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised when appropriate.

## 24. GOVERNMENT GRANTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At 1 January	1,289,373	1,388,920
Received during the period/year	62,988	185,964
Released to the statement of profit or loss during the period/year ( <i>note 4</i> )	(104,105)	(285,511)
At 30 June/31 December	1,248,256	1,289,373
Current portion	(86,858)	(94,231)
Non-current portion	1,161,398	1,195,142

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 Interim Condensed Consolidated Financial Information



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## 25. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>30 June 2020</b>	31 December 2019
	<b>Liabilities RMB'000 (Unaudited)</b>	Liabilities RMB'000 (Audited)
Interest rate swaps	<b>5,571</b>	3,864

The interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate swaps amounting to RMB393,000 (six months ended 2019: Nil) were charged to the interim condensed consolidated statement of profit or loss during the period.

## 26. DEFERRED TAX

### Deferred tax assets

	<b>Deductible temporary differences</b>	<b>Losses available for offsetting against future taxable profits</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
At 1 January 2019 (Audited)	388,204	2,463	390,667
(Charged)/credited to the consolidated statement of profit or loss	(42,249)	76	(42,173)
At 31 December 2019 and 1 January 2020 (Audited)	345,955	2,539	348,494
Charged to the interim condensed consolidated statement of profit or loss ( <i>note 7</i> )	(63,904)	(2,084)	(65,988)
At 30 June 2020 (Unaudited)	282,051	455	282,506



# Notes to Interim Condensed Consolidated Financial Information

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## 26. DEFERRED TAX (continued)

### Deferred tax liabilities

	Fair value adjustments arising from financial assets at fair value RMB'000	Withholding taxes on dividend RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2019 (Audited)	–	14,260	1,362	15,622
Charged/(credited) to the consolidated statement of profit or loss	2,982	18,664	(29)	21,617
At 31 December 2019 and 1 January 2020 (Audited)	2,982	32,924	1,333	37,239
Charged/(credited) to the interim condensed consolidated statement of profit or loss ( <i>note 7</i> )	6,182	778	(15)	6,945
At 30 June 2020 (Unaudited)	9,164	33,702	1,318	44,184

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 2020, the Group has not recognised deferred tax liabilities of RMB78,639,000 (31 December 2019: RMB76,824,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB1,572,786,000 (31 December 2019: RMB1,536,487,000), 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.

# Notes to Interim Condensed Consolidated Financial Information



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## 27. SHARE CAPITAL

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<i>Authorised:</i>		
4,461,067,880 (31 December 2019: 4,461,067,880) ordinary shares of HK\$0.10 each	446,107	446,107
538,932,120 (31 December 2019: 538,932,120) convertible preference shares of HK\$0.10 each	53,893	53,893
Total authorised capital	500,000	500,000
<i>Issued and fully paid:</i>		
3,111,827,000 (31 December 2019: 3,100,762,500) ordinary shares of HK\$0.10 each	311,183	310,076
479,781,034 (31 December 2019: 479,781,034) convertible preference shares of HK\$0.10 each	47,978	47,978
Total issued and fully paid capital	359,161	358,054
Equivalent to RMB'000	308,479	307,469

On 19 December 2014, the Company issued 479,781,034 convertible preference shares ("CPS") of HK\$0.10 each at an issue price of HK\$2.009 per share. Each CPS is convertible into one ordinary share of the Company at any time after issuance (subject to standard anti-dilution adjustments) and has the same right to receive dividends and other distributions as ordinary shares. The CPS are redeemable by the Company at any time after the third anniversary of the date of the issue of the CPS at the issue price or the fair market value of the CPS, whichever the higher. The holders of CPS are entitled to a preferred distribution at the rate of 0.01% per annum on the issue price.



# Notes to Interim Condensed Consolidated Financial Information

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## 27. SHARE CAPITAL (continued)

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

	Number of shares in issue	Share capital		Share premium	Total
		Equivalent to			
		HK\$'000	RMB'000		
At 1 January 2020	3,580,543,534	358,055	307,469	2,333,677	2,641,146
Issue of shares (note)	11,064,500	1,106	1,010	12,172	13,182
Realease of share- based compensation reserve to share premium upon exercise of share options (note)	–	–	–	4,319	4,319
At 30 June 2020	3,591,608,034	359,161	308,479	2,350,168	2,658,647

Note: During the six months ended 30 June 2020, 11,064,500 new ordinary shares were issued for the share options exercised. Cash proceeds of HK\$14,446,000 (equivalent to RMB13,182,000) were received with no transaction costs borne by the Company, and related share option reserve of RMB4,319,000 was transferred to share premium accordingly.

# Notes to Interim Condensed Consolidated Financial Information



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## 28. 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 Interim Condensed Consolidated Financial Information

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## 28. SHARE OPTION SCHEME (continued)

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

	For the six months ended 30 June 2020		Year ended 31 December 2019	
	Price HK\$	Number of options (Unaudited)	Price HK\$	Number of options (Audited)
At 1 January	1.32	69,000,000	1.33	138,400,000
Granted during the period/year	–	–	–	–
Exercised during the period/year	1.31	(11,064,500)	1.33	(59,737,500)
Forfeited during the period/year	1.28	(5,293,750)	1.29	(9,662,500)
At 30 June/31 December	1.33	52,641,750	1.32	69,000,000

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

### 30 June 2020

Number of options	Exercise price per share HK\$	Exercise period
46,953,000	1.22	15-12-2017 to 15-3-2021
720,000	1.71	29-12-2017 to 15-3-2021
4,968,750	2.30	14-11-2018 to 31-3-2021
52,641,750		

### 31 December 2019

Number of options	Exercise price per share HK\$	Exercise period
62,100,000	1.22	15-12-2017 to 15-3-2021
800,000	1.71	29-12-2017 to 15-3-2021
6,100,000	2.30	14-11-2018 to 31-3-2021
69,000,000		

# Notes to Interim Condensed Consolidated Financial Information



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## 28. SHARE OPTION SCHEME (continued)

There were 52,641,750 (31 December 2019: 69,000,000) share options outstanding and 20,216,750 of which were exercisable as at 30 June 2020.

The Group recognised a share option expense of HK\$5,067,000 (equivalent to RMB4,602,000) (30 June 2019: RMB10,869,000) 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.

## 29. FINANCIAL GUARANTEE CONTRACTS

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

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guarantees given to banks in connection with loans granted to customers	(a)	19,515	20,513
Guarantees given to the finance lease companies in connection with the unsettled lease amounts due from customers	(b)	18,599	18,599
		38,114	39,112



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 29. FINANCIAL GUARANTEE CONTRACTS (continued)

- (a) Hunan Sany Port Equipment enters into sale agreements with end-user customers directly for the sales of logistics equipment. 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 logistics equipment 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”), 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 entered into an agreement (the “Agreement”) and pursuant to the terms of the Agreement:

- Kangfu Leasing 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 2020.

## 30. COMMITMENTS

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	146,392	188,497
Plant and machinery	3,202,417	3,269,088
	<b>3,348,809</b>	<b>3,457,585</b>

# Notes to Interim Condensed Consolidated Financial Information



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## 31. 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	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Sales of products to:			
Sany America Inc (三一美國)	(i)&(v)	106,106	69,946
Sany International Development Limited. (三一國際發展有限公司)	(i)&(v)	69,469	66,985
Sny Europe GmbH (三一歐洲)	(i)&(v)	50,664	–
PT.SANY INDONESIA MACHINERY (印度尼西亞三一機械有限公司)	(i)&(v)	34,266	13,290
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(v)	30,978	–
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(v)	28,848	–
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(v)	5,906	–
Sany Heavy Industry India Pvt Ltd (三一印度)	(i)&(v)	4,375	–
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(i)&(v)	2,816	–
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(i)&(v)	2,434	–
Sany Russia Co.Ltd (俄羅斯三一有限責任公司)	(i)&(v)	1,385	–
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(v)	308	73,393
Sany Heavy Energy Equipment Co., Ltd. (三一重能有限公司)	(i)&(v)	126	–
Sany Hong Kong Group Co., Ltd. (三一香港集團有限公司)	(i)&(v)	–	1,327
Others	(i)&(v)	406	59
		<b>338,087</b>	<b>225,000</b>



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 31. RELATED PARTY TRANSACTIONS (continued)

### (1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Sales of raw materials to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(v)	5,480	7,386
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(v)	396	23,541
Sany Automobile Lifting Machinery Co, Ltd. (三一汽車起重機械有限公司)	(i)&(v)	232	1,747
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(i)&(v)	17	3,472
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(v)	5	15
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
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
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 Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(v)	—	1
Others	(i)&(v)	92	23
		<b>6,222</b>	<b>54,051</b>

# Notes to Interim Condensed Consolidated Financial Information



30 June 2020

## 31. RELATED PARTY TRANSACTIONS (continued)

### (1) Recurring transactions (continued)

		For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	Notes		
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)	55,634	34,367
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(v)	13,878	13,969
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(ii)&(v)	11,889	–
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(ii)&(v)	7,837	5,477
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(v)	7,705	3,448
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(ii)&(v)	6,579	3,006
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(ii)&(v)	1,775	–
Hunan Sany Culture Co. Ltd. (湖南三一文化產業有限公司)	(ii)&(v)	1,546	–
Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司)	(ii)&(v)	841	764
Sany Hoisting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(ii)&(v)	580	210
Shanghai Huaxing Digital Technology Co., Ltd. (上海華興數字科技有限公司)	(ii)&(v)	388	786
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(ii)&(v)	160	–
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(ii)&(v)	52	–
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(ii)&(v)	7	1,721
Sany Germany GmbH (三一德國有限公司)	(ii)&(v)	–	6,722
Loudi zhongyuan Machinery Co., Ltd. (婁底市中源機械有限公司)	(ii)&(v)	–	1,415
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	(ii)&(v)	–	12
Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司)	(ii)&(v)	–	5
Others	(ii)&(v)	162	577
		<b>109,033</b>	<b>72,479</b>



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 31. RELATED PARTY TRANSACTIONS (continued)

### (1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Purchases of equipment from:			
Hunan Anren Sany Construction Technology Co., Ltd. (湖南安仁三一築工科技有限公司)	(ii)&(v)	5,487	–
Others	(ii)&(v)	615	–
		6,102	–
Operating rental fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(v)	2,049	1,739
Hunan Zhongtai Equipment Engineering Co., LTD (湖南中泰設備工程有限公司)	(iii)&(v)	–	797
Others	(iii)&(v)	29	–
		2,078	2,536
Service fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(v)	1,840	3,122
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(iv)&(v)	65,269	83,644

# Notes to Interim Condensed Consolidated Financial Information



30 June 2020

## 31. RELATED PARTY TRANSACTIONS (continued)

### (1) Recurring transactions (continued)

Notes:

- (i) The sales to companies owned and controlled by the Controlling Shareholders\* were made at prices and on conditions as mutually agreed.
- (ii) The purchases from companies owned and controlled by the Controlling Shareholders\* were made at prices and on conditions as mutually agreed.
- (iii) The rentals were made according to the prevailing market rent.
- (iv) The services were made at prices and on conditions as mutually agreed.
- (v) The above companies are owned and controlled by the Controlling Shareholders\*.

\* The Controlling Shareholders refer to 17 individual 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 Interim Condensed Consolidated Financial Information

30 June 2020

## 31. RELATED PARTY TRANSACTIONS (continued)

### (2) Non-recurring transactions

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 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)	556	—
Service fee paid to:		
Shugen Internet Technology Co., Ltd (樹根互聯技術有限公司)	375	—
Hunan Zhongtai Equipment Engineering Co., LTD (湖南中泰設備工程有限公司)	328	—
Hunan Sany Culture Co. Ltd.(湖南三一文化產業有限公司)	297	—
Sany America Inc. (三一美國有限公司)	115	2,175
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	74	—
Hunan Sany Vocational and Technical College of Industry (湖南三一工業職業技術學院)	48	—
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	30	—
Sany Group Co., Ltd. (三一集團有限公司)	—	37
	<b>1,267</b>	<b>2,212</b>

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020



## 31. RELATED PARTY TRANSACTIONS (continued)

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

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Sales of equipment to:			
Sany Group Co., Ltd. (三一集團有限公司)		–	2
Others		–	2
		–	4
Rental fee received from:			
Shenyang sanyiyuan Construction Machinery Co., Ltd (瀋陽三益源工程機械有限公司)		83	–
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)		14	–
		97	–
Loans to related parties:			
Hunan Zhonghong (湖南中宏融資租賃有限公司)	(i)	200,000	200,000
Kangfu Leasing (中國康富國際租賃股份有限公司)	(ii)	–	200,000
		200,000	400,000
Repayment of loans from related parties:			
Hunan Zhonghong (湖南中宏融資租賃有限公司)	(i)	400,000	100,000
Deposits to a related party:			
Sanxiang Bank (湖南三湘銀行股份有限公司)	(iii)	230,000	–



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 31. RELATED PARTY TRANSACTIONS (continued)

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

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interests from loans and deposits to related parties:			
Hunan Zhonghong (湖南中宏融資租賃有限公司)	(i)	3,300	5,902
Kangfu Leasing (中國康富國際租賃股份有限公司)	(ii)	2,792	9,419
Sanxiang Bank (湖南三湘銀行股份有限公司)	(iii)	5,743	5,638
		11,835	20,959
Construction fees paid to a related party:			
Shenyang Sany Architectural Design and Research Co., Ltd. (瀋陽三一建築設計研究有限公司)	(iv)	—	53,239

#### Notes:

- (i) On 12 July 2019, a loan of RMB200,000,000 was lent to Hunan Zhonghong at an interest rate of 5.50% per annum and was guaranteed by Sany Group, which has been repaid on 20 January 2020. On 21 January 2020, a loan of RMB200,000,000 was lent to Hunan Zhonghong at an interest rate of 4.60% per annum and was guaranteed by Sany Group Co., Ltd., which has been repaid on 6 May 2020.
- (ii) On 29 November 2019, loans of RMB100,000,000 were lent to Kangfu Leasing at an interest rate of 5.60% per annum and would be repaid on 27 November 2020.
- (iii) On 14 May 2018, the Group deposited RMB100,000,000 at an interest rate of 5.00% per annum and the deposit was withdrawn on 17 April 2020. The Group deposited RMB130,000,000 at an interest rate of 4.90% on 8 August 2018 and it was withdrawn on 17 April 2020. On 27 September 2019, the Group deposited RMB100,000,000 at an interest rate of 3.9875% per annum and RMB50,000,000 was withdrawn in advance on 21 November 2019, and the remaining RMB50,000,000 was withdrawn in advance on 28 March 2020. On 17 April 2020, the Group deposited RMB230,000,000 at an interest rate of 3.85% which would be due on 14 April 2022.
- (iv) 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 Interim Condensed Consolidated Financial Information

30 June 2020



## 31. RELATED PARTY TRANSACTIONS (continued)

### (3) Compensation of key management personnel

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries, allowances, and benefits in kind	7,392	3,423
Employee retirement benefits and other staff welfare	2,306	805
Equity-settled share option expenses	1,391	3,482
Total compensation paid to key management personnel	11,089	7,710

## 32. 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 values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<u>Financial assets</u>				
Trade receivables, non-current portion	144,385	145,973	144,385	145,973
Bills receivable	543,848	424,485	543,848	424,485
Financial assets at fair value through profit or loss	4,715,037	3,276,414	4,715,037	3,276,414
	5,403,270	3,846,872	5,403,270	3,846,872
<u>Financial liabilities</u>				
Interest-bearing bank and other borrowings, non-current portion	298,982	747,181	298,982	747,181
Derivative financial instruments	5,571	3,864	5,571	3,864
	304,553	751,045	304,553	751,045



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, the current portion of trade receivables, financial assets included in prepayments, other receivables and other assets, the current portion of 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.

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

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

The fair values of the non-current portion of trade receivable and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2020 were assessed to be insignificant.

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 and securities investment funds issued by banks and other financial institutions 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.

The Group enters into interest rate swaps with a bank in Mainland China. The derivative financial instruments are measured using present value calculations. The models incorporate market observable inputs including the credit quality of the bank and benchmark interest rate. The carrying amounts of interest rate swaps are the same as their fair values.

# Notes to Interim Condensed Consolidated Financial Information



30 June 2020

## 32. 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 2020	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	–	543,848	–	543,848
Financial assets at fair value through profit or loss	–	4,715,037	–	4,715,037
	–	5,258,885	–	5,258,885

As at 31 December 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	–	424,485	–	424,485
Financial assets at fair value through profit or loss	–	3,276,414	–	3,276,414
	–	3,700,899	–	3,700,899



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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

Liabilities measured at fair value:

As at 30 June 2020

	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)	
Derivative financial Instruments	–	5,571	–	5,571

As at 31 December 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)	
Derivative financial Instruments	–	3,864	–	3,864

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 the financial assets and liabilities (six months ended 30 June 2019: Nil).

# Notes to Interim Condensed Consolidated Financial Information



30 June 2020

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

### Assets for which fair values are disclosed:

As at 30 June 2020	Fair value measurement using			Total
	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)	
Trade receivables, non-current portion	–	144,385	–	144,385

As at 31 December 2019	Fair value measurement using			Total
	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)	
Trade receivables, non-current portion	–	145,973	–	145,973





# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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

Liabilities for which fair values are disclosed:

As at 30 June 2020	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)	
Interest-bearing bank and other borrowings, non-current portion	–	298,982	–	298,982

As at 31 December 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)	
Interest-bearing bank and other borrowings, non-current portion	–	747,181	–	747,181

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

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 17 August 2020.