



SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631

2021 INTERIM REPORT



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FINANCIAL SUMMARY

(RMB:'000)	Six months ended 30 June		
	2021 (Unaudited)	2020 (Unaudited)	Growth (%)
Revenue	4,984,199	3,815,076	30.6%
Gross profit	1,215,140	1,030,096	18.0%
Profit before tax	945,951	753,952	25.5%
Net profit	828,946	638,619	29.8%
Profit attributable to owners of the parent	811,089	639,705	26.8%
Total assets	19,137,258	17,390,102	10.0%
Average total assets	18,300,710	16,468,269	11.1%
Total equity	8,275,980	7,409,704	11.7%
Cash flows of operating activities	835,936	648,604	28.9%
Cash flows of investing activities	111,761	(1,180,500)	109.5%
Cash flows of financing activities	(47,662)	466,877	(110.2%)
Earnings per share ¹			
—Basic (RMB Yuan)	0.26	0.21	23.8%
—Diluted (RMB Yuan)	0.22	0.18	22.2%

(Percentage)	Six months ended 30 June		
	2021	2020	Percentage points
Gross profit margin	24.4%	27.0%	(2.6)
Percentage of profit margin attributable to shareholders of the Company ²	16.3%	16.8%	(0.5)
Assets turnover	27.2%	23.2%	4.0
Gearing ratio	56.8%	57.4%	(0.6)

¹ The weighted average number of ordinary shares for the six months ended 30 June 2021 was 3,136,924,946 shares, and the weighted average number of ordinary shares for the six months ended 30 June 2020 was 3,104,960,486 shares, details of which are set out in note 9 to the interim condensed consolidated financial statements.

² Profit attributable to shareholders of Sany Heavy Equipment International Holdings Company Limited (hereinafter referred to as “**Sany International**” or the “**Company**”) divided by revenue.



DIRECTORS

Executive Directors

Mr. Liang Zaizhong (*Chairman*)
Mr. Qi Jian (*Vice Chairman*)
Mr. Fu Weizhong
Mr. Zhang Zhihong (resigned on 4 February 2021)

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 (resigned on 4 February 2021)
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 (resigned on 4 February 2021)
Mr. Ng Yuk Keung
Mr. Poon Chiu Kwok

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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
China Minsheng Bank

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS

Sidley Austin LLP (as to Hong Kong law)
Jingtian & Gongcheng (as to PRC law)

STOCK CODE

00631



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Dear Shareholders,

In the first half of 2021, China's economy improved steadily and exports continued to grow. Construction of smart mines and intelligent ports became faster while intelligent manufacturing equipment was renewed at a faster pace. In the light of the foregoing, Sany Heavy Equipment International Holdings Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") adhered to the development strategy of electrification, computerization, internationalization and being the top brand to enable the stable and rapid growth of operating results.

In the first half of the year, the Group recorded revenue of approximately RMB4,984.2 million, representing an increase of 30.6% over the same period of last year. Net profit amounted to approximately RMB828.9 million, representing an increase of 29.8% over the same period of last year. Net cash inflow from operating activities was approximately RMB835.9 million, representing an increase of approximately 28.9% over the same period of last year.

In the first half of 2021, the Group adhered to the innovative research and development ("**R&D**") strategy to improve electrification and computerization of products. The R&D of mining equipment shifted the focus to offering whole-set, electrified and green mining solutions: further expanding the application of roadheaders while completing the product upgrade from mechanical excavation to intelligent excavation; developing a variety of electric products such as electric widebodied vehicles; improving the entire series of products to allow mining at a great height, high-strength and lightweight supports, electro-hydraulic control and pure water supports. Digital mines were being constructed by putting unmanned widebodied vehicles into operation on a large scale to carry out unmanned transport trials in mining areas. The R&D of logistics equipment further developed to keep up with the trend of electric, unmanned smart ports: developing automated rail mounted gantry cranes, automated quayside gantry cranes, electric front loaders and electric stacking machines to meet the needs of port customers for automated remote control in an energy-saving and environmental-friendly manner. The robotics business focused on intelligent factory and smart production line planning as well as the development of smart logistics and intelligent forklift products to empower the transformation and upgrade of intelligent production.

The Group continued to push ahead with its digital transformation strategy and achieved remarkable results in production, marketing service and operation management digitalization. On the production front, big data, industrial internet and robotics technology were employed to improve production automation rate, reduce staff and auxiliary material costs and increase production capacity significantly. On the product front, a digital development path, comprising data collection, indicator analysis, data analytics and data realization, was formed. On the operation front, management digitalization included not only the digitalization of core business from start to finish (from clue to payment collection, from problem to solution, from demand to product and from order to delivery) but also the use of information technology to achieve the digitalization of marketing risk control.

The internationalization strategy achieved promising results with revenue from international sales of new products increasing significantly, as the Group remained steadfast in its long-term development strategy regarding internationalization — "autonomy, localization and services as priority". As for mining equipment, a "dual focus" strategy was implemented to turn the spotlight on 11 countries (including India, Indonesia and Russia) and two key products (widebodied vehicles and roadheaders). In respect of logistics equipment, a "dual-mainstream" strategy was implemented to develop mainstream, major operators and mainstream, high-end markets in the US and Europe.



CHAIRMAN'S STATEMENT

The Group pushed forward with its top-brand strategy. In the first half of the year, product competitiveness and brand influence of the Group had been further improved. Front loaders, stacking machines and roadheaders maintained their top positions with a rising market share. Meanwhile, the Group kick-started the top-brand strategic planning for widebodied vehicles, hydraulic supports and large port machinery. For widebodied vehicles, large-tonnage, electric and unmanned products that are uncommon in the market will be developed as alternatives to traditional mechanic mining trucks and sold overseas to establish an absolute advantage. For hydraulic supports, emphasis is placed on cost reduction and a differentiation strategy, featuring enhanced techniques, a lightweight design and a pure-water medium to meet customers' needs for cost reduction and being environmentally friendly. For large port machinery, following the construction and operation of lighthouse factories, capabilities in welding, coating and final assembly were increased substantially to give a significant boost to product delivery abilities. The remote control system for quay cranes and the automation system for transtainers will be upgraded to promote the construction of an exemplary automated port. Through the implementation of the top-brand strategy, the market share and competitiveness of the Group's products will be raised to a new level.

Finally, on behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I would like to express my sincere gratitude to all shareholders, community members, customers and dedicated employees for their care and support.

Liang Zaizhong

Chairman

Hong Kong, 31 August 2021



MAJOR PRODUCTS

The Group divides its products into three categories, namely (1) mining equipment, 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 (coal mining machines (shearer), hydraulic support system, scraper conveyor (Armored-Face Conveyor), etc.); non-coal mining machinery products, such as tunnel roadheader and mining machine; mining vehicle products, such as mining transport equipment (mechanical drive off-highway dump truck and electric drive off-highway dump truck) and widebodied vehicle and other relevant products; and smart mine products, such as unmanned driving, automated integrated mining and smart mine operation systems; (2) logistics equipment, which includes container equipment (including small-scale port machinery such as front loader, stacking machine, etc., and large-scale port machinery such as quayside gantry crane, etc.), bulk material equipment (gripper, elevated hoisting arm, etc.) and general equipment (heavy-weight forklift, telehandler, etc.); and (3) robotics, such as intelligent production lines, smart logistics and intelligent forklifts.

BUSINESS REVIEW

In the first half of 2021, under the steady economic development plan in the PRC, the Group persisted in implementing strategies of digitalization, electrification and internationalization, as well as the top-brand strategy. Results of operations showed continuous growth. Revenue for the period amounted to RMB4,984.2 million, representing an increase of 30.6% as compared with the same period last year. Net profit amounted to RMB828.9 million, representing an increase of 29.8% over the same period last year. Quality of operation continuously improved, while R&D capabilities strengthened significantly. Investments in R&D amounted to RMB336.1 million, representing an increase of 77.1% over the same period last year. Competitiveness of our products continued to enhance, and our major products achieved larger market share, solidifying the Group's leading position in the industry. Major operation highlights are as follows:

Significant achievements in intelligent research and development

For the mining equipment segment, EBZ160i intelligent roadheader completed its first face excavation, and significantly extending the duration of underground operation. 19 units have been sold, and orders for more than 50 units have been secured. MG730i intelligent shearer showed excellent functionality in underground operation, and achieved sales in bulk. For the smart mine business, a network electro-hydraulic control system and an automated integrated mining automatic locking system were developed. Multiple orders were secured thanks to their attainment of industry-leading technology indicators. The Group cooperated with various surface mines, and supplied unmanned widebodied vehicles in batches for pilot operations of unmanned transport in mines, realizing the deployment of cluster despatch platform's large-scale operation.

For the logistics equipment segment, prototype testing for automated container alignment technology of front loaders was completed, enhancing efficiency of container alignment by 40%. Automated Rail-Mounted Gantry Cranes (“**ARMG**”) of Sany performed highly automated operations, which represents a leading standard in the PRC. Unmanned trucks feature a self-developed automated driving system and a fleet management system. Following the completion of testing for fleet organization operations under mixed-use conditions, the Group became the first unmanned truck manufacturer in the world to achieve bulk delivery.

For robotic products, technology development in automatic sorting system of robots, intelligent welding, spontaneous integrated torque and automatic screwing system was completed. Breakthrough in key technologies of Automatic Guided Vehicle (“**AGV**”) control system was accomplished, allowing the development of AGV despatch system to complete. Manufacturing of 20-tonne heavy-loading AGV products was completed. 2T and 3T high-voltage electric counterbalance forklifts were produced and delivered in bulk, completing the construction of an operation system for electric forklifts.

Electric products are widely recognized

In respect of widebodied vehicle products, on the basis of realizing large-tonnage overload capacity, a full spectrum series of 60–100 tonnage, pure electric and unmanned products have been built. At the same time, the Group has been actively developing a battery-replaceable prototype for pure electric widebodied vehicles. In term of logistics equipment, the Group has realized the mass production and delivery of a full range of electric products such as electric front loaders, electric stacking machines, electric port trackers and electric grippers. The electric front loaders, featured with technologies such as potential energy recovery and automatic charging, can be operated continuously for 20 hours under the mixed working condition with the range extenders turned on. The electric stacking machines are purely powered by electricity, lowering the cost per container by 60%, and have entered into Port of Xiamen and Port of Singapore Authority in batches. Electric trucks have been applied in batches to Port of Xiamen and Port of Guangzhou. The Group has won the bidding for the largest batch of battery-replaceable electric trucks among the industry in Hainan and became the leader of technologies for electric trucks.

Breakthrough in internationalization for new products

The Group’s new products have achieved remarkable results in international expansion. Our overseas sales continued to grow, with the revenue from oversea sales for the first half of 2021 amounted to RMB868.7 million, representing an increase of 11.6% over the same period of last year. For mining equipment, we steadfastly adhered to our “dual-focus” strategy, highlighted 11 countries, including India, Indonesia and Russia, and focused on two of our major products, namely widebodied vehicles and roadheaders, which resulted in a significant increase in the oversea sales of widebodied vehicles, and achieved a major breakthrough in Indonesian and Mongolian markets. The Group has successively received new orders for mining transport equipment from various markets, such as Africa, Indonesia and Russia. For logistics equipment, a “dual-mainstream” strategy was implemented. The Group solicited mainstream operators as our major customers, and developed mainstream high-end markets in Europe and the US, which resulted in a substantial growth in sales of telehandlers overseas. The Group’s logistics equipment has tapped into Sudan Sea Ports Corporation, Tunisia Port Authority, Yemen Port Authority and Westports Malaysia. The development of market channels in the US has been progressing smoothly, obtaining 4 major customers.



Comprehensive enhancement of the efficiency in intelligent manufacturing

The Group has production and manufacturing bases in Shenyang, Zhuhai, Changsha and Beijing, respectively. During the period ended 30 June 2021, driven by the strategy of digitalization, the Company actively promoted the construction of “Lighthouse Factories”, featuring four lighthouse factory projects, namely widebodied vehicles, hydraulic supports, small port machinery and large port machinery. The lighthouse factories utilize big data, industrial internet and robotic technology to improve the automation in production and reduce the staff and auxiliary material costs to double the productivity, through which the workforce required for the manufacturing and assembling processes is minimized and the manufacturing cycle is shortened, allowing the rapidly growing orders for the Group’s products to be met. Meanwhile, the Group achieved full computerization in office work, security, logistics and park facilities within the industrial parks, creating smart parks via smart connection.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB4,984.2 million, representing an increase of approximately RMB1,169.1 million, or approximately 30.6%, from approximately RMB3,815.1 million for the six months ended 30 June 2020. Such increase was mainly attributable to the fact that: (1) the Group persisted in strategies of computerization, electrification and internationalization, with computerized and electric products launched successively and were widely recognized by the market, driving the significant increase in revenue from roadheaders, integrated mining and small port machinery products for the Group; (2) products including widebodied vehicles and telehandlers swiftly opened up international markets, resulting in a rapid increase in overseas sales revenue; and (3) the Group’s robotics business grew significantly.

Other income and gains

For the six months ended 30 June 2021, the Group’s other income and gains were approximately RMB484.5 million, representing an increase of approximately RMB249.8 million from approximately RMB234.7 million for the six months ended 30 June 2020. The change was mainly due to the gain from completion of the disposal of the entire equity interest in Xinjiang Sany Heavy Equipment Co., Ltd. (“Xinjiang Sany”), an indirect subsidiary of the Group.

Cost of sales

For the six months ended 30 June 2021, the Group’s cost of sales was approximately RMB3,769.1 million, representing an increase of approximately 35.3% from approximately RMB2,785.0 million for the six months ended 30 June 2020. 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 2021, the gross profit margin of the Group was approximately 24.4%, representing a decrease of approximately 2.6 percentage points against approximately 27.0% for the six months ended 30 June 2020. Such decrease was mainly due to (1) a change in product mix in a way that sales proportion of products with lower margin increased; (2) an increase in international freight charges; and (3) an increase in purchase price for raw materials.

Selling and distribution expenses

For the six months ended 30 June 2021, the selling and distribution expenses of the Group were approximately RMB243.8 million, representing an increase of approximately 35.7% compared with that of approximately RMB179.6 million for the six months ended 30 June 2020.

During the reporting period, the ratio of the Group's selling and distribution expenses to revenue was approximately 4.9%, representing an increase of approximately 0.2 percentage point as compared with approximately 4.7% for the six months ended 30 June 2020. Such change was mainly due to (1) the increase in salaries resulting from incentivizing marketing and after-sales service staff; (2) the reinforcement in construction of marketing channels in overseas markets; and (3) the addition of marketing activities with a view to enhancing promotion.

Research and development expenses

For the six months ended 30 June 2021, the R&D expenses of the Group were approximately RMB336.1 million, representing an increase of approximately 77.1% as compared with approximately RMB189.8 million for the six months ended 30 June 2020. For the six months ended 30 June 2021, the ratio of R&D expenses against revenue was approximately 6.7%, representing an increase of approximately 1.7 percentage point as compared with approximately 5.0% for the six months ended 30 June 2020. Such changes were mainly due to (1) the continued increase in R&D investments for new businesses, including robotics, electro-hydraulic control, unmanned driving, automated integrated mining and smart mines; and (2) the recruitment of high-end talents in the industry in order to accelerate R&D of new products, such that the pool of R&D personnel were doubled and their salaries increased substantially.

Administrative expenses

For the six months ended 30 June 2021, administrative expenses of the Group were approximately RMB470.4 million (for the six months ended 30 June 2020: approximately RMB310.8 million). The administrative expenses excluding R&D expenses were approximately RMB134.3 million (for the six months ended 30 June 2020: approximately RMB121.0 million), which accounted for approximately 2.7% of the revenue, representing a decrease of approximately 0.5 percentage point as compared with that of approximately 3.2% for the six months ended 30 June 2020. Such change was mainly attributable to the continued decrease in percentage of expenses resulted from the Group's strict control of administrative expenses by establishing a cost control system which conducts management according to the budget and carrying out regular assessments.



Finance costs

For the six months ended 30 June 2021, finance costs of the Group were approximately RMB55.2 million, representing a decrease of 26.6% as compared with that for the six months ended 30 June 2020 which was approximately RMB75.2 million. The change was mainly due to (1) the Group's reduction in interest-bearing liabilities by controlling the scale of financing and repaying bonds repayable; and (2) the reduced financing interest rates.

Profit margin before tax

For the six months ended 30 June 2021, the Group's profit margin before tax was approximately 19.0%, representing a decrease of approximately 0.8 percentage point as compared with that of approximately 19.8% for the six months ended 30 June 2020. Such decrease was mainly attributable to (1) a change in the structure of the Group's product sales which resulted in a decrease in the gross profit margin; and (2) a substantial increase in R&D investments for new businesses.

Taxation

For the six months ended 30 June 2021, the Group's effective tax rate was approximately 12.4% (for the six months ended 30 June 2020: the effective tax rate was approximately 15.3%).

Profit attributable to owners of the parent

For the six months ended 30 June 2021, the Group's profit attributable to owners of the parent was approximately RMB811.1 million, which is an increase of approximately 26.8% as compared with approximately RMB639.7 million for the six months ended 30 June 2020. 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 2021, total current assets of the Group were approximately RMB13,171.6 million (as at 31 December 2020: RMB12,015.9 million). As at 30 June 2021, total current liabilities of the Group were approximately RMB7,883.5 million (as at 31 December 2020: RMB7,938.5 million).

As at 30 June 2021, total assets of the Group were approximately RMB19,137.3 million (as at 31 December 2020: approximately RMB17,464.2 million), and total liabilities were approximately RMB10,861.3 million (as at 31 December 2020: approximately RMB9,605.3 million).

As at 30 June 2021, the gearing ratio (the asset to liability ratio) was approximately 56.8% (as at 31 December 2020: approximately 55.0%).

Trade and bills receivables

As at 30 June 2021, the Group's gross balance of trade and bills receivables were approximately RMB5,227.0 million, representing an increase of approximately 14.4% as compared to approximately RMB4,568.2 million as at 31 December 2020, in which the amount of trade receivables increased by approximately 18.5% to approximately RMB4,707.2 million as compared with approximately RMB3,973.1 million as at 31 December 2020. Such changes were mainly attributable to the increase in sales revenue. The bills receivables decreased by approximately 12.6% to approximately RMB519.9 million as compared to approximately RMB595.1 million as at 31 December 2020. Such changes were mainly due to the increase in bills endorsement and discounting.

Interest-bearing bank and other borrowings

As at 30 June 2021, interest-bearing bank and other borrowings of the Group were approximately RMB3,273.2 million (31 December 2020: approximately RMB2,637.9 million). Such change was mainly due to the adjustment in financing structure resulted from the increase in concessional loans provided by policy banks.

Cash flow

As at 30 June 2021, cash and cash equivalents of the Group and time deposits with maturity of three months or more were approximately RMB1,850.0 million in total.

For the six months ended 30 June 2021, the net cash inflow of the Group from operating activities was approximately RMB835.9 million (for the six months ended 30 June 2020: net cash inflow of approximately RMB648.6 million). Such change was mainly due to the fact that (1) the Group persisted in value-based selling and strictly controlled transaction terms with shorter payment collection period; and (2) sales for some of the new businesses adopted an advance payment model, which accelerated collection of payment.

For the six months ended 30 June 2021, the net cash inflow of the Group from investing activities was approximately RMB111.8 million (for the six months ended 30 June 2020: net cash outflow of approximately RMB1,180.5 million). Such change was mainly due to the decrease in the Group's investments in wealth management products issued by third party financial institutions, funds and trusts.

For the six months ended 30 June 2021, the net cash outflow of the Group from financing activities was approximately RMB47.7 million (for the six months ended 30 June 2020: net cash inflow of approximately RMB466.9 million). Such change was mainly due to the control of the scale of interest-bearing liabilities and the repayment of loans due.

Turnover days

As at 30 June 2021, the Group's average turnover days of inventory were approximately 90.6 days, representing an increase of approximately 0.8 days over approximately 89.8 days as at 30 June 2020. Such change was mainly due to the Group's increase in reserves of key spare parts and inventory reserves for international sales channels.



The turnover days of trade and bills receivables decreased by approximately 22.7 days from approximately 202.0 days as at 30 June 2020 to approximately 179.3 days as at 30 June 2021. Such change was mainly due to (1) the Group persisted in value-based selling and strictly controlled transaction terms with shorter payment collection period; and (2) sales for some of the new businesses adopted an advance payment model, which accelerated collection of payment.

The turnover days of trade and bills payables increased by approximately 15.9 days from approximately 136.5 days as at 30 June 2020 to approximately 152.4 days as at 30 June 2021. Such change was mainly due to the Group's increased bill settlement scale.

Financial guarantee contracts

As at 30 June 2021, the financial guarantee contracts not provided for in the financial statements amounted to RMB999.1 million, being the financial guarantee under finance lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. ("**Hunan Sany Port Equipment**") and Sany Heavy Equipment Co., Ltd. ("**Sany Heavy Equipment**") (31 December 2020: RMB1,002.0 million).

Capital commitment

As at 30 June 2021, the contracted capital commitments of the Group which were not provided for in the Group's financial statements were approximately RMB864.7 million (31 December 2020: approximately RMB1,838.3 million).

Employees and remuneration policy

The Group persists in training and developing talents. Accordingly, it provides regular internal training, external training and corresponding courses to its staff according to their ranking and working stage, with an aim to improving their skills relevant to work as well as enhancing their sense of belonging. The Group pays year-end bonuses to staff to reward them for their contributions and dedication to the Group. In addition, the Group implements a share award scheme for core employees to share the Company's development results. The remuneration of the directors of the Group was determined with reference to their positions, responsibilities, experience and prevailing market conditions.

Material acquisition, disposal and significant investment

There were no significant investments held, and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2021. As of the date of this report, the Board had not authorised any plan for other material investments or acquisition of capital assets.

Pledge on assets

As at 30 June 2021, the Group's pledged bank deposits amounted to approximately RMB1,000 in total (31 December 2020: approximately RMB0.46 million).

As at 30 June 2021, the Group had no bank loans secured by financial assets at fair value through profit or loss (31 December 2020: the Group's bank loans of RMB508.0 million were secured by financial assets at fair value through profit or loss of RMB550.0 million).

As at 30 June 2021, the Group had no bank loans secured by property, plant and equipment and prepaid land lease payments (31 December 2020: Nil).

Foreign exchange risk

As at 30 June 2021, the Group's cash and bank balances denominated in foreign currencies such as HK\$, Euro and US\$ were equivalent to approximately RMB319.7 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 strives to contribute to the local economy, people's livelihood and harmonious environment. The management and staff of the Group actively 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 alleviate their financial pressure. The management visited staff with difficulties and provided them with consolation money and items, offered free family insurance for staff, and organized staff health checks. The Group also raised funds for staff members in need of support to show its compassion and care.



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 2021, the interests or short positions of each director and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) to be notified to the Company and the Stock Exchange 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 2021	Percentage of the issued voting shares of the Company as at 30 June 2021
Mr. Qi Jian ⁽¹⁾	Beneficial owner	2,329,900	0.07%
Mr. Fu Weizhong ⁽²⁾	Beneficial owner	1,652,683	0.05%
Mr. Tang Xiuguo	Interest of spouse	3,462,000	0.11%
Mr. Xiang Wenbo ⁽³⁾	Beneficial owner	2,858,000	0.09%
Mr. Poon Chiu Kwok ⁽⁴⁾	Beneficial owner	1,200,000	0.04%
Mr. Ng Yuk Keung ⁽⁵⁾	Beneficial owner	1,000,000	0.03%
Mr. Hu Jiquan ⁽⁶⁾	Beneficial owner	1,000,000	0.03%

Notes:

- (1) The 2,329,900 shares in which Mr. Qi Jian is interested or deemed to be interested represent: (i) 1,350,000 shares of the Company 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”); (ii) 917,691 shares of the Company awarded to him on 18 December 2020 under the restricted share award scheme adopted by the Company on 3 December 2019 (the “Share Award Scheme”) and (iii) 62,209 shares of the Company beneficially owned by Mr. Qi Jian.
- (2) The 1,652,683 shares in which Mr. Fu Weizhong is deemed to be interested represent 1,500,000 shares of the Company 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 152,683 shares of the Company awarded to him on 18 December 2020 under the Share Award Scheme.
- (3) Mr. Xiang Wenbo directly holds 2,858,000 shares of the Company.
- (4) The 1,000,000 shares in which Mr. Poon Chiu Kwok is deemed to be interested represent 1,000,000 shares of the Company 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. Mr. Poon Chiu Kwok also directly holds 200,000 shares of the Company.
- (5) The 1,000,000 shares in which Mr. Ng Yuk Keung is deemed to be interested represent 1,000,000 shares of the Company which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme.
- (6) The 1,000,000 shares in which Mr. Hu Jiquan is deemed to be interested represent 1,000,000 shares of the Company which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme.



DISCLOSURE OF INTERESTS

Long Positions in Shares of Sany Heavy Equipment Investments Company Limited (“Sany BVI”) (Being the Ultimate Holding Company of the Company):

Name of Director	Nature of interest	Number of shares held	Percentage of issued share capital
Mr. Tang Xiuguo (Note)	Beneficial owner	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 2021, none of the Directors or chief executive of the Company or any of their spouses or children under the age of eighteen 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 2021, so far as the directors and chief executive of the Company were aware, the following persons and corporations (excluding the directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 the issued voting shares of the Company
Sany HK (Note 1)	Beneficial owner	2,578,228,722	81.96%
Sany BVI (Note 2)	Interest of a controlled corporation	2,578,228,722	81.96%
Mr. Liang Wengen (Note 3)	Interest of a controlled corporation/Beneficial owner	2,589,098,722	82.30%



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 holds 10,870,000 shares of the Company.*

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any persons (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to 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 2021 and up to as at the date of this interim report.

SHARE OPTION SCHEME

The Company 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. The eligible persons include the Company's executive directors and other employees of the Group.

Upon adoption, the initial maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 50,000,000 shares, representing approximately 1.61% of the issued voting shares of the Company as at 16 February 2013, being the date of adoption of the Share Option Scheme and representing approximately 1.59% of the issued voting shares of the Company as at 30 June 2021.

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 Company's voting shares in issue as at 12 December 2017 and 9.67% of the Company's voting shares in issue as at 30 June 2021. As at 30 June 2021, the maximum number of shares of the Company 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 19,995,200 shares, representing 0.64% of the voting shares in issue of the Company as at 30 June 2021.

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



DISCLOSURE OF INTERESTS

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

- (a) the nominal value of a share;
- (b) the closing price of a share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options will be granted or offered. As at the date of this report, the remaining life of the Share Option Scheme is approximately 1 year and 4 months.

Details of the movement of share options granted under the Share Option Scheme during the six months ended 30 June 2021 are as follows:

Category of participants	Date of grant ⁽¹⁾	Exercise price per share (HK\$)	Outstanding at 1 January 2021	Granted during the period	Exercised during the period	Forfeited/Cancelled during the period ⁽²⁾	Outstanding at 30 June 2021
Directors							
Mr. Qi Jian	15 December 2017	1.22	1,698,000	—	348,000	—	1,350,000
Mr. Fu Weizhong	15 December 2017	1.22	1,500,000	—	—	—	1,500,000
Mr. Zhang Zhihong ⁽³⁾	15 December 2017	1.22	1,000,000	—	—	—	1,000,000
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	27,392,000	—	14,236,800	2,150,000	11,005,200
Employees	29 December 2017	1.71	580,000	—	140,000	60,000	380,000
Employees	14 November 2018	2.30	3,317,500	—	1,085,000	472,500	1,760,000
Total			38,487,500	—	15,809,800	2,682,500	19,995,200



Notes:

- (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”):

Vesting Date	Percentage of Share Option
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 2021, 2,682,500 share options were forfeited for the following reasons: (1) certain employees' performance appraisal results for 2020 did not reach the performance target under the grant letters; (2) certain employees violated the Company's policies; and (3) certain employees were dismissed.
- (3) Mr. Zhang Zhihong has resigned as an executive Director of the Company, with effect from 4 February 2021.

Save as disclosed above, during the six months ended 30 June 2021, no share option was granted, exercised, lapsed or cancelled under the Share Option Scheme.

SHARE AWARD SCHEME

The Company adopted the Share Award 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.



DISCLOSURE OF INTERESTS

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.

No Restricted Shares shall be granted pursuant to the Share Award Scheme, nor any amounts paid to the trustee for the purpose of the Share Award Scheme, if as a result of such grant or payment, the number of shares administered under the Share Award Scheme shall exceed 10% of the Company's issued share capital as at the Adoption Date (i.e. 310,040,250). As at 30 June 2021, a total of 5,242,199 Restricted Shares were granted in which 101,481 Restricted Shares had lapsed in accordance with the Share Award Scheme. The number of Restricted Shares still available for future grants was 304,899,532, which represents 9.69% of the Company's issued share capital as at the date of this report. No account shall be taken into the calculation of the Share Award Scheme limit where the right to obtain the Restricted Shares has been released or lapsed in accordance with the relevant provisions in the Share Award Scheme. The maximum number of Restricted Shares which may be granted to a Selected Participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination of the Share Award Scheme and without prejudicing the subsisting rights of any Selected Participant, the Share Award Scheme shall be valid and effective for 10 years from the Adoption Date, subject to change of control or early termination events. As of the date of this report, the remaining life of the Share Award Scheme is approximately 8 years and 3 months.

For further details of the Share Award Scheme, please refer to the Company's announcement dated 3 December 2019.



The Company has granted 5,242,199 Restricted Shares to selected employees as at 30 June 2021. During the six months ended 30 June 2021, no Restricted Shares had been awarded under the Share Award Scheme. Details of the Restricted Shares granted pursuant to the Share Award Scheme are as follows:

Category of participants	Date of grant ⁽²⁾	Number of Restricted Shares awarded	Number of Restricted Shares vested	Vesting period	Number of shares lapsed as at 30 June 2021
Connected persons					
Mr. Qi Jian	18 December 2020	917,691	183,538	18 March 2021– 18 March 2025	—
Mr. Fu Weizhong	18 December 2020	152,683	30,536	18 March 2021– 18 March 2025	—
Mr. Liang Zhenggen	18 December 2020	29,688	5,937	18 March 2021– 18 March 2025	—
Employees	18 December 2020	4,142,137	821,594	18 March 2021– 18 March 2025	101,481
Total		5,242,199	1,041,605		101,481⁽¹⁾

(1) As at 30 June 2021, a total of 5,242,199 Restricted Shares were granted in which 101,481 Restricted Shares had lapsed in accordance with the Share Award Scheme.

(2) The closing price of the shares immediately before the date of these shares were awarded was HK\$5.03.

The Restricted Shares granted to the connected persons of the Company will be satisfied by shares of the Company purchased from the secondary market by the trustee of the Share Award Scheme. The Restricted Shares granted to other employees who are not connected persons of the Company were satisfied by allotment and issue of new shares of the Company at nominal value of HK\$0.1 each per share under the general mandate granted by the Company's shareholders to the Directors at the Company's annual general meeting held on 25 May 2020. During the six months ended 30 June 2021, the trustee subscribed a total of 4,112,963 new shares of the Company, and acquired a total of 687,000 shares of the Company from the secondary market pursuant to the Share Award Scheme rules and the relevant trust deed.



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 all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to maximize returns for shareholders.

The Company has complied with the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules from 1 January 2021 to 30 June 2021.

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 had complied with the Model Code during the six months ended 30 June 2021.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial statements of the Group for the six months ended 30 June 2021 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 2021 (six months ended 30 June 2020: Nil).

DEBENTURE ISSUED

Issue of the Super & Short-term Commercial Paper in the PRC

On 8 September 2020, the Company announced that Sany Heavy Equipment has duly registered its Super & Short-term Commercial Paper (the “SCP”) with the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) (the “NAFMII”) pursuant to the approval notice issued by the NAFMII on 6 May 2020. The registered amount of the SCP is RMB1 billion and shall be valid for a period of two years commencing from 6 May 2020 (the “Effective Period”). Sany Heavy Equipment may issue the SCP in multiple tranches in the PRC on a rolling basis within the Effective Period.

On 14 September 2020, the Company announced that Sany Heavy Equipment has completed the issue of the SCP with the total principal amount of RMB500 million on 14 September 2020, at an interest rate of 3.35% per annum and with a maturity period of 270 days. The proceeds from the issue of the SCP had been used as general working capital of Sany Heavy Equipment and repayment of borrowings from financial institutions. The related commissions amounting to RMB562,500 have been paid and netted off against the cash proceeds.



On 11 June 2021, the SCP of a total principal amount of RMB500,000,000 and all interest have been fully paid off by the Group.

For more details, please refer to the announcements of the Company dated 8 September 2020 and 14 September 2020 and the relevant offering memorandum.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the six months ended 30 June 2021, 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 2020: Nil), except that the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 687,000 shares of the Company and subscribed 4,112,963 new shares of the Company.

THE BOARD

As at 30 June 2021, the Board consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Liang Zaizhong, Mr. Qi Jian and Mr. Fu Weizhong. 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.

Note:

Mr. Zhang Zhihong has resigned as an executive Director of the Company, with effect from 4 February 2021.

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. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan, all of whom are independent non-executive Directors. Mr. Poon Chiu Kwok, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee. The Audit Committee has convened 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 2021.



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 terms of the service contracts 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 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. As at 30 June 2021, the chairman is Mr. Liang Zaizhong and the other four members are Mr. Qi Jian, Mr. Fu Weizhong, Mr. Ng Yuk Keung and Mr. Poon Chiu Kwok.

Note:

Mr. Zhang Zhihong has ceased to be a member of the Strategic Investment Committee, with effect from 4 February 2021.

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 2021, the Board determined the policy for the corporate governance of the Company.



EXECUTIVE DIRECTORS

Mr. Liang Zaizhong (梁在中), aged 37, was appointed as an executive Director, the chairman of the Board, and the chairman of the Nomination Committee and the Strategic Investment Committee of the Company 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 Beijing Sany Foundation (北京三一基金會) 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 the United Kingdom 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 the United States in June 2014.

Mr. Qi Jian (戚建), aged 61, was appointed as an executive Director, chairman of the Board and chief executive officer of the Company on 6 August 2015, and was redesignated as the vice chairman of the Board and remained as the chief executive officer and a member of the Strategic Investment Committee since 21 October 2019.

Mr. Qi joined Sany Group in May 2001. He served as the deputy dean of the research institute of Sany Heavy Industry from May 2001 to May 2003, overseeing the research and development of road machinery products. He served as the deputy general manager of Sany Automobile Manufacturing from May 2003 to November 2006, overseeing the research and development and the production and manufacturing of commercial vehicles and passenger vehicles. From November 2006 to July 2015, he served as the general manager of Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司) (“**Sany Lifting Machinery**”). During his term of service, Sany Lifting Machinery grew rapidly and became a core business of Sany Group with a sales amount ranked second in lifting machinery industry in 2014.



DIRECTORS AND SENIOR MANAGEMENT

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

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

Mr. Fu Weizhong (伏衛忠), aged 47, was appointed as an executive Director and a member of the Strategic Investment Committee of the Company on 13 March 2018.

Mr. Fu acted as the chairman of the board 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 Co., Ltd. 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 Machinery Co., Ltd. (北京三一重機有限公司) in Sany Group, the general manager of Sany Heavy Energy Equipment 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 (中歐國際工商學院) in September 2011.

NON-EXECUTIVE DIRECTORS

Mr. Tang Xiuguo (唐修國), aged 58, 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 Co., Ltd., 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 specialized 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".

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



Mr. Xiang Wenbo (向文波), aged 59, was appointed as a non-executive Director of the Company on 23 July 2009. He has been a non-executive director of Sany Heavy Equipment since January 2004. Mr. Xiang has over 30 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. He obtained a master's degree in Business Administration from the China Europe International Business School (中歐國際工商學院) in 2003. 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 an expert member of the National Manufacturing Strategy Advisory Committee (國家製造強國建設戰略諮詢委員會), vice president of China International Chamber of Commerce for Private Sector (中國民營經濟國際合作商會), a 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 (湖南省工商業聯合會).

Mr. Xiang was awarded multiple accolades including "2020 National Model Worker (2020年全國勞動模範)", "2002 Bauhinia Cup Outstanding Entrepreneur Awards (2002年紫荊花杯傑出企業家獎)", "The Outstanding Chinese Private Technology Entrepreneur Award (中國優秀民營科技企業家獎)", "2008 Top Ten Outstanding CEO in China (2008年度中國十大傑出CEO)", "Forbes 2020 Best CEO in China (福布斯2020年中國最佳CEO)", "Forbes 2010 Best CEO in China (福布斯2010年中國最佳CEO)" and "Forbes 2011 Best CEO of A-share Listed Non-state-owned Companies (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 56, 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), a company 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 Irico Group Electronics Company Limited (彩虹集團電子股份有限公司). He was the independent non-executive director of Xinjiang Xinxin Mining Industry Co., Ltd. (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 Ltd. (首創置業股份有限公司) and Zhongsheng Group Holdings Limited (中升集團控股有限公司), and is currently an independent non-executive director of E-Commodities Holdings Limited (易大宗控股有限公司).



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 59, was appointed as an independent non-executive Director, the Chairman of the Audit Committee as well as a member of the Nomination Committee, the Remuneration Committee and the Strategic Investment Committee 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, the vice president and the company secretary of Huabao International Holdings Limited (華寶國際控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 336). As at the date of this report, he serves as an independent non-executive director of the following public companies listed on the Main Board of the Stock Exchange: Sunac China Holdings Limited (融創中國控股有限公司) (stock code: 1918), Yuanda China Holdings Limited (遠大中國控股有限公司) (stock code: 2789), Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流股份有限公司) (stock code: 1292), Greentown Service Group Co. Ltd. (綠城服務集團有限公司) (stock code: 2869), 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 also 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, 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, as well as an independent non-executive director of Tonly Electronics Holdings Limited (通力電子控股有限公司) (stock code: 1249), which was delisted from 8 March 2021.

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 know as the Institute of Chartered Secretaries and Administrators), and the Hong Kong Institute of Chartered Secretaries (and a member of its Technical Consultation Panel, Mainland China Focus Group, and 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 63, 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, Wuhan Transportation University (武漢交通科技大學) and Wuhan University of Technology respectively between 1982 and 2004. He served as a researcher (professor) in the institute of logistics engineering of Wuhan University of Technology 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 in 2012. Currently, he also serves as the managing director of the port machinery branch of the Chinese Mechanical Engineering Society (中國工程機械學會), the director of the Logistics Technology Committee of the Mechanical Engineering Society of Hubei (湖北省機械工程學會物流技術專業委員會) and a member of National Standardised Technology of Lifting Machinery Committee (全國起重機標準化技術委員會). He led and principally engaged in the research of design theory and method of modern port loading and unloading, and 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 Projects of Hubei Province, production, academic and research cooperation projects of Guangdong Province, and 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 levels and obtained more than 20 invention patents and utility model patents. He published more than 40 SCI/EI papers and participated in the preparation of 3 sets of teaching materials and 4 mechanical design manuals.

SENIOR MANAGEMENT

Mr. Zhu Xiangjun (朱向軍), aged 37, was appointed as the Chief Financial Officer and a joint company secretary 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 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 deputy director of the finance department of the Company from April 2012 to September 2016. Mr. Zhu obtained a bachelor's degree and a master's degree in accounting from Shenyang University of Technology (瀋陽工業大學) in July 2006 and April 2009, respectively. Mr. Zhu obtained his qualification as a certified public accountant of China in June 2009.



COMPANY SECRETARY

Mr. Yu Leung Fai (余亮暉), aged 44, has extensive experience in the accounting and corporate services fields. Mr. Yu has joined the Fung, Yu & Co. CPA Limited (formerly known as the Fung, Yu & Co. CPA) since 2001 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 been the joint company secretary and alternative authorised representative of Beijing Media Corporation Limited (北青傳媒股份有限公司) (stock code: 1000) since March 2010; the company secretary and authorised representative of Yuanda China Holdings Limited (遠大中國控股有限公司) (stock code: 2789) since June 2012; the independent non-executive directors of Realord Group Holdings Limited (偉祿集團控股有限公司) (stock code: 1196) since June 2014; the independent non-executive director of Dowway Holdings Limited (天平道合控股有限公司) (stock code: 8403) since October 2019; the independent non-executive director of The Sincere Company, Limited (先施有限公司) (stock code: 244) since July 2021; the joint company secretary and authorized representative of China National Materials Company Limited (中國中材股份有限公司) (stock code: 1893) from May 2009 to April 2018; the company secretary and authorized representative of Haichang Holdings Ltd. (海昌控股有限公司) (stock code: 2255) from March 2014 to March 2015; the company secretary of Group Sense (International) Limited (權智(國際)有限公司) (stock code: 601) from August 2014 to August 2015; the company secretary and 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) (stock code: 6210 for Common Depositary Receipts and 6230 for Class A Preferred Depositary Receipts) from 2010 to 2016, all of which are listed companies in the Hong Kong, 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS



For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	4	4,984,199	3,815,076
Cost of sales		(3,769,059)	(2,784,980)
Gross profit		1,215,140	1,030,096
Other income and gains	4	484,471	234,681
Selling and distribution expenses		(243,756)	(179,567)
Administrative expenses		(470,392)	(310,842)
Reversal of impairment losses on financial and contract assets, net		19,046	56,535
Other expenses		(3,309)	(1,793)
Finance costs	6	(55,249)	(75,158)
PROFIT BEFORE TAX	5	945,951	753,952
Income tax expense	7	(117,005)	(115,333)
PROFIT FOR THE PERIOD		828,946	638,619
Attributable to:			
Owners of the parent		811,089	639,705
Non-controlling interests		17,857	(1,086)
		828,946	638,619
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB Yuan)	9	0.26	0.21
Diluted (RMB Yuan)	9	0.22	0.18



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	828,946	638,619
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	8,542	1,788
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	8,542	1,788
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	8,542	1,788
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	837,488	640,407
Attributable to:		
Owners of the parent	819,631	641,493
Non-controlling interests	17,857	(1,086)
	837,488	640,407

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,050,423	2,591,455
Intangible assets		20,249	—
Right-of-use assets	11(a)	1,125,944	1,139,620
Goodwill	12	1,129,520	1,129,520
Trade receivables	15	278,972	261,116
Non-current prepayments		9,650	9,650
Contract assets	16	69,944	21,272
Deferred tax assets	27	281,003	295,585
Total non-current assets		5,965,705	5,448,218
CURRENT ASSETS			
Inventories	13	1,783,960	1,820,802
Properties under development	14	956,005	883,852
Trade receivables	15	4,034,214	3,287,799
Bills receivable	15	519,897	595,116
Contract assets	16	14,507	19,517
Prepayments, other receivables and other assets	17	780,087	359,040
Financial assets at fair value through profit or loss	18	3,232,485	4,023,670
Derivative financial instruments	26	369	—
Pledged deposits	19	1	455
Cash and cash equivalents	19	1,850,028	941,451
		13,171,553	11,931,702
Assets of a disposal group classified as held for sale	32	—	84,241
Total current assets		13,171,553	12,015,943
CURRENT LIABILITIES			
Trade and bills payables	20	3,453,271	2,892,579
Bonds payable	21	—	499,655
Other payables and accruals	22	2,248,429	1,917,497
Dividend payable		372,225	72,584
Interest-bearing bank and other borrowings	23	1,407,576	2,145,112
Tax payable		256,184	196,533
Provision for warranties	24	30,979	32,009
Government grants	25	107,763	96,164
Derivative financial instruments	26	7,037	5,407
		7,883,464	7,857,540
Liabilities directly associated with the assets classified as held for sale	32	—	80,923
Total current liabilities		7,883,464	7,938,463
NET CURRENT ASSETS		5,288,089	4,077,480
TOTAL ASSETS LESS CURRENT LIABILITIES		11,253,794	9,525,698



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	1,865,601	492,754
Government grants	25	1,032,186	1,105,446
Deferred tax liabilities	27	80,027	68,597
Total non-current liabilities		2,977,814	1,666,797
Net assets		8,275,980	7,858,901
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	311,378	309,707
Reserves		7,918,940	7,529,027
		8,230,318	7,838,734
Non-controlling interests		45,662	20,167
Total equity		8,275,980	7,858,901

Qi Jian
Director

Fu Weizhong
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



For the six months ended 30 June 2021

	Attributable to owners of the parent												
	Issued capital											Non-controlling interests	Total equity
	Ordinary shares	Convertible preference shares	Share premium account	Contributed surplus	Share based compensation	Reserve funds	Exchange fluctuation reserve	Capital redemption reserve*	Retained profits	Total			
	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 28)	(note 28)												
At 1 January 2021 (Audited)	271,859	37,848	1,979,511	1,350,390	27,721	655,305	(4,202)	2,620	3,517,682	7,838,734	20,167	7,858,901	
Profit for the period	—	—	—	—	—	—	—	—	811,089	811,089	17,857	828,946	
Other comprehensive income for the period:	—	—	—	—	—	—	—	—	—	—	—	—	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	8,542	—	—	8,542	—	8,542	
Total comprehensive income for the period	—	—	—	—	—	—	8,542	—	811,089	819,631	17,857	837,488	
Acquisition of a subsidiary (note 31)	—	—	—	—	—	—	—	—	—	—	7,638	7,638	
Disposal of a disposal group classified as held for sale	—	—	—	—	—	(372)	—	—	—	(372)	—	(372)	
Issue of shares (note 28)	1,671	—	15,557	—	—	—	—	—	—	17,228	—	17,228	
Share-based payments (note 29/30)	—	—	—	—	6,100	—	—	—	—	6,100	—	6,100	
Release of share-based compensation reserve to share premium upon exercise of share options (note 28)	—	—	8,274	—	(8,274)	—	—	—	—	—	—	—	
Final 2020 dividend declared	—	—	(451,003)	—	—	—	—	—	—	(451,003)	—	(451,003)	
At 30 June 2021 (unaudited)	273,530	37,848	1,552,339 [#]	1,350,390 [#]	25,547 [#]	654,933 [#]	4,340 [#]	2,620 [#]	4,328,771 [#]	8,230,318	45,662	8,275,980	
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 28)	1,010	—	12,172	—	—	—	—	—	—	13,182	—	13,182	
Share-based payments (note 29)	—	—	—	—	4,602	—	—	—	—	4,602	—	4,602	
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	1,350,390	28,162	558,444	(19,411)	5,744	2,815,052	7,397,028	12,676	7,409,704	

These reserve accounts comprise the consolidated reserves of RMB7,918,940,000 (30 June 2020: RMB7,088,549,000) 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 2021

	Note	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Net cash flows from operating activities		835,936	648,604
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,014	8,465
Purchases of items of property, plant and equipment		(575,247)	(107,794)
Acquisition of a subsidiary		(17,815)	—
Disposal of/advance from disposal of a disposal group classified as held for sale		(3)	30,000
Proceeds from disposal of items of property, plant and equipment		2,660	15,236
Additional payment for a parcel of land		—	(3,857)
Purchases of financial assets at fair value through profit or loss		(3,655,098)	(2,732,783)
Proceeds from disposal of financial assets at fair value through profit or loss		4,534,796	1,438,681
Loans to the related companies		(300,000)	(200,000)
Repayment of loans from the related companies		120,000	400,000
Decrease/(increase) of pledged time deposits		454	(28,448)
Net cash flows from/(used in) investing activities		111,761	(1,180,500)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		17,228	13,182
New bank loans		2,284,351	1,991,105
Repayment of bank loans		(1,642,003)	(1,072,637)
Proceeds from issue of bonds		(500,000)	—
Settlement of derivative financial instruments		(5,407)	—
Dividends paid		(151,362)	(394,052)
Principal portion of lease payments		—	(1,739)
Interest paid		(50,469)	(68,982)
Net cash flows (used in)/from financing activities		(47,662)	466,877
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		900,035	(65,019)
Cash and cash equivalents at beginning of period		941,451	1,103,171
Effect of foreign exchange rate changes, net		8,542	1,788
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,850,028	1,039,940
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	1,850,028	1,039,940
		1,850,028	1,039,940

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



30 June 2021

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 mining equipment, logistics equipment, robotic and smart mined products 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 2021 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 2020.

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 2020, 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.

Amendments to IFRS 9, IAS 39, IFRS 7, *Interest Rate Benchmark Reform — Phase 2*
IFRS 4 and IFRS 16

Amendments to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*
(early adopted)

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.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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, robotic and smart mined products 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 2021

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2021	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4)			
Sales to customers	3,226,863	1,757,336	4,984,199
Intersegment sales	17,525	19	17,544
Other revenue	357,265	101,018	458,283
	3,601,653	1,858,373	5,460,026
<i>Reconciliation:</i>			
Elimination of intersegment sales			(17,544)
Revenue from operations	3,584,128	1,858,354	5,442,482
Segment results	782,822	192,190	975,012
Interest income			26,188
Finance costs	(28,606)	(26,643)	(55,249)
Profit before tax			945,951
Income tax expense			(117,005)
Profit for the period			828,946
Segment assets	11,475,878	7,559,274	19,035,152
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(2,028,926)
Corporate and other unallocated assets			2,131,032
Total assets			19,137,258
Segment liabilities	4,528,353	4,746,198	9,274,551
<i>Reconciliation:</i>			
Elimination of intersegment payables			(2,028,926)
Corporate and other unallocated liabilities			3,615,653
Total liabilities			10,861,278
Other segment information:			
Loss on disposal of items of property, plant and equipment	995	2,314	3,309
(Reversal of impairment)/impairment of trade receivables, net	(21,039)	1,044	(19,995)
Impairment of other receivables, net (Write-back of provision)/provision against slow-moving and obsolete inventories	—	141	141
Impairment of contract assets	(32,624)	2,660	(29,964)
Depreciation and amortisation	—	808	808
Depreciation and amortisation	74,763	51,687	126,450
Other non-cash expense	3,741	2,359	6,100
Capital expenditure*	266,994	309,844	576,838



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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)
Segment revenue (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
Segment results	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
Segment assets	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
Segment liabilities	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
Other segment information:			
(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

* 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 2021

3. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

Revenue of approximately RMB772,317,000 (six months ended 30 June 2020: RMB344,309,000) 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>	4,984,199	3,815,076

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

Segments	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Sale of industrial products	3,145,502	1,753,117	4,898,619
Maintenance services	81,361	4,219	85,580
Total revenue from contracts with customers	3,226,863	1,757,336	4,984,199
Geographical markets			
Mainland China	2,809,656	1,305,810	4,115,466
Asia (excluding Mainland China)	313,998	198,720	512,718
United States of America	—	126,402	126,402
European Union	—	74,348	74,348
Other countries/regions	103,209	52,056	155,265
Total revenue from contracts with customers	3,226,863	1,757,336	4,984,199
Timing of revenue recognition			
Goods transferred at a point in time	3,145,502	1,753,117	4,898,619
Services transferred over time	81,361	4,219	85,580
Total revenue from contracts with customers	3,226,863	1,757,336	4,984,199



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. REVENUE, OTHER INCOME AND GAINS (continued)

For the six months ended 30 June 2020

Segments	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
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
Geographical markets			
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
Timing of revenue recognition			
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 2021

4. REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other income			
Bank interest income		19,887	13,265
Other interest income		6,301	6,092
Government grants	25	149,770	104,105
Profit from sale of scrap materials		24,166	—
Rental income	11	4,220	4,745
Foreign exchange differences, net		591	—
Others		17,160	13,488
		222,095	141,695
Gains			
Fair value gains, net		89,971	87,959
Gain on disposal of a disposal group classified as held for sale		172,405	—
Gain on disposal of items of property, plant and equipment, net		—	5,027
		262,376	92,986
		484,471	234,681



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

5. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
	Notes		
Cost of inventories sold		3,740,009	2,807,565
Cost of services provided		59,014	54,024
Depreciation of property, plant and equipment	10	112,774	111,270
Depreciation of right-of-use assets	11(a)	13,676	12,986
Auditors' remuneration		500	500
Provision of warranties*	24	6,628	10,787
Research and development costs**		336,130	189,803
Lease payments not included in the measurement of lease liabilities	11(c)	1,675	4,637
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		487,173	301,599
Equity-settled share-based payment		6,100	4,602
Employee retirement benefits		17,123	5,182
Other staff welfare		12,201	3,648
		522,597	315,031
Foreign exchange differences, net***		(592)	389
(Reversal of impairment)/impairment of financial and contract assets, net****:			
Reversal of impairment of trade receivables, net	15	(19,995)	(64,281)
Impairment of contract assets, net	16	808	—
Impairment of other receivables, net	17	141	7,746
		(19,046)	(56,535)
Write-back of provision against slow-moving and obsolete inventories*****		(29,964)	(28,750)
Loss/(gain) on disposal of items of property, plant and equipment***		3,309	(5,027)
(Gain)/loss from sales of scrap materials***		(7,676)	1,404
Gain on disposal of a disposal group classified as held for sale***	32	(172,405)	—
Fair value gains, net***:			
Financial assets at fair value through profit or loss — mandatorily classified as such		(88,513)	(87,566)
Derivative instruments — transactions not qualifying as hedges		(1,458)	(393)
		(89,971)	(87,959)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



30 June 2021

5. PROFIT BEFORE TAX (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 and contract 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on interest-bearing bank and other borrowings	46,606	69,926
Interest on discounted bills	8,643	5,169
Interest on lease liabilities	—	63
	55,249	75,158

7. INCOME TAX

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China were subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the six months ended 30 June 2021.

Four (six months ended 30 June 2020: Two) of the Group's principal operating companies, Sany Heavy Equipment Co., Ltd., Hunan Sany Port Equipment Co., Ltd., Sany Marine Heavy Industry Co., Ltd. and Sany Intelligent Mining Technology Co., Ltd. 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 2021.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

7. INCOME TAX (continued)

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current — Mainland China		
Charge for the period	96,054	42,400
Deferred (note 27)	20,951	72,933
Total tax charge for the period	117,005	115,333

8. DIVIDEND

The final dividend for the year ended 31 December 2020 of HK\$0.15 per share, totaling HK\$543,731,000 (equivalent to RMB451,003,000), was approved by the Company's shareholders at the annual general meeting on 27 May 2021, among which HK\$182,629,000 (equivalent to RMB150,537,000) was distributed during the six months ended 30 June 2021, and the rest of which was distributed on 19 July 2021.

A special dividend of HK\$0.18 per share, totalling HK\$633,746,000 was approved by the board of directors on 23 January 2018. HK\$547,505,000 of the dividend was subsequently distributed during the year ended 31 December 2018 and the rest amount of HK\$86,241,000 (equivalent to RMB71,759,000) was recorded in "dividend payable" in the consolidated statement of financial position as at 30 June 2021 and 31 December 2020.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the six months ended 30 June 2021 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,136,924,946 (six months ended 30 June 2020: 3,104,960,486) 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	811,089	639,705
Preferred distribution to the convertible preference shares	40	44
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	811,129	639,749
	Number of shares	
	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,136,924,946	3,104,960,486
Effect of dilution — convertible preference shares	479,781,034	479,781,034
Effect of dilution — share options and share awards	22,802,000	35,972,440
Weighted average number of ordinary shares used in the diluted earnings per share calculation	3,614,289,230	3,620,713,960

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Carrying amount at 1 January	2,591,455	2,413,167
Additions	576,838	455,973
Acquisition of a subsidiary (note 31)	873	—
Disposals	(5,969)	(54,613)
Depreciation provided during the period/year (note 5)	(112,774)	(223,072)
Carrying amount at 30 June/31 December	3,050,423	2,591,455

Certificates of ownership in respect of buildings of the Group with a net carrying amount of approximately RMB51,654,000 as at 30 June 2021 (31 December 2020: RMB53,082,223) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

11. LEASES

The Group as a lessee

The Group has lease contracts for lands, buildings, 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 buildings, 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:

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2020 (Audited)	1,023,422	3,314	1,026,736
Transferred from non-current prepayments	138,857	—	138,857
Depreciation charge	(22,659)	(3,314)	(25,973)
As at 31 December 2020 and 1 January 2021 (Audited)	1,139,620	—	1,139,620
Depreciation charge	(13,676)	—	(13,676)
As at 30 June 2021 (Unaudited)	1,125,944	—	1,125,944

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



30 June 2021

11. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the period are as follows:

	31 December 2020 RMB'000 (Audited)
Carrying amount at 1 January	3,391
New leases	—
Accretion of interest recognised during the year	86
Payments	(3,477)
Carrying amount at 30 June/31 December	—

None of lease liabilities should be recognised on 30 June 2021.

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

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the period are as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets	13,676	12,986
Interest charge on lease liabilities	—	63
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 30 June (note 5)	1,675	4,637
Total amount recognised in profit or loss	15,351	17,686



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

11. 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 RMB4,220,000 (six months ended 30 June 2020: RMB4,745,000), 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	6,814	8,666
After 1 year but within 2 years	3,344	5,581
After 2 years but within 3 years	400	1,000
	10,558	15,247

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 2021 were nil, RMB17,741,000 and RMB8,243,000, respectively (31 December 2020: RMB24,050,000, RMB17,799,000 and RMB9,679,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



30 June 2021

12. GOODWILL

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Carrying amount at 30 June/31 December	1,129,520	1,129,520

13. INVENTORIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Raw materials	478,223	572,953
Work in progress	504,646	594,717
Finished goods	863,468	758,991
	1,846,337	1,926,661
Less: Provision against slow-moving and obsolete inventories	(62,377)	(105,859)
	1,783,960	1,820,802

14. PROPERTIES UNDER DEVELOPMENT

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Carrying amount as at 1 January	883,852	760,002
Additions	72,153	123,850
Carrying amount as at 30 June/31 December	956,005	883,852

No impairment/reversal of impairment was recognised in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

All properties under development are situated in Mainland China.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

15. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	4,707,151	3,973,124
Impairment	(393,965)	(424,209)
	4,313,186	3,548,915
Less: Trade receivables due after one year	(278,972)	(261,116)
	4,034,214	3,287,799
Bills receivable	519,897	595,116

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 6% (31 December 2020: 6%) of the Group's trade receivables were due from a single third party 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 RMB531,061,000 as at 30 June 2021 (31 December 2020: RMB355,709,000) for sales of products by the Group, which accounted for 11% (31 December 2020: 9%) of the Group's trade receivables at the end of the reporting period. Trade receivables are non-interest-bearing.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



30 June 2021

15. TRADE AND BILLS RECEIVABLES (continued)

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 180 days	2,820,301	2,107,968
181 to 365 days	1,018,950	985,333
1 to 2 years	319,002	384,728
2 to 3 years	133,555	61,935
Over 3 years	21,378	8,951
	4,313,186	3,548,915

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
At 1 January	424,209	564,151
Acquisition of a subsidiary (note 31)	1,183	—
Reversal of impairment losses, net (note 5)	(19,995)	(72,524)
Amount written off as uncollectible	(11,432)	(67,418)
At 30 June/31 December	393,965	424,209

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.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

15. TRADE AND BILLS RECEIVABLES (continued)

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within six months	352,399	456,376
Over six months	167,498	138,740
	519,897	595,116

Included in the bills receivable was an amount of RMB140,770,000 as at 30 June 2021 (31 December 2020: RMB118,034,000) which was pledged for the issuance of a letter of guarantee.

None of the amount included in the bills receivable as at 30 June 2021 (31 December 2020: RMB3,900,000) was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 30 June 2021 the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB111,756,000 (31 December 2020: RMB183,465,000) 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 RMB111,756,000 (31 December 2020: RMB183,465,000) as at 30 June 2021.

Transferred financial assets that are derecognised in their entirety

At 30 June 2021, 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 RMB369,680,000 (31 December 2020: RMB464,930,000). 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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16. CONTRACT ASSETS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contract assets arising from:		
Sale of industrial products	86,014	41,544
Impairment	(1,563)	(755)
	84,451	40,789

Contract assets are initially recognised for revenue earned from the sale of industrial products as the receipt of consideration is conditional on successful assurance during the warranty periods. When passing the warranty periods, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2021 was the result of the increase of sales contracts with payment terms relating to the guarantee deposits.

During the period ended 30 June 2021, RMB808,000 was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 15 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 30 June 2021 or 31 December 2020 is as follows:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Within one year	14,507	19,517
After one year	69,944	21,272
Total contract assets	84,451	40,789

The movements in the loss allowance for impairment of contract assets are as follows:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
At beginning of period	755	—
Impairment losses, net (note 5)	808	755
At end of period	1,563	755

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms 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.



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17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current prepayments	9,650	9,650
Current assets:		
Prepayments	256,422	131,371
Deposits and other receivables	249,378	130,882
Loans to related parties	280,000	100,000
Loans to third parties	51,586	53,933
Gross balance	837,386	416,186
Impairment allowance	(57,299)	(57,146)
	780,087	359,040

Non-current prepayments represent prepayments for the acquisition of land.

No amount included in the current prepayments was due from fellow subsidiaries as at 30 June 2021 (31 December 2020: 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 2021 was 2.7% (31 December 2020: 3.0%).

Loans to related parties of RMB280,000,000 as at 30 June 2021 (31 December 2020: RMB100,000,000) are unsecured, bear interest at rates of 4.2% per annum (31 December 2020: 3.85%) and repayable in 2021. There was no recent history of default and past due amounts for the balances. As at 30 June 2021 and 31 December 2020, the loss allowance was assessed to be minimal.

Loans to third parties of RMB908,000 as at 30 June 2021 (31 December 2020: RMB756,000) are unsecured, repayable within one year and bear interest at the prevailing market rate. As at 30 June 2021 and 31 December 2020, except for the default receivables, the Group assessed the expected loss rate for the rest to be minimal.

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18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Unlisted investments		
Financial investments at fair value through profit or loss	3,232,485	4,023,670

The above unlisted investments were wealth management products issued by banks, trusts and funds in Mainland China. 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.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and bank balances	1,156,028	397,234
Time deposits	694,001	544,672
	1,850,029	941,906
Less: Pledged time deposits for banking facilities	(1)	(455)
Cash and cash equivalents	1,850,028	941,451
Cash and cash equivalents, and pledged deposits denominated in		
— RMB	1,530,379	879,075
— Hong Kong dollar ("HK\$")	55,029	24,300
— United States dollars ("US\$")	260,786	37,751
— Euro ("EUR")	3,835	235
— Australian dollar ("AUD")	—	545
	1,850,029	941,906

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

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



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19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

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 2021, bank balances of RMB680,000,000 (31 December 2020: RMB230,000,000) are deposited in Sanxiang Bank, a related company of the Group.

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 30 days	1,831,233	1,057,094
31 to 90 days	697,662	884,439
91 to 180 days	791,839	724,199
181 to 365 days	51,362	150,052
Over 1 year	81,175	76,795
	3,453,271	2,892,579

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 RMB105,259,000 as at 30 June 2021 (31 December 2020: RMB1,463,131,000) for purchasing raw materials by the Group.

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21. BONDS PAYABLE

	30 June 2021 RMB'000	31 December 2020 RMB'000
Bonds payable, unsecured		
Carrying amount at 1 January	499,655	—
Nominal value of bonds issued during the period/year	—	500,000
Redemption	(500,000)	—
Direct transaction costs	—	(563)
Interest expense	345	218
Carrying amount at 30 June/31 December	—	499,655

On 6 May 2020, the Group registered its super & short-term commercial paper (the "SCP") amounting to RMB1 billion with the National Association of Financial Market Institutional Investors, which will be valid for a period of two years.

On 14 September 2020, the Group issued the first tranche of the SCP with a total principal amount of RMB500,000,000 in the national inter-bank market in Mainland China, at an interest rate of 3.35% and with a maturity period of 270 days. The related commissions amounting to RMB562,500 have been paid and netted off against the cash proceeds.

On 11 June 2021, the SCP of a total principal amount of RMB500,000,000 has been fully paid off by the Group.

22. OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
	<i>Notes</i>	
Contract liabilities	(a)	947,632
Other payables	(b)	733,487
Accruals		60,945
Deposits received for a disposal group classified held for sale	32	175,433
		2,248,429
		1,917,497



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22. OTHER PAYABLES AND ACCRUALS (continued)

(a) Details of contract liabilities are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Sales of industrial products	1,441,458	947,632

Contract liabilities include short-term advances received to deliver industrial products. The increase in contract liabilities in the current period was mainly due to the increase in short-term advances received from customers in relation to the delivery of industrial products at the end of the period.

Included in the contract liabilities was an amount of RMB643,981,000 as at 30 June 2021 (31 December 2020: RMB198,553,000) payable to a fellow subsidiary 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 RMB284,420,487 as at 30 June 2021 (31 December 2020: RMB294,170,000), which is non-interest-bearing and is repayable on demand.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans						
— secured	—	—	—	3.00	2021	507,969
Bank loans						
— unsecured	1.13–3.55	2021–2022	1,407,576	1.14–3.70	2021	1,637,143
			1,407,576			2,145,112
Non-current						
Bank loans						
— unsecured	2.92–3.50	2023	1,865,601	2.92–3.40	2023	492,754

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23. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	1,407,576	2,145,112
In the second year	1,566,348	492,754
In the third to fifth years, inclusive	299,253	—
	3,273,177	2,637,866

- (a) As at 30 June 2021, none of financial assets at fair value through profit or loss has been pledged for the Group's bank loans at the end of the reporting period.

As at 31 December 2020, financial investments at fair value through profit or loss of RMB300,000,000 and RMB250,000,000 have been pledged for the Group's bank loans of RMB300,000,000 from The Export-Import Bank of China and RMB207,968,583 from Industrial Bank Co., Ltd. at the end of the reporting period, respectively.

- (b) As at 30 June 2021, Sany Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB2,684,918,000 as at the end of the reporting period (31 December 2020: RMB1,513,722,000).
- (c) Except for the unsecured bank loan of RMB511,256,000 which are denominated in US\$, all borrowings are in RMB (31 December 2020: RMB775,051,000).



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24. PROVISION FOR WARRANTIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
At 1 January	32,009	32,496
Additional provision (note 5)	34,230	32,009
Amount utilised during the period/year	(7,658)	(16,839)
Reversal of unutilized amounts (note 5)	(27,602)	(15,657)
At 30 June/31 December	30,979	32,009

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.

25. GOVERNMENT GRANTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
At 1 January	1,201,610	1,289,373
Received during the period/year	68,636	112,265
Acquisition of a subsidiary (note 31)	19,473	—
Released to the statement of profit or loss during the period/year (note 4)	(149,770)	(200,028)
At 30 June/31 December	1,139,949	1,201,610
Current portion	(107,763)	(96,164)
Non-current portion	1,032,186	1,105,446

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.

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26. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2021		31 December 2020
	Assets RMB'000 (Unaudited)	Liabilities RMB'000 (Unaudited)	Liabilities RMB'000 (Unaudited)
Forward currency contracts	369	—	—
Interest rate swaps	—	7,037	5,407

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 forward currency contracts amounting to RMB369,000 (six months ended 2020: nil) and non-hedging interest rate swaps amounting to RMB1,089,000 (six months ended 2020: RMB393,000) were charged to the interim condensed consolidated statement of profit or loss during the period.

27. DEFERRED TAX

Deferred tax assets

	Deductible temporary differences RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2020 (Audited)	345,955	2,539	348,494
Charged to the consolidated statement of profit or loss	(50,730)	(2,179)	(52,909)
At 31 December 2020 and 1 January 2021 (Audited)	295,225	360	295,585
(Charged)/credited to the interim condensed consolidated statement of profit or loss (note 7)	(17,631)	3,049	(14,582)
At 30 June 2021 (Unaudited)	277,594	3,409	281,003



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27. 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	Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
At 1 January 2020 (Audited)	2,982	32,924	1,333	—	37,239
Charged/(credited) to the consolidated statement of profit or loss	8,164	11,475	(29)	11,748	31,358
At 31 December 2020 and 1 January 2021 (Audited)	11,146	44,399	1,304	11,748	68,597
Acquisition of a subsidiary (note 31)	—	—	5,061	—	5,061
(Credited)/charged to the interim condensed consolidated statement of profit or loss (note 7)	(3,388)	9,329	(15)	443	6,369
At 30 June 2021 (Unaudited)	7,758	53,728	6,350	12,191	80,027

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 2021, the Group has not recognised deferred tax liabilities of RMB125,365,000 (31 December 2020: RMB103,159,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB2,507,294,000 (31 December 2020: RMB2,063,170,000), 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.

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28. SHARE CAPITAL

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<i>Authorised:</i>		
4,461,067,880 (31 December 2020: 4,461,067,880) ordinary shares of HK\$0.10 each	446,107	446,107
538,932,120 (31 December 2020: 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>		
3,145,904,000 (31 December 2020: 3,125,981,250) ordinary shares of HK\$0.10 each	314,590	312,598
479,781,034 (31 December 2020: 479,781,034) convertible preference shares of HK\$0.10 each	47,978	47,978
Total issued and fully paid capital	362,568	360,576
Equivalent to RMB'000	311,378	309,707

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.

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

	Number of convertible shares	Number of ordinary shares	Share capital	
			HK\$'000	Equivalent to RMB'000
At 31 December 2020	479,781,034	3,125,981,250	360,576	309,707
Issue of shares (note)	—	19,922,763	1,992	1,671
At 30 June 2021	479,781,034	3,145,904,013	362,568	311,378

Note:

During the six months ended 30 June 2021, 15,809,800 and 4,112,963 new ordinary shares were issued for the share options exercised and the restricted stock units. Cash proceeds of HK\$20,528,000 (equivalent to RMB17,228,000) were received with no transaction costs borne by the Company, and related share option reserve of RMB8,274,000 was transferred to share premium accordingly.



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29. 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 share option under the Scheme were granted 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:

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

Notes:

- ⁽¹⁾ If the Target Performance I is not achieved, then the 50% share options (the "First Tranche Options") lapse in the year of 2019;
- ⁽²⁾ If the Target Performance II is not achieved, then the 25% share options (the "Second Tranche Options") lapse in the year of 2020;
- ⁽³⁾ If the Target Performance III is not achieved, then the 25% share options (the "Third Tranche Options") lapse in the year of 2021.

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29. SHARE OPTION SCHEME (continued)

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

	For the six months ended 30 June 2021		Year ended 31 December 2020	
	Price HK\$	Number of options	Price HK\$	Number of options
At 1 January	1.32	38,487,500	1.32	69,000,000
Exercised during the period/year	1.31	(15,809,800)	1.33	(25,218,750)
Forfeited during the period/year	1.28	(2,682,500)	1.28	(5,293,750)
At 30 June/31 December	1.33	19,995,200	1.32	38,487,500

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

30 June 2021

Number of options	Exercise price per share HK\$	Exercise period
17,855,200	1.22	15-12-2017 to 15-3-2021
380,000	1.71	29-12-2017 to 15-3-2021
1,760,000	2.30	14-11-2018 to 31-3-2021
19,995,200		

31 December 2020

Number of options	Exercise price per share HK\$	Exercise period
34,590,000	1.22	15-12-2017 to 15-3-2021
580,000	1.71	29-12-2017 to 15-3-2021
3,317,500	2.30	14-11-2018 to 31-3-2021
38,487,500		

There were 19,995,200 (31 December 2020: 38,487,500) share options outstanding which were all exercisable as at 30 June 2021.

The Group recognised a share option expense of RMB915,000 (six months end 2020: RMB4,602,000) during the period.



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29. SHARE OPTION SCHEME (continued)

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

	Granted on 15 December 2017	Granted on 29 December 2017	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.

30. SHARE AWARD SCHEME

The Company operates a restricted share award scheme (the "Share Award Scheme") for the purpose of recognition and reward the contribution of the grantees to the Group's development and to maintain long-term stability of the core management team so as to enhance the Group's competitiveness and sustain the Group's future development. Eligible participants of the Share Award Scheme include the Company's executive directors and other employees of the Group. The Share Award Scheme became effective on 18 December 2020 (the "Date of Grant") and the share awards granted shall vest in the proposed grantees in accordance with the timetable below:

Vesting date	Number of restricted shares involved	Percentage of restricted share to vest
18 March 2021	1,048,412	20%
18 March 2022	1,048,412	20%
18 March 2023	1,048,412	20%
18 March 2024	1,048,412	20%
18 March 2025	1,048,551	20%
	5,242,199	100%

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30. SHARE AWARD SCHEME (continued)

The following shares award were outstanding during the period:

	Period ended 30 June 2021 Number of shares award
At 1 January 2021	5,239,654
Vested during the period	(1,041,605)
Lapsed during the period	(98,936)
30 June 2021	4,099,113

The fair value of the share awards granted was HK\$27,679,000 (HK\$5.28 per share) (equivalent to RMB23,321,000) at the grant date, of which the Group recognised a share award expense of HK\$6,225,000 (equivalent to RMB5,185,000) (2020: RMB868,000) during the period ended 30 June 2021.

31. BUSINESS COMBINATION

On 26 January 2021, the Group acquired a 70% interest in Sany Construction Robot (XIAN) Research Institute Co., Ltd. from Sany Construction Technology Co., Ltd., a fellow subsidiary of the Company. Sany Construction Robot (XIAN) Research Institute Co., Ltd. is engaged in research and development of robots and automation equipment which could be applied to the processes of smart production lines. The acquisition was made as part of the Group's strategy to employ the technologies owned by Sany Construction Robot (XIAN) Research Institute Co., Ltd. in its own production to expand its business scope and to broaden revenue sources of the Group and increase earnings of the Group. The purchase consideration for the acquisition was in the form of cash, with RMB17,822,000 paid on 29 January 2021.



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31. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of Sany Construction Technology Co., Ltd. as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment (note 10)	873
Intangible assets	20,248
Trade receivables	22,477
Prepayments, other receivables and other assets	70,493
Cash and cash equivalents	7
Trade and bills payables	(11,726)
Other payables and accruals	(52,378)
Government grants (note 25)	(19,473)
Deferred tax liabilities (note 27)	(5,061)
Total identifiable net assets at fair value	25,460
Non-controlling interests	(7,638)
Satisfied by cash	17,822

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(17,822)
Cash and bank balances acquired	7
Net outflow of cash and cash equivalents included in cash flows from investing activities	(17,815)

Since the acquisition, Sany Construction Robot (XIAN) Research Institute Co., Ltd. contributed RMB59,002,000 to the Group's revenue and RMB13,359,000 to the consolidated profit for the period ended 30 June 2021.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period would have been RMB62,481,000 and RMB15,738,000, respectively.

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32. DISPOSAL OF A DISPOSAL GROUP 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 to Xing Ao Investment for a total consideration of RMB177,400,000, among which RMB1,967,000 would be retained as a guarantee deposit. Cash considerations of RMB97,433,000, RMB38,000,000 and RMB40,000,000 were received by Sany Heavy Equipment in 2018, 2019 and 2020, respectively. The transaction was completed on 30 June 2021 as all conditions precedent pursuant to the Equity Transfer Agreement, including but not limited to the full settlement of the consideration, the shareholder information update in the business licence and the physical handover, had been fulfilled.

	On disposal date
	RMB'000
Net assets disposed of:	
Right-of-use assets	67,250
Deferred tax assets	16,991
Cash and bank balances	3
Other payables	(4,101)
Government grants	(75,300)
Tax payable	(1,815)
	3,028
Gain on disposal of a disposal group classified as held for sale ("the Disposal") (note 5)	172,405
	175,433
Satisfied by:	
Cash	175,433

An analysis of the net inflow of cash and cash equivalents in respect of the Disposal is as follows:

	RMB'000
Cash consideration received in 2018	97,433
Cash consideration received in 2019	38,000
Cash consideration received in 2020	40,000
	175,433
Cash and bank balances disposed of in 2021	(3)
Net inflow of cash and cash equivalents in respect of the Disposal	175,430



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

33. FINANCIAL GUARANTEE CONTRACTS

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

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Guarantees given to financial institutions in connection with loans granted to customers	(a)	18,210	20,448
Guarantees given to the finance lease companies in connection with the unsettled lease amounts due from customers	(b)/(c)	980,929	981,511
		999,139	1,001,959

- (a) Hunan Sany Port Equipment enters into sale agreements with end-user customers directly for the sale of logistics equipment. The end-user customers enter into equipment mortgage loan agreements with financial institutions 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 financial institutions under which it has the obligation to repay the outstanding loan from the relevant financial institutions 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, Kangfu Leasing and Hunan Zhonghong Financial Leasing Co., Ltd ("Hunan Zhonghong"), to obtain financing from certain third party finance lease companies (the "Leasing Companies").

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



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33. FINANCIAL GUARANTEE CONTRACTS (continued)

- (c) Sany Heavy Equipment enters into an agreement with Kangfu Leasing or Hunan Zhonghong to which Sany Heavy Equipment agrees to:
- either sell the equipment to Kangfu Leasing or Hunan Zhonghong for leasing to lessees or sell the equipment to the lessees who will then on-sell the equipment to Kangfu Leasing or Hunan Zhonghong for leasing back to lessees; and
 - provide a financial guarantee to Kangfu Leasing or Hunan Zhonghong in favour of the lessees in respect of the leasing of the equipment by Kangfu Leasing or Hunan Zhonghong and repurchase the equipment under certain circumstances.

The sales of equipment to Kangfu Leasing were RMB342,147,000 from January 2021 to June 2021.

The sales of equipment to Kangfu Leasing and Hunan Zhonghong were RMB656,452,000 and RMB138,387,000 respectively in 2020.

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 the end of 30 June 2021.

34. COMMITMENTS

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	510,757	212,608
Plant and machinery	353,989	1,625,730
	864,746	1,838,338



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

35. 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	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sales of products to :			
Sany America Inc. (三一美國)	(i)&(v)	121,489	106,106
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(v)	103,226	—
PT.SANY INDONESIA MACHINERY (印度尼西亞三一機械有限公司)	(i)&(v)	93,157	34,266
Sany Heavy Industry India Pvt Ltd (三一印度)	(i)&(v)	70,320	4,375
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(v)	64,429	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(v)	62,161	28,848
Sany International Development Limited. (三一國際發展有限公司)	(i)&(v)	47,717	69,469
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(v)	32,603	—
Sny Europe GmbH (三一歐洲)	(i)&(v)	25,099	50,664
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(v)	21,867	—
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(i)&(v)	21,350	—
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(i)&(v)	17,775	—
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(i)&(v)	12,906	—
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(v)	12,527	—
Hunan Sany Zhongyi Machinery Co., Ltd. (湖南三一中益機械有限公司)	(i)&(v)	12,406	—
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(v)	9,836	—
Hunan Trinity Industrial Vocational and Technical College (湖南三一工業職業技術學院)	(i)&(v)	5,221	—
Hunan Sany Tower Lifting Machinery Co., Ltd. (湖南三一塔式起重機械有限公司)	(i)&(v)	5,057	—

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



30 June 2021

35. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sales of products to: (continued)			
Sany Heavy Energy Equipment Co., Ltd. (三一重能有限公司)	(i)&(v)	4,924	126
Sany Auto Finance Co., Ltd. (三一汽車金融有限公司)	(i)&(v)	4,248	—
Hunan Sanyi Petroleum Technology Co., Ltd. (湖南三一石油科技有限公司)	(i)&(v)	3,194	—
SANY SOUTHERN AFRICA (PTY) LTD. (三一南非有限公司)	(i)&(v)	2,894	—
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(i)&(v)	1,703	—
Hunan Sany Medium Lifting Machinery Co. Ltd. (湖南三一中型起重機械有限公司)	(i)&(v)	1,378	—
Sany Russia Co. Ltd. (俄羅斯三一有限責任公司)	(i)&(v)	880	1,385
Hunan Sany Zhongyang Machinery Co., Ltd. (湖南三一中陽機械有限公司)	(i)&(v)	821	—
Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司)	(i)&(v)	265	—
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(v)	231	5,906
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(v)	—	30,978
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 Group Co., Ltd. (三一集團有限公司)	(i)&(v)	—	308
Sany Hong Kong Group Co., Ltd. (三一香港集團有限公司)	(i)&(v)	—	—
Others	(i)&(v)	393	406
		760,077	338,087



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

35. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 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)	8,018	5,480
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(v)	1,184	—
Sany South America Co., Ltd. (三一南美有限公司)	(i)&(v)	524	—
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(i)&(v)	487	—
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(i)&(v)	409	—
Sany Automobile Lifting Machinery Co, Ltd. (三一汽車起重機械有限公司)	(i)&(v)	359	232
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(i)&(v)	292	—
Hunan Sanyi Petroleum Technology Co., Ltd. (湖南三一石油科技有限公司)	(i)&(v)	60	—
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(i)&(v)	41	17
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(v)	41	—
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(v)	2	—
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(v)	—	396
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(v)	—	5
Others	(i)&(v)	823	92
		12,240	6,222

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



30 June 2021

35. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Purchases of raw materials from:			
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(ii)&(v)	82,022	55,634
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(v)	19,556	13,878
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(ii)&(v)	15,711	7,837
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(ii)&(v)	15,402	11,889
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(v)	15,119	7,705
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(ii)&(v)	13,060	6,579
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(ii)&(v)	5,806	1,775
Changsha Dilian Industrial Control Technology Co., Ltd. (長沙帝聯工控科技有限公司)	(ii)&(v)	3,873	—
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(ii)&(v)	3,079	7
Hunan Sany Culture Co. Ltd. (湖南三一文化產業有限公司)	(ii)&(v)	2,764	1,546
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(ii)&(v)	2,324	160
Shanghai Huaxing Digital Technology Co., Ltd. (上海華興數字科技有限公司)	(ii)&(v)	1,755	388
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(ii)&(v)	861	—
Sany Hoisting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(ii)&(v)	262	580
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(ii)&(v)	219	—
Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司)	(ii)&(v)	—	841
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(ii)&(v)	—	52
Sany Germany GmbH (三一德國有限公司)	(ii)&(v)	—	—
Others		137	162
		183,728	109,033



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

35. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Purchases of equipment from:			
Hunan Sany Kuaierju Housing Industry Co., Ltd. (湖南三一快而居住宅工業有限公司)	(ii)&(v)	16,622	—
Hunan Zizhuyuan Real Estate Co. Ltd. (湖南紫竹源房地產有限公司)	(ii)&(v)	10,452	—
Hunan Xingxiang Construction Supervision Consulting Co. Ltd. (湖南興湘建設監理諮詢有限公司)	(ii)&(v)	1,032	—
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)	354	615
		28,460	6,102
Operating rental fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(v)	1,753	2,049
Others	(iii)&(v)	1,147	29
		2,900	2,078
Service fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(v)	3,021	1,840
Sany Group Co., Ltd. (三一集團有限公司)	(iv)&(v)	498	—
Others	(iv)&(v)	269	—
		3,788	1,840

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



30 June 2021

35. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Service income from :			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(v)	9,487	—
Hunan Sany Zhongyi Machinery Co., Ltd. (湖南三一中益機械有限公司)	(iii)&(v)	4,245	—
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(iii)&(v)	3,045	—
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(iii)&(v)	2,248	—
Hunan Sany Medium Lifting Machinery Co. Ltd (湖南三一中型起重機械有限公司)	(iii)&(v)	2,038	—
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(iii)&(v)	1,453	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(iii)&(v)	969	—
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(iii)&(v)	929	—
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(iii)&(v)	515	—
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(iii)&(v)	149	—
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(iii)&(v)	53	—
Hunan Sany Zhongyang Machinery Co., Ltd. (湖南三一中陽機械有限公司)	(iii)&(v)	32	—
Others	(iii)&(v)	22	—
		25,185	—
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(iv)&(v)	123,880	65,269



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

35. 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, Beijing Sany commonweal foundation (“北京三一公益基金會”) and Beijing Deqing commonweal 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 2021

35. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 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:		
Hunan Zhongtai Equipment Engineering Co., LTD. (湖南中泰設備工程有限公司)	1,703	328
Sany Group Co., Ltd. (三一集團有限公司)	204	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	6	—
Hunan Sany Culture Co. Ltd. (湖南三一文化產業有限公司)	—	297
Shugen Internet Technology Co., Ltd (樹根互聯技術有限公司)	—	375
Sany America Inc. (三一美國有限公司)	—	115
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
	1,913	1,267



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

35. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Rental fee received from:			
Shenyang sanyiyuan Construction Machinery Co., Ltd. (瀋陽三益源工程機械有限公司)		157	83
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)		32	14
		189	97
Loans to related parties:			
Hunan Zhonghong (湖南中宏融資租賃有限公司)	(i)	300,000	200,000
Repayment of loans from related parties:			
Hunan Zhonghong (湖南中宏融資租賃有限公司)	(i)	120,000	400,000
Deposits to a related party:			
Sanxiang Bank (湖南三湘銀行股份有限公司)	(iii)	450,000	230,000
Interests from loans and deposits to related parties:			
Hunan Zhonghong (湖南中宏融資租賃有限公司)	(i)	6,301	3,300
Kangfu Leasing (中國康富國際租賃股份有限公司)	(ii)	—	2,792
Sanxiang Bank (湖南三湘銀行股份有限公司)	(iii)	11,153	5,743
		17,454	11,835
Acquisition of a subsidiary:			
Sany Construction Technology Co., Ltd. (三一築工科技有限公司)	(iv)	17,822	—



35. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions (continued)

Notes:

- (i) On 16 November 2020, a loan of RMB100,000,000 was lent to Hunan Zhonghong at an interest rate of 3.9% per annum for a maximum term of 180 days and was guaranteed by Sany Group, which has been repaid on 14 April 2021. On 29 January 2021, a loan of RMB300,000,000 was lent to Hunan Zhonghong at an interest rate of 4.2% per annum for a maximum term of 180 days and was guaranteed by Sany Group, RMB20,000,000 of which has been repaid on 14 April 2021 and the remaining RMB280,000,000 is still outstanding.
- (ii) On 29 November 2019, loans of RMB100,000,000 were lent to Kangfu Leasing at an interest rate of 5.6% per annum and had be repaid on 27 November 2020.
- (iii) On 17 April 2020, the Group deposited RMB230,000,000 at an interest rate of 3.9% per annum and the deposit agreement will be due on 17 April 2022. On 25 January 2021, the Group deposited RMB300,000,000 at an interest rate of 4.2% per annum and the deposit agreement will be due on 25 January 2026. On 5 March 2021, the Group deposited RMB100,000,000 at an interest rate of 4.2% per annum and the deposit agreement will be due on 5 March 2026. On 25 June 2021, the Group deposited RMB50,000,000 at an interest rate of 3.3% per annum and the deposit agreement will be due on 25 June 2026 but the deposit was withdrawn in advance on 13 July 2021.
- (iv) During the period, the Group acquired a subsidiary, Sany Construction Robot (XIAN) Research Institute Co., Ltd., from a fellow subsidiary of the Company at a consideration of RMB17,822,000. Further details of the transaction are included in note 31 to the financial statements.

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

(3) Compensation of key management personnel

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries, allowances, and benefits in kind	3,343	7,392
Employee retirement benefits and other staff welfare	1,769	2,306
Equity-settled share option expenses	1,761	1,391
Total compensation paid to key management personnel	6,873	11,089



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

36. 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets				
Trade receivables, non-current portion	278,972	261,116	264,760	243,784
Bills receivable	519,897	595,116	519,897	595,116
Derivative financial instruments	369	—	369	—
Financial assets at fair value through profit or loss	3,232,485	4,023,670	3,232,485	4,023,670
	4,031,723	4,879,902	4,017,511	4,862,570
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	1,865,601	492,754	1,821,960	469,255
Derivative financial instruments	7,037	5,407	7,037	5,407
	1,872,638	498,161	1,828,997	474,662

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, bonds payable, 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.



36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

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 2021 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, trusts and funds 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 derivative financial instruments with various counterparties. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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36. 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 2021

	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	—	519,897	—	519,897
Derivative financial instruments	—	369	—	369
Financial assets at fair value through profit or loss	—	3,232,485	—	3,232,485
	—	3,752,751	—	3,752,751

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Bills receivable	—	595,116	—	595,116
Financial assets at fair value through profit or loss	—	4,023,670	—	4,023,670
	—	4,618,786	—	4,618,786

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



30 June 2021

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Liabilities measured at fair value:

As at 30 June 2021

	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	—	7,037	—	7,037

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	—	5,407	—	5,407

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 2020: Nil).

Assets for which fair values are disclosed:

As at 30 June 2021

	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)	
Trade receivables, non-current portion	—	264,760	—	264,760

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Trade receivables, non-current portion	—	243,784	—	243,784



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2021	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	—	1,821,960	—	1,821,960

As at 31 December 2020	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings, non-current portion	—	469,255	—	469,255

37. 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 31 August 2021.