SANYI

SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631

2021 ANNUAL REPORT

CONTENTS

COMPANY PROFILE

Sany Heavy Equipment International Holdings Company Limited (hereinafter "Sany International" or the "Company") was incorporated in the Cayman Islands on 23 July 2009. On 25 November 2009, Sany International was listed on the Main Board of The Stock Exchange of Hong Kong Limited (hereinafter the "Stock Exchange"). On 10 September 2018, Sany International was officially admitted into the Shenzhen-Hong Kong Stock Connect List of Eligible Stocks for Southbound Trading. The core business of the Company, together with its subsidiaries (hereinafter the "Group"), comprises mining equipment, logistics equipment, robots and smart mines.

The Group's mining equipment segment covers coal mining machinery products, non-coal mining machinery products, mining transport equipment, robots and smart mines. As the first company offering integrated mining and excavation equipment, transport equipment and comprehensive solutions in the PRC, the Group has conducted research and development on various intelligent excavators, mining machines, intelligent shearers, pure electric and intelligent unmanned widebodied vehicles, thereby contributing ideas to the industry on the manufacturing of whole-set coal mining products, electric and intelligent manufacturing operations, as well as energy-saving and environmentally friendly mining.

The logistics equipment segment of the Group is dedicated to developing electric, automatic and intelligent part. It includes container equipment (front loaders, stacking machines, quayside gantry cranes), bulk material equipment (grippers, elevated hoisting arms) and general equipment (heavyweight forklifts, telehandlers). The Group is one of the suppliers of whole-set port machinery in China with the largest tonnage and most complete range of advanced technologies.

The Group's robotics business focuses on three major product categorises, namely robot system integration, mobile robots and electric forklifts, actively develops intelligent application scenarios based on industry practice and development needs, which empowers the transformation and upgrade of electric, smart and unmanned intelligent production.

The smart mine products of the Group covers automatic integrated mining, unmanned vehicle and smart mines. The objectives of the businesses are to accelerate research and development (R&D) of equipment with intelligent technologies such as sensory perception, analysis, autonomous decision-making and automatic control, and to develop unmanned dispatching systems as well as mine operation and management systems, thereby creating digital mines to achieve unmanned production in mines.

The Group will continuously increase its exploration in product digitalization, electrification and internationalization, strengthen product planning team and digital capabilities, continuously offer new products and technologies, improve service quality, satisfy the diversified product needs of customers, thereby generating value for customers. The Group will seize the window of opportunity regarding the changes of the times and industry transformation, implementing all-round cost reduction and improved efficiency of R&D, manufacturing, supply chain and service to achieve high-quality business development.

FINANCIAL SUMMARY

(RMB'000)	**2021 (audited)**	2020 (audited)	Growth (%)
Revenue	**10,194,616**	7,363,859	38.4
Gross profit	**2,389,640**	1,960,772	21.9
Profit before tax	**1,438,051**	1,190,277	20.8
Net profit	**1,309,158**	1,051,549	24.5
Profit attributable to owners of the parent	**1,259,071**	1,045,144	20.5
Total assets	**20,785,122**	17,464,161	19.0
Average total assets	**19,124,642**	16,505,299	15.9
Total equity	**8,783,148**	7,858,901	11.8
Cash flows of operating activities	**922,798**	1,070,376	(13.8)
Cash flows of investing activities	**(296,011)**	(647,370)	54.3
Cash flows of financing activities	**(226,702)**	(601,723)	62.3
Earnings per share[1]			
— Basic (RMB Yuan)	**0.40**	0.34	17.6
— Diluted (RMB Yuan)	**0.35**	0.29	20.7

(Percentage)	**2021**	2020	Percentage points
Gross profit margin	**23.4%**	26.6%	3.2
Percentage of profit attributable to shareholders of the Company[2]	**12.4%**	14.2%	1.8
Assets turnover	**53.3%**	44.6%	8.7
Gearing ratio	**51.4%**	47.2%	4.2

1 The weighted average number of ordinary shares for the year ended 31 December 2021 was 3,140,679,026 shares, and the weighted average number of ordinary shares for the year ended 31 December 2020 was 3,111,383,038 shares, details of which are set out in note 12 to the Financial Statements.

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

IMPORTANT MILESTONES IN YEAR 2021

Sany Heavy Equipment Co., Ltd ("Sany Heavy Equipment") successfully releases the new generation of off-highway widebodied dump truck SKT105S

In December 2021, the launch conference of the Sany Heavy Equipment's new-generation SKT105S off-highway widebodied dump truck was officially held in Ordos, Inner Mongolia. SKT105S has been developed after nearly two years of dedicated R&D, and has 4 major core advantages of reliability and durability, efficiency, safety and comfort as well as smart operation and maintenance. Meanwhile, the high quality assurance of the truck is achieved through strict bench testing and the automated production line of "Lighthouse Factory". In the future, the widebodied vehicles will be continuously and deeply engaged in the technical field, and will continue to develop towards large-scale, electric and unmanned industrial trend.

Sany Intelligent Mining Technology Co., Ltd. ("Sany Intelligent Mining") reaches a strategic cooperation with Tencent Cloud

In November 2021, Sany Intelligent Mining and Tencent Cloud entered into a strategic cooperation agreement on intelligent mines and jointly released "騰訊雲無界" 5G real-time remote monitoring products and solutions. Both parties fully utilized their respective advantages and focused on unmanned driving in mines, providing the privatization deployment of low-latency remote control capability, striving to remove the barriers between human and machine, which facilitated cost reduction, enhanced operational efficiency and improved safety assurance. In the future, both parties will continue to deepen cooperation on the development of automated driving dispatch platform and remote control platform, 5G private network, edge computing and central cloud infrastructure.

Sany Heavy Equipment unveils new fall products at the Beijing Coal & Mining Expo

In October 2021, Sany Heavy Equipment showcased two new fall products, namely EBZ160I intelligent roadheader and MG1150 intelligent thin coal seam shearer, at the 19th Beijing Coal & Mining Expo with the theme of "Leading the Future with Green Mining". Following the development of mine intelligent products, Sany Heavy Equipment had formed a product ecology based on intelligent roadheader and remote monitoring platform (underground control room and surface operation platform). Sany Heavy Equipment's intelligent products were favored by more and more customers due to their high stability, reliability and strong adaptability.

IMPORTANT MILESTONES IN YEAR 2021

Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry") supports the opening of the Yangluo sea-rail intermodal transportation project

In August 2021, the Yangluo sea-rail intermodal transportation project was officially inaugurated. The Yangluo sea-rail intermodal transportation project took only one year from the start of construction to its opening. This cooperative project between Sany Marine Heavy Industry and Cosco Shipping involved building a total of 5 quay container cranes and 13 transtainers, which not only completed the manufacturing, installation and commissioning in a very short period of time, but also achieved an outstanding result of lifting 1,000 overhead boxes successively without any fault in its first operation. In the future, a structure that integrates "harbor port, transport, customs and information" will be formed to build a modern logistics collection and distribution hub, thereby promoting the transformation and upgrade of the Yangtze River port to an intelligent and green port.

Sany Machinery Intelligence Co., Ltd. ("Sany Machinery") showcases a number of innovative achievements at Beijing High-tech Expo

With the theme of "Creating the Future with intelligent manufacturing", Sany Machinery stunned the Expo with solutions such as Automatic Guided Vehicle ("AGV"), machine vision, remote human-machine cooperation and automatic blade painting, bringing a feast of intelligent manufacturing that departs from the tradition. It became the focus of attention of major authoritative media such as CCTV Finance, CCTV News, Beijing Television, Xinhua News Agency, Beijing News, attracting widespread attention from the public.

Inclusion of Sany International in MSCI China Index

In May 2021, MSCI, an international index compilation company, announced the quarterly adjustment results of the index in May, in which Sany International was included in the MSCI China Index, with effect as of the market close of 27 May. The inclusion of Sany International in the MSCI China Index not only fully demonstrated the recognition of the Company's performance and investment value by mainstream international investors, but would also greatly enhance Sany International's reputation and status in the international investment community and capital market, thus broadening its channels for obtaining overseas institutional investment in the future.

Sany Marine Heavy Industry commences the operation of the industry's first "Lighthouse Factory", significantly enhancing its automation productivity and production capacity

In March 2021, the first "Lighthouse Factory" in the port machinery industry was officially put into use. It is the first of the four lighthouse factories currently built by Sany International, and has changed the status quo of the industry such as high cost and long production cycle, marking a new milestone for the port machinery industry. Through digital feeding, welding, coating and assembly as well as intelligent upgrade, the automation productivity is close to 80%, with production capacity up by 50%.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors of the Company (the "Directors"), I am pleased to announce that during the financial year ended 31 December 2021, the Group recorded revenue of RMB10,194.6 million, representing an increase of 38.4% compared with that of the previous year. Profit for the year amounted to RMB1,309.2 million, representing an increase of 24.5% compared with that of the previous year. The Group's total assets and net assets as at 31 December 2021 were RMB20,785.1 million and RMB8,783.1 million, respectively.

In 2021, China's effort in promoting high-quality development of the national economy delivered fruitful results, in which the coal industry is upgrading towards the direction of safe, green, efficient and intelligent production. The export trade saw a strong growth in China, which generated demands for intelligent, electric and unmanned equipment for port operations. The development of new energy systems and digital economy expedited the transformation and upgrading of traditional manufacturing industries. The tremendous market potential of electric and intelligent products will facilitate the rapid development of the Company's various business sectors.

By taking the vast opportunities brought about by technology upgrades of electrification and computerization in the industry during 2021, the Group continued to increase investment in R&D. R&D expenses amounted to RMB751.3 million for the year ended 31 December 2021, representing a year-on-year increase of 67.9%. Products were comprehensively upgraded through computerization and electrification, layout of new products were accelerated, and product competitiveness and brand influence continuously increased. Front loaders, stacking machines and excavator maintained its leading position in the industry, while market shares for integrated mining and large port machinery steadily increased. The Group further implemented its internationalization strategy by investing resources, developing channels and searching for potential customers to expedite the development of international markets. International sales revenue of RMB2.1 billion for the year ended 31 December 2021 were recorded, representing a year-on-year increase of 54.0%, which accounted for 20.6% of the revenue. Meanwhile, the Group endeavored in developing new business and actively explored in new areas. The revenue of robotics business sector has undergone rapid growth by 188.3% in 2021.

In the future, the Group will adhere to the strategy of leading brand through electrification, computerization, internationalization and digitalization. The Group will solidify the leading position of major products by its pioneering electric technologies, so as to enhance the market share of front loaders and stacking machines. Through refining the international product portfolio, the market share in Europe and the US can be improved. The Group will make itself the top leader in smart and green mines as well as smart and green ports by facilitating the computerization of shearer and electrification of mining transport equipment as well as the computerization of large port machinery and electrification of small port machinery respectively. Meanwhile, the Group will also accelerate the computerization of robotics business manufacturing/warehousing/transporting and electrification of forklifts to become the global leader in intelligent manufacturing services.

Currently, the Group is faced with a significant historic opportunity. Following the implementation of the "dual-carbon" strategy and the establishment of "dual circulations" patterns, there's still immense room for development for the advanced equipment manufacturing industry. The Group will seize the huge opportunities brought by the change of times and industry transformation to achieve high-quality business development.

Liang Zaizhong
Chairman
Hong Kong, 29 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

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 Conveyer), 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 robotic system integration, mobile robots and electric forklifts.

Business review

In 2021, since the State promoted to establish a safe, green, efficient and intelligent mine technology system in all respects, smart mines were in the process of accelerating construction. The export trade saw a strong growth in China, and the upgrades in electric and intelligent driving equipment of smart and green ports expedited, as well as the transformation and upgrades of intelligent, electric and unmanned operation became faster in the traditional discrete manufacturing and new energy industries (lithium batteries, wind power and other industrial chains). Adhering to the strategy of digitalisation, electrification and internationalization, the Group achieved significant results in R&D and innovation, and the manufacturing process of a range of intelligent and electric products were completed. The major products remained the leading position in the industry, most of which recorded a steady increase in market share due to their excellent quality and high-quality services. The Group's revenue from overseas sales also continued to grow, with a year-on-year increase of 54.0%, among which the overseas sales of new products such as widebodied vehicles and telehandlers increased rapidly. Meanwhile, the Group's robotics business grew rapidly, entering into more factories of intelligent manufacturers. The main business highlights were as follows:

Diversified new business expansion and significant achievements in intelligent research and development

By taking the vast opportunities brought about by technology upgrades of electrification and computerization in the industry, the Group shifted the innovation from learning to leading, continued to increase investment in R&D, actively expanded new business and explore in new areas, and implemented the plan for both new products and new technologies, resulting in significant achievements in research and development.

For the mining equipment segment, intelligent roadheader built 5 sample mines with an average automation rate of over 50%, and achieved sales in bulk. Intelligent shearer showed excellent functionality in bulk underground operation and achieved worker-reduced, safe and efficient production. 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, technically realizing all independent technology research from wire-controlled domain to unmanned driving sensory system, and the vehicle-side and platform-side decision-making systems.

For the logistics equipment segment, prototype testing for automated container alignment technology of front loaders was completed, enhancing efficiency of container alignment by 40%. The development of automated Rail-Mounted Gantry ("ARMG") of Sany achieved 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 AGV control system was accomplished, and a positioning system incorporating multiple sensors was developed, with the positioning accuracy up to ±10mm. The development of 3D situational awareness algorithm and terminal high-precision docking system was completed. The application of AGV despatch system was established, and a full AGV product spectrum was built. The development of 3T hot model of lithium battery forklifts driving assistance systems were completed, and the vehicle models of 2T, 3T, 5T and 10T were put into use.

Promoting a green, law-carbon and sustainable development path with our electric products widely recognized

In respect of widebodied vehicle products, on the basis of realizing large-tonnage overload capacity, a full spectrum series of 60–220 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.

Leading brand influence in the industry and remarkable results in international expansion

The Group's internationalization strategy was "autonomy, localization and service first", and the new products have achieved remarkable results in international expansion, with overseas sales surged by 54.0%, increasing by 95.7%, 48.1% and 42.1% in European, Asian (except mainland China) and American markets respectively. For mining equipment, we steadfastly adhered to our "dual-focus" strategy, highlighted 11 countries, including India and Indonesia, and focused on two of our major products, namely widebodied vehicles and roadheaders, which resulted in a significant increase of 155.1% in the overseas sales revenue of widebodied vehicles, achieved a major breakthrough in Indonesian, Mongolian and Brazilian markets and held the greatest market share. The Group has successively received new orders for mining transport equipment from various international markets such as South Africa, Indonesia and Uzbekistan, which greatly enhanced the influence of the mining transport equipment overseas.

For logistics equipment, the orders from overseas markets hit a record high. We cooperated with PSA, Hutchison and other international major seaport operators in respect of large port machinery projects, and a breakthrough was achieved in the project cooperation with 30 major customers in various regions. In particular, our small port machineries occupied the largest market share in each of ten regional markets overseas, and the sales revenue in the European and US markets recorded a significant increase. The sales of telehandlers increased rapidly in the European and US markets, and the sales of grippers surged significantly and extended to 10 countries including Australia and Europe.

Quick progress in digitalisation with comprehensive enhancement of standards in intelligent manufacturing

The Group has production and manufacturing bases in Shenyang, Zhuhai, Changsha and Beijing, respectively. During the year ended 31 December 2021, driven by the strategy of digitalization, the Company actively promoted the construction of "Lighthouse Factories", and four lighthouse factory projects have successively commenced operation, namely widebodied vehicles, hydraulic supports, small port machinery and large port machinery. The lighthouse factories utilized big data, industrial internet and robotic technology to improve the automation in production significantly enhance product quality and reduce the staff and auxiliary material costs to substantially ramp up the productivity, through which the workforce required for the manufacturing and assembling processes was minimalized and the manufacturing cycle was shortened, allowing the rapidly growing orders for the Group's anchor 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. Sany Heavy Equipment was recognized as a National Service Demonstration Manufacturer for Year 2021, and the Lighthouse Factory projects passed the evaluation of Digital Technology Transformation Projects of Liaoning Province and the Demonstration Intelligent Manufacturing Projects of Shenyang.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB10,194.6 million, representing an increase of approximately 38.4% as compared with approximately RMB7,363.9 million for the year ended 31 December 2020. The increase was mainly due to (1) the computerized and electric products of the Group has been continuously entering the market, with products such as intelligent excavators, electric front loaders, electric stacking machines and electric widebodied vehicles being widely recognised by the market, which drives a marked growth in the revenue of the Company's excavator, widebodied vehicles and small port machinery products; (2) widebodied vehicles and telehandlers have made a rapid entry into the international market as their international sales revenue achieve a significant increase of 155.1% and 439.4% respectively, leading to a significant increase of 54.0% in the overseas sales revenue; and (3) the Group's robotics business has undergone rapid growth at a rate of 188.3%.

Other income and gains

For the year ended 31 December 2021, the Group's other income and gains were approximately RMB790.9 million, representing an increase of approximately 73.3% as compared with approximately RMB456.3 million for the year ended 31 December 2020. The change was mainly due to the gains on disposal of all the equity interests in Xinjiang Sany Heavy Equipment Co., Ltd., an indirectly subsidiary of the Group, as well as the increase in interest income and government grants.

Cost of sales

For the year ended 31 December 2021, the Group's cost of sales was approximately RMB7,805.0 million, representing an increase of approximately 44.5% as compared with approximately RMB5,403.1 million for the year ended 31 December 2020. The change was mainly due to the increase in revenue from product sales.

Gross profit and gross profit margin

The gross profit of the Group was approximately RMB2,389.6 million for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately RMB1,960.8 million).

The gross profit margin of the Group for the year ended 31 December 2021 was approximately 23.4%, representing a decrease of 3.2 percentage points against approximately 26.6% for the year ended 31 December 2020. The decrease was mainly attributed to (1) a change in product mix in a way that sales proportion of lower margin products increased; (2) an increase in international freight charges; and (3) an increase in purchase price for raw materials such as steel.

Selling and distribution expenses

For the year ended 31 December 2021, the selling and distribution expenses of the Group were approximately RMB566.6 million, representing an increase of approximately 31.6% as compared with approximately RMB430.5 million for the year ended 31 December 2020. For the year ended 31 December 2021, the ratio of the Group's selling and distribution expenses to revenue was approximately 5.6%, representing a decrease of approximately 0.2% as compared with approximately 5.8% for the year ended 31 December 2020. The decrease in such ratios was mainly due to a cost control system being implemented by the Group to strictly reduce costs and control expenditures.

Research and development expenses

For the year ended 31 December 2021, the R&D expenses of the Group were approximately RMB751.3 million, representing an increase of approximately 67.9% as compared with approximately RMB447.6 million for the year ended 31 December 2020. Such change was mainly due to (1) the increase in R&D investments for new businesses, including robots, electro-hydraulic control, unmanned driving, automated integrated mining and smart mines products; (2) the recruitment of industry-leading talents to enhance the capacity of R&D activities, with the number of R&D personnel in electrification and computerization increasing by 80.0% and 77.0% respectively, resulting in a substantial increase in their remuneration bonus; and (3) the enhancement in incentive for R&D personnel by implementing production linked incentive schemes based on increment gross margin and profit sharing schemes for new business and new products, resulting in a substantial increase in their bonus.

Administrative expenses

For the year ended 31 December 2021, administrative expenses of the Group were approximately RMB1,053.2 million (for the year ended 31 December 2020: approximately RMB706.9 million). The administrative expenses excluding R&D expenses were approximately RMB301.9 million (for the year ended 31 December 2020: approximately RMB259.4 million), which accounted for approximately 3.0% of the revenue, representing a decrease of approximately 0.5% as compared with that for the year ended 31 December 2020 (for the year ended 31 December 2020: approximately 3.5%). The decrease in such ratios was mainly due to the Group's implementation of a cost control system to strictly cut costs and control expenses.

Finance costs

For the year ended 31 December 2021, finance costs of the Group were approximately RMB119.7 million (for the year ended 31 December 2020: approximately RMB132.3 million). Such changes were mainly due to (1) the Group controlled the scale of financing and adjusted the finance structure; and (2) the reduced financing interest rates.

Profit margin before tax

The Group's profit margin before tax for the year ended 31 December 2021 was approximately 14.1%, representing a decrease of approximately 2.1 percentage points as compared with approximately 16.2% for the year ended 31 December 2020. Such change was mainly attributable to (1) lower gross profit margin due to a change in product mix; (2) the increase in R&D investments for new businesses and a large increase in R&D expenses brought about by the rise of remuneration and bonus of R&D personnel.

Taxation

For the year ended 31 December 2021, the Group's effective tax rate was 9.0% (for the year ended 31 December 2020: 11.7%). The lower effective tax rate in 2021 was mainly due to more R&D expenses were deducted in the current year as the Group constantly increased the investment in R&D.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent recorded by the Group for the year ended 31 December 2021 was approximately RMB1,259.1 million, representing an increase at approximately 20.5% as compared with approximately RMB1,045.1 million for the year ended 31 December 2020. For the main reasons of such change, please refer to the above paragraphs headed "Revenue", "Gross profit and gross profit margin" and "Profit margin before tax".

Liquidity and financial resources

As at 31 December 2021, total current assets of the Group were approximately RMB14,217.1 million (31 December 2020: RMB12,015.9 million). As at 31 December 2021, total current liabilities of the Group were approximately RMB9,169.8 million (31 December 2020: RMB7,938.5 million).

As at 31 December 2021, total assets of the Group were approximately RMB20,785.1 million (31 December 2020: approximately RMB17,464.2 million), and total liabilities were approximately RMB12,002.0 million (31 December 2020: approximately RMB9,605.3 million). As at 31 December 2021, the gearing ratio (the net debt over net assets ratio) of the Group was approximately 51.4% (31 December 2020: 47.2%).

Trade and bills receivables

As at 31 December 2021, the Group's gross balance of trade receivables and bills receivables recorded approximately RMB5,961.0 million, representing an increase of approximately 30.5% as compared with approximately RMB4,568.2 million as at 31 December 2020, among which trade receivables recorded approximately RMB5,260.7 million, representing an increase of approximately 32.4% as compared with approximately RMB3,973.1 million as at 31 December 2020; and bills receivables recorded approximately RMB700.3 million, representing an increase of approximately 17.7% as compared with RMB595.1 million as at 31 December 2020. Such changes were mainly due to (1) the increase in revenue from product sales; and (2) the decrease of the Group's payments to suppliers by endorsement of bills receivable.

Interest-bearing bank and other borrowings

As at 31 December 2021, interest-bearing bank and other borrowings of the Group were approximately RMB3,454.1 million (31 December 2020: RMB2,637.9 million). The main reason of such change was that the Group engages in financing to prepare for potential capital investments and acquisition opportunities, as well as to meet the day-to-day operational needs of the Group. As at the date of this report, the Group has not entered into any letter of intention or definitive agreement for capital investments and acquisition.

Cash flow

As at 31 December 2021, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB1,349.3 million in total.

For the year ended 31 December 2021, the net cash inflow of the Group from operating activities was approximately RMB922.8 million (for the year ended 31 December 2020: approximately RMB1,070.4 million). Such change was mainly due to (1) increase in expenses for procuring parts and components such as major parts in order to meet the rapidly increasing product orders; and (2) increase in remuneration and bonus of personnel.

For the year ended 31 December 2021, the net cash outflow from investing activities of the Group was approximately RMB296.0 million (for the year ended 31 December 2020: approximately RMB647.4 million). Such change was mainly due to the decrease in the investments in wealth management products.

For the year ended 31 December 2021, the net cash outflow of the Group from financing activities was approximately RMB226.7 million (for the year ended 31 December 2020: net cash inflow of approximately RMB601.7 million). Such change was mainly due to the increase in bank borrowings.

Turnover days

Excluding the impairment losses for inventories provided, the Group's average turnover days of inventory were approximately 105.4 days as at 31 December 2021, representing a decrease of approximately 12.1 days from 117.5 days as at 31 December 2020, which was mainly because (1) the Company took effective measures to speed up the disposal of obsolete inventories; and (2) the Company enhanced the efficiency in its control on inventories through production process and managed to better utilize the accumulated inventories.

The turnover days of trade and bills receivables as at 31 December 2021 were approximately 188.5 days, representing a decrease of 18.1 days from approximately 206.6 days as at 31 December 2020. Please refer to the above paragraphs headed "Revenue" and "Trade and bills receivables" for the main reasons of such decrease.

Excluding the impairment losses for inventories provided, turnover days of trade and bills payables increased by approximately 11.7 days from approximately 158.8 days as at 31 December 2020 to approximately 170.5 days as at 31 December 2021, which was mainly due to a rapid growth of product orders, which led to an increase in procurement expense to secure sufficient raw material supply.

Financing guarantee contracts

As at 31 December 2021, the financing guarantee contracts not provided for in the financial statements amounted to RMB1,009.9 million, being the financial guarantee under financing lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. and Sany Heavy Equipment (31 December 2020: RMB1,002.0 million).

Capital commitment

As at 31 December 2021, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB755.0 million (31 December 2020: approximately RMB1,838.3 million).

Employees and remuneration policy

As at 31 December 2021, the Group had 4,995 (2020: 3,573) employees.

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 improve their skills relevant to work as well as enhance 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 share award schemes and share option schemes for core employees to share the Company's development results. The remuneration of the Directors of the Group is determined with reference to their positions, responsibilities, experience and prevailing market conditions.

Significant investments held, material acquisition and disposals of subsidiaries, associates and joint ventures and future plans for material investments or capital assets

There were no significant investments held, and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021, nor was there any plan authorized by the Board for material investments or capital assets as at 31 December 2021.

Pledge on assets

As at 31 December 2021, the Group recorded pledged bank deposits of approximately RMB21.0 million (31 December 2020: approximately RMB0.5 million), for the purpose of issuing security deposit for bank acceptance bills. As at 31 December 2021, the Group did not have financial investments at fair value through profit or loss being pledged for the Group's bank loans (31 December 2020: RMB550,000,000 have been pledged for the Group's bank loans of RMB507,968,583).

Foreign exchange risk

As at 31 December 2021, the Group's cash and bank balances denominated in foreign currencies such as US$ and HK$ were equivalent to approximately RMB114.4 million. The Group will monitor the risk exposures and consider hedging against material currency risk if required.

Social responsibility

Upholding "Quality changes the world", the Group actively empowers the industry through technological innovation. The Group proactively upholds the national policy of carbon peaking and achieve carbon neutrality and places great emphasis on environmental protection. It comprehensively improves the efficiency of resource utilization and practices green and sustainable development with intelligent and electric products of high technological level and high quality.

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. The Group has been practising the concept of "people-oriented" development, enhancing employees' cohesiveness while ensuring their safety in production. The Group pays attention to the physical and mental health of the staff by advocating work-life balance. Various cultural and sporting activities and programmes with different themes, such as badminton competition, culinary competition and outdoor fishing competition were organised. The Group offered free family insurance, organised staff medical check-ups and showed love and care by making visits and donations to a number of staff who were in difficulties.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Liang Zaizhong (梁在中), aged 37, was appointed as an executive Director of the Company, the chairman of the Board, and the chairman of the nomination committee of the Company (“Nomination Committee”) and the strategic investment committee of the Company (the “Strategic Investment Committee”) on 21 October 2019.

Mr. Liang joined Sany Group Co., Ltd. (the “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 from January 2010 to November 2021, 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 June 2006 and a master’s degree in public administration in international development from the John F. Kennedy School of Government at Harvard University in June 2014.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Qi Jian (戚建), aged 62, was appointed as an executive Director, chairman of the Board and chief executive officer of the Company on 6 August 2015, and was re-designated as the vice chairman of the Board and remained as the chief executive officer 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.

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 48, 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 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 59, was appointed as a non-executive Director of the Company on 28 September 2014. Mr. Tang was one of the four founders of Sany Group, and has been the director and president of Sany Group since 2002. From 1997 to 2002, Mr. Tang worked in Sany Group as general administration manager. From 1992 to 1997, he was the deputy general manager of Sany Group and the director of Sany Heavy Industry. From 1991 to 1992, Mr. Tang participated in the foundation of Sany Group. From 1989 to 1991, he participated in the foundation of Hunan Lianyuan Special Welding Materials Factory (湖南漣源特種焊接材料廠) and from 1986 to 1988, he 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 many consecutive years, "China Outstanding Quality Model" 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 40 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 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 57, was appointed as an independent non-executive Director of the Company on 5 November 2009. He is also a member of the audit committee of the Company (the "Audit Committee"), remuneration committee of the Company (the "Remuneration Committee") and the Strategic Investment Committee. 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 Company Limited (新疆新鑫礦業股份有限公司) from February 2007 to October 2011.

He was the executive director, chief financial officer and company secretary of China NT Pharma Group Company Limited (中國泰凌醫藥集團有限公司) from March 2010 to 1 July 2012. He had also served as an independent non-executive director of Beijing Capital Land Limited (首創置業股份有限公司) 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).

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 60, was appointed as an independent non-executive Director on 18 December 2015. He is also the chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee and the Strategic Investment Committee.

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) and Yankuang Energy Group Company Limited (兗礦能源集團股份有限公司) (stock code: 1171). He also served as an independent non-executive director of Honghua Group Limited (宏華集團有限公司) (stock code: 196), and retired in December 2021, 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., the Hong Kong Securities and Investment Institute, the Chartered Governance Institute and The Hong Kong Chartered Governance Institute (and a member of its Technical Consultation Panel and Mainland China Focus Group) respectively. He 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 64, was appointed as an independent non-executive Director of the Company on 11 December 2016. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee.

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.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no information relating to the Directors that is required to be disclosed pursuant to paragraphs (b) to (v) or Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") or any other matters concerning any Director that needs to be brought to the attention of the Shareholders as of the date of this annual report.

Senior Management

Mr. Zhu Xiangjun (朱向軍), aged 38, 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 45, has extensive experience in the accounting and corporate services fields. Mr. Yu has joined Fung, Yu & Co. CPA Limited (formerly known as 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: 0244) 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 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.

DIRECTORS' REPORT

The Board is pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2021.

Principal Activities and Subsidiaries

The principal activity of the Company is investment holding. Details of the principal subsidiaries and their principal activities are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year under review.

Results and Dividends

The results of the Group for the year ended 31 December 2021 are set out in the financial statements on pages 74 to 197 of this annual report.

Dividend Policy

The Group is committed to sharing its development and achievements with shareholders through proactive, stable and sustainable dividend policy. The Group would strive to strike a balance between meeting shareholders' expectations and managing funds prudently. When considering the dividend policy, the Group will comprehensively observe the macro-economic operation, the competition pattern of the industry and the Group's own development strategy. Under the premise of ensuring that the Group has sufficient working capital to implement the development strategy, the Group will distribute surplus funds to shareholders and reward their support for the Group.

Final Dividend

On 29 March 2022, the Board resolved the declaration and payment of the final dividend of HK$0.15 per ordinary share of the Company, amounting to HK$473,123,687 in total based on the total number of 3,154,157,913 shares of the Company (the "Shares") as at 28 February 2022, to be payable to the shareholders of the Company (the "Shareholders") whose names appear on the Company's register of members at the close of business on Friday, 10 June 2022. Should there be any change in the Company's total number of shares between 28 February 2022 and the record date for the dividend distribution, the dividend per ordinary share of the Company shall remain unchanged and the total dividends amount shall be adjusted accordingly. The final dividend is subject to the approval of the Shareholders at its forthcoming annual general meeting. Such final dividend is expected to be paid on or around 22 June 2022.

Reference is also made to the circular of the Company dated 30 November 2014 in relation to, among others, issue of 479,781,034 convertible preference shares (the "Convertible Preference Shares") of the Company to Sany Hongkong Group Limited. According to the terms of the Convertible Preference Shares, (1) each Convertible Preference Share shall confer on the holder thereof the right to receive a preferred distribution (the "Preferred Distribution") from the issue date of the Convertible Preference Share at a rate of 0.01% per annum on the issue price, and (2) in addition to the Preferred Distribution, each outstanding Convertible Preference Share shall confer, in case of any dividend or distribution being declared and paid by the Company to holders of the ordinary shares, on the holder thereof the same entitlement to dividend or distribution as holder of the number of ordinary shares into which such Convertible Preference Share may be converted upon exercise of conversion rights attached thereto.

As at the date of this report, there are 479,781,034 outstanding Convertible Preference Shares registered under the name of Sany Hongkong Group Limited. Accordingly, holders of the outstanding Convertible Preference Shares are entitled to (a) the Preferred Distribution of approximately HK$96,388 representing the Preferred Distribution accumulated from 1 January 2021 to 31 December 2021, and (b) the final dividend of HK$0.15 per Convertible Preference Share, amounting to approximately HK$71,967,155. The Preferred Distribution and the dividend for the Convertible Preference Shares are proposed to be distributed on or around 22 June 2022, on the same distribution date as the final dividend for ordinary shares. As at 31 December 2021, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 198 of this annual report.

Reserves

Details of movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and note 44 to the financial statements, respectively.

Borrowings

Details of borrowings (inclusive of interest-bearing bank and other borrowings) of the Group as at 31 December 2021 are set out in note 27 to the financial statements.

Distributable Reserves

As at 31 December 2021, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands ("Companies Act"), amounted to approximately RMB3,351.2 million. Under the Companies Act, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Share Capital

Details of the changes in the share capital of the Company during the year ended 31 December 2021 are set out in note 32 to the financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

Tax Relief and Exemption for Holders of Listed Securities

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their respective holding of the Company's securities. Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the securities of the Company.

Share Option Scheme

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

On 12 December 2017, the scheme mandate limit under the Share Option Scheme was refreshed with a maximum number of 304,102,500 Shares, being 10% of the Shares in issue as at 12 December 2017 and 9.64% of the issued share capital as at the date of this report. As at 31 December 2021, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company is 75,002,500 Shares, representing 2.38% of the issued share capital of the Company as at the date of this report.

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

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

(a) the nominal value of a share;

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

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

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

Details of the movement of share options granted under the Share Option Scheme during the year ended 31 December 2021 are as follows:

Category of participants	Date of grant	Exercise price per share (HK$)	Outstanding at 1 January 2021	Granted during the year	Exercised during the year[4]	Forfeited during the year[5]	Cancelled during the year[5]	Outstanding at 31 December 2021
Directors								
Mr. Qi Jian	15 December 2017[1]	1.22	1,698,000	—	(1,698,000)	—	—	0
	29 December 2021[2,3]	7.39	—	5,290,000	—	—	—	5,290,000
Mr. Fu Weizhong	15 December 2017[1]	1.22	1,500,000	—	(1,000,000)	—	—	500,000
	29 December 2021[2,3]	7.39	—	3,160,000	—	—	—	3,160,000
Mr. Zhang Zhihong	15 December 2017[1]	1.22	1,000,000	—	(1,000,000)	—	—	0
Mr. Poon Chiu Kwok	15 December 2017[1]	1.22	1,000,000	—	—	—	—	1,000,000
Mr. Ng Yuk Keung	15 December 2017[1]	1.22	1,000,000	—	—	—	—	1,000,000
Mr. Hu Jiquan	15 December 2017[1]	1.22	1,000,000	—	—	—	—	1,000,000
Other connected persons								
Mr. Liang Zhenggen	29 December 2021[2,3]	7.39	—	1,140,000	—	—	—	1,140,000
Employees	15 December 2017[1]	1.22	27,392,000	—	(18,079,800)	(825,000)	(1,325,000)	7,162,200
Employees	29 December 2017[1]	1.71	580,000	—	(140,000)	—	(60,000)	380,000
Employees	14 November 2018[1]	2.30	3,317,500	—	(2,111,000)	(275,000)	(197,500)	734,000
Employees	29 December 2021[2,3]	7.39	—	87,360,000	—	—	—	87,360,000
Total			38,487,500	96,950,000	(24,028,800)	(1,100,000)	(1,582,500)	108,726,200

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

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

(2) *Share options granted under the Share Option Scheme on 29 December 2021 in the proposed grantees in accordance with the timetable below, each with an exercise period commencing from the relevant 2021 Grant 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 "2021 Grant Vesting Date"):*

2021 Grant Vesting Date	Percentage of Share Option
If the revenue for 2021 represents an increase of 35% or more as compared to that of 2020, or the net profit for 2021 represents an increase of 20% or more as compared to that of the 2020, the 2021 Grant Vesting Date will be the date when the annual results announcement for the year ending 31 December 2021 is published.	30% of the total number of share options granted
If the revenue for 2022 represents an increase of 70% or more as compared to that of 2020, or the net profit for 2022 represents an increase of 45% or more as compared to that of the 2020, the 2021 Grant Vesting Date will be the date when the annual results announcement for the year ending 31 December 2022 is published.	30% of the total number of share options granted
If the revenue for 2023 represents an increase of 100% or more as compared to that of 2020, or the net profit for 2023 represents an increase of 70% or more as compared to that of the 2020, the 2021 Grant Vesting Date will be the date when the annual results announcement for the year ending 31 December 2023 is published.	40% of the total number of share options granted

(3) *The closing price of the Shares immediately before 29 December 2021 (date of the share options granted) was HK$7.47 per Share. For details of the value of the options granted on 29 December 2019 and the accounting policy adopted for such share options, please refer to note 33 to the financial statements.*

(4) *The weighted average closing price immediately before the exercise dates of the share options was HK$8.94.*

(5) *During the year ended 31 December 2021, 2,682,500 share options were forfeited and cancelled 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.*

Save as disclosed above, no other share option was granted, exercised, lapsed or cancelled during the year ended 31 December 2021.

Share Award Scheme

The Company has adopted the restricted share award scheme (the "Share Award Scheme") on 3 December 2019 (the "Adoption Date"). The purpose of the Share Award 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. Selected Participants include the Company's executive directors and other employees of the Group.

The Board may, subject always to the Share Award 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 Share Award 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 matters which the Board considers relevant.

The Restricted Shares (where the Board has determined such number pursuant to the terms of the Share Award 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 31 December 2021, a total of 13,172,945 Restricted Shares were granted in which 120,551 Restricted Shares were lapsed in accordance with the Share Award Scheme. The number of Restricted Shares still available for future grants was 296,987,856, which represents 9.41% 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 of any Shares 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 7 years and 8 months.

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

The Company awarded 7,930,746 Shares to selected employees during the year ended 31 December 2021. Details of the Shares awarded pursuant to the Share Award Scheme are as follows:

Category of participants	Date of grant[(1)]	Unvested awarded Shares at 1 January 2021	Shares awarded during the year	Vested during the year[(2)]	Lapsed during the year[(3)]	Unvested awarded Shares at 31 December 2021	Vesting period
Directors							
Mr. Qi Jian	18 December 2020	917,691	—	(183,538)	—	734,153	18 March 2021– 18 March 2025
	2 September 2021	—	394,190	—	—	394,190	18 March 2022– 18 March 2026
Mr. Fu Weizhong	18 December 2020	152,683	—	(30,536)	—	122,147	18 March 2021– 18 March 2025
	2 September 2021	—	40,028	—	—	40,028	18 March 2022– 18 March 2026
Other connected persons							
Mr. Liang Zhenggen	18 December 2020	29,688	—	(5,937)	—	23,751	18 March 2021– 18 March 2025
	2 September 2021	—	38,288	—	—	38,288	18 March 2022– 18March 2026
Employees	18 December 2020	4,139,592	—	(821,594)	(118,006)	3,199,992	18 March 2021– 18 March 2025
	2 September 2021	—	7,458,240	—	—	7,458,240	18 March 2022– 18 March 2026
Total		5,239,654	7,930,746	(1,041,605)	(118,006)	12,010,789	

(1) The closing price of the Shares immediately before the date of these Shares were awarded was HK$5.03 and HK$9.87, respectively.

(2) The weighted average closing price of the Shares immediately before the date of the awards were vested was HK$7.94.

(3) During the year ended 31 December 2021, a total of 7,930,746 Restricted Shares were granted in which 118,006 Restricted Shares had lapsed in accordance with the Share Award Scheme.

The Restricted Shares awarded to the connected persons of the Company will be satisfied by Shares purchased from the secondary market by the trustee of the Share Award Scheme. The Restricted Shares awarded to other employees who are not connected persons of the Company will be satisfied by allotment and issue of new Shares at nominal value of HK$0.1 each per Share under the general mandate granted by the Shareholders to the Directors at the Company's annual general meeting held on 25 May 2021. During the year ended 31 December 2021, the trustee subscribed a total of 4,112,963 new Shares, and acquired a total of 880,000 Shares from the secondary market pursuant to the Share Award Scheme rules and the relevant trust deed.

Major Suppliers and Customers

During the year ended 31 December 2021, the aggregate sales attributable to the Group's five largest customers comprised approximately 10.8% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 3.5% of the Group's total sales. The aggregate purchases during the year under review attributable to the Group's five largest suppliers were approximately 11.6% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 4.6% of the Group's total purchases.

So far as is known to the Directors, at no time during the year ended 31 December 2021 did the Directors, their associates or substantial shareholders own more than 5% of the Company's issued share capital nor had any interest in the share capital of any of the five largest customers and suppliers of the Group.

Donations

During the year ended 31 December 2021, the Group made no donation (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 will be 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.

Equity-linked Agreement

Save for the Share Option Scheme and the Share Award Scheme as disclosed in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2021.

Property, Plant and Equipment

During the year ended 31 December 2021, the Group held property, plant and equipment of approximately RMB3,314 million. Details of the movements are set out in note 13 to the financial statements.

Repurchase, Sale or Redemption of the Company's listed securities

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company.

Business Review

A fair review of the Group's business has been set out in the section headed "Management Discussion and Analysis" of this annual report. Discussions and information therein forms part of this Directors' Report.

Future Development

Looking ahead to 2022, there are still many uncertainties in the global economy. However, material historical opportunities are arising for the Group's development. As the state has implemented the "dual carbon" strategy and built the "dual circulation" pattern, there is still extremely broad room for development in the advanced equipment manufacturing industry. In the process of building smart mines, smart ports and smart factories, it will bring huge market potential and room for growth to the Group. The Group will implement various business strategies when opportunities and challenges arise.

Regarding R&D innovation, the strategy will be changed from learning innovation to leading innovation. In particular, the Group will intensify team building and capability development for product planning focusing on creating value for customers; improve the level of rapid design and verification focusing on R&D digitization; and increase investment in talents and the development of new products and technologies focusing on electrification and computerization. For the mining equipment segment, the Group will actively facilitate the R&D of intelligent roadheader and intelligent shearer series, further promote pure water supports, and complete the R&D of new widebodied vehicles with large tonnage, high performance and improved reliability, so as to enhance its brand competitiveness. It aims to become a leader in "electric, computerized, whole-set and green excavation" technologies. For the logistics equipment segment, terminals and yards will reduce manpower or become unmanned on the whole with zero-emission by using computerized large port machinery and electrical small port machinery, and develop into an automated solution provider of high economic efficiency. For the robotics business, the emphasis is placed on robotic system integration, mobile robots and electric forklifts, empowering the transformation and upgrades in electric, computerized and unmanned production in the discrete manufacturing and new energy industries (lithium batteries, wind and PV power and other industrial chains). In relation to smart mine business, the Group will create digital mines through the three major segments of automated integrated mining, unmanned mining transport equipment and smart mines to achieve unmanned production in mines.

As for digitalization, through the consolidation of knowledge and the computerization of experience, the Group will accelerate the establishment of standardized, online, automated and computerized business processes, to lower the costs and increase the efficiency in R&D, manufacturing, supply chain, service and other processes, so as to develop the capabilities of digitalized services throughout the life cycles for customers. It will adhere to independent R&D and centralized management to improve computerization capabilities and realize data sharing, so as to consolidate the foundation of digitalization. It will also establish a uniform framework for digitalization planning and improve the staff's capabilities of digitalization, giving full play to the role of four lighthouse factories, i.e. widebodied vehicles, hydraulic supports, small port machinery and large port machinery, so as to continuously enhance operational efficiency and management level in addition to increasing production capacity.

With regard to internationalization, adhering to the principle of "autonomy, localization and service first", the Group will grasp the "dual-carbon" opportunity in the global market to expand the electric segment overseas. The focus for mining equipment is put on six core regions and ten key countries, with a view to building an internationalized product portfolio and realizing the three new sales growth points of Central Asia, Africa and Latin America. As our the logistics equipment break into the mainstream markets in Europe and the US and approach mainstream customers of four major operators, we focus on the international market, complete the portfolio for electric products and strengthen the development of automated and upsized products for large port machinery, thereby expanding our market share. The Group had established an international research institute, sped up the R&D of international products, increased the quality and number of global talents and enhanced the international service team and spare parts reserve in order to fully satisfy its customers' demands.

In 2021, since COVID-19 was hovering around the world, the Chinese government has taken continuous and strict public health measures and other actions to effectively contain the spread of COVID-19. Looking into 2022, given the uncertainties arising from the variation of the COVID-19 to the prevention and control of the pandemic, the Company will closely monitor the development of COVID-19, and meanwhile will continue to properly manage its production and operation to ensure stable supply chain, thereby implementing various business strategies in a steady and healthy way.

Principal Risks and Uncertainties:

The principal risks and uncertainties for the Company include the followings:

(1) Reliance on China's economy

A significant portion of the Group's revenue is derived from sales in China. The Group is therefore heavily dependent on general economic conditions in China for the Group's continued growth. It cannot be assured that China's economy will continue to grow or that its growth will be steady or occur in the geographical regions or economic sectors that related to the Group. In addition, it is anticipated that sales to customers based in China will continue to represent a significant proportion of the Group's revenue. Any continued slowdown in China's economic growth or a decline in the general economic environment could have an adverse effect on the Group's business, financial position and result of operations.

(2) Fluctuation in the Prices of Steel and Other Raw Materials

The Group's production process depends on reliable sources of large quantities of raw materials, particularly steel. The prices of these raw materials are subject to volatility caused by external conditions, such as fluctuations in the prices of commodities and changes in economic conditions and government policies. The Group expects the volatility and uncertainty of steel prices to continue. It cannot be assured that the Group will be able to transfer any incremental cost increases to the customers. In addition, it cannot be assured that the Group's key suppliers will continue to provide the Group with raw materials at reasonable prices or at all. As a result, any increase in the prices of the raw materials used to make the products may adversely affect the Group's results of operations.

(3) Cooperation with Third Party Suppliers

The Group procures some of the parts and components from external suppliers. Any unexpected shortage, delay in delivery, price fluctuations, or other factors beyond control may result in an interruption in such supply of raw materials and components. Such interruption may affect the Group's manufacturing schedule and the Group may need to source materials, components and services from alternative suppliers at higher prices, which may harm the Group's reputation and affect profitability. In particular, to the extent that the Group is dependent on a limited number of suppliers for certain parts, it may be difficult to replace them on similar terms in a timely manner. Failure to secure sufficient quantities of raw materials and machinery components at the required standards for the Group's existing operations and the planned business expansion at reasonable prices, or at all, may have a material and adverse impact on the Group's business, financial position and results of operations.

(4) Uncertainty of PRC government incentives

The Group has certain subsidiaries in China which are entitled to certain government incentives relating to the development of our products. However, it cannot be assured that the Group will be able to continue to enjoy such preferential treatment, incentives and favourable support on the same terms, or at all, in the future. Unfavourable changes to the Group's preferential treatment and incentives in the future may adversely affect its business, financial position and results of operations.

Key Relationships

1. Employees

Human resources are one of the greatest assets of the Group and the Group considers the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees.

The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides on-the-job training and development opportunities to the staff members. The training programs cover areas such as managerial skills, sales and production, customer services, quality control and training of other areas relevant to the industry.

The Group conducts multiple employee engagement surveys across mainland China operations once a year. It seriously considers all those valuable feedback from the employees for enhancing workplace productivity and harmony.

The Group has also adopted the Share Option Scheme and the Share Award Scheme to recognize and reward the contribution of the employees to the growth and development of the Group. In addition, the Group also actively performs its social responsibility by helping staff with family difficulties. For further information, please refer to the paragraph headed "Social Responsibility" under the section headed "Management Discussion and Analysis".

2. Suppliers

The Group has developed long-standing relationships with a number of the suppliers and taken great care to ensure that they share the Group's commitment to quality and ethics. The Group carefully selects the suppliers and requires them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

3. Customers

The Group is dedicated to providing first-class products and service to customers. The Group adheres to its service philosophy of "All For Customers, All From Innovations", by providing first-class service and highly efficient response with enthusiasm to meet customers' needs and raise customers' satisfaction and to address any concerns of our customers. The Group's superior product quality, attentive after-sales service and efficient response have gained high recognition from our customers.

Environmental Policies and Performance

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also require our factories to operate in strict compliance with the relevant environmental regulations and rules and possess all necessary permission and approval from the relevant Chinese regulators.

Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2021 to be published in due course.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China. Our establishment and operations accordingly shall comply with relevant laws and regulations in the mainland China. During the year ended 31 December 2021 and up to the date of this report, we have complied with the relevant laws and regulations in the mainland China and Hong Kong in all material aspects.

Directors

During the year ended 31 December 2021 and up to the date of this report, the Directors comprise:

Executive Directors:

Mr. Liang Zaizhong *(Chairman of the Board)*
Mr. Qi Jian *(Vice Chairman of the Board)*
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

In accordance with article 84(1) of the Company's articles of association, each of Mr. Liang Zaizhong, Mr. Tang Xiuguo, Mr. Poon Chiu Kwok and Mr. Hu Jiquan will retire from the office of Director by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

Directors' Service Contracts

The executive Directors have entered into a service agreement with the Company for an initial term of three years commencing from 21 October 2019 for Mr. Liang Zaizhong, 6 August 2021 for Mr. Qi Jian and 13 March 2021 for Mr. Fu Weizhong, respectively. The non-executive Directors have entered into a service agreement with the Company for an initial term of three years commencing from 28 September 2020 for Mr. Tang Xiuguo and 25 December 2021 for Mr. Xiang Wenbo, respectively. The independent non-executive Directors have entered into a service agreement with the Company. The service agreements of Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan commenced from 26 November 2021, 18 December 2021 and 11 December 2019, respectively, for an initial term of three years.

The above service contracts are subject to retirement by rotation and re-election at an annual general meeting at least every three years in accordance with the articles of association of the Company.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Permitted Indemnity Provision

Article 164 of the Company's articles of association provides that the Directors, secretary and other officers acting in relation to any of the affairs of the Company and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Remuneration of Senior Management

Pursuant to the then applicable code provision B.1.5 of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration Band (HKD)	**Number of individuals**
1,000,000 to 2,000,000	1

Directors' Remuneration

The remuneration committee considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the remuneration committee of the Company to ensure that the levels of their remuneration and compensation are appropriate. None of the Directors waived any emoluments during the year ended 31 December 2021. Details of directors' remuneration are set out in note 8 to the financial statements.

Directors' and Senior Management's Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 17 to 23 of this annual report.

Controlling Shareholders' Interests in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a controlling shareholder had a material interest in, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the financial year under review save as disclosed under the sub-section headed "Connected Transactions" below and "Related Party Transactions" in note 40 to the financial statements.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party, and in which a Director of the Company or an entity connected with a Director had a material interest in, whether directly or indirectly, subsisted at the end of the financial year under review or at any time during the financial year save as disclosed under the sub-section headed "Connected Transactions" below and "Related Party Transactions" in note 40 to the financial statements.

Director's Interests in Competing Business

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2021 and up to and including the date of this annual report.

Directors' Rights to Purchase Shares or Debentures

Save as disclosed in the sub-sections headed "Share Option Scheme" and "Share Award Scheme" above, at no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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 31 December 2021, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or were otherwise required pursuant to the Model Code for Securities Transactions by Directors of the Company (the "Model Code") as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying Shares:

Name of Directors	Capacity	Number of ordinary Shares as at 31 December 2021	Percentage of the issued voting Shares as at 31 December 2021
Mr. Qi Jian[(1)]	Beneficial owner	1,128,343	0.04%
Mr. Fu Weizhong[(2)]	Beneficial owner	692,711	0.02%
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	1,000,000	0.03%
Mr. Ng Yuk Keung[(5)]	Beneficial owner	1,000,000	0.03%
Mr. Hu Jiquan[(6)]	Beneficial owner	1,000,000	0.03%

Notes:

(1) *The 1,128,343 Shares in which Mr. Qi Jian is interested or deemed to be interested represent 734,153 Shares of the Company awarded to him on 18 December 2020 and 394,190 Shares of the Company awarded to him on 2 September 2021 under the restricted share award scheme adopted by the Company on 3 December 2019 (the "Share Award Scheme").*

(2) *The 692,711 Shares in which Mr. Fu Weizhong is deemed to be interested represent: (i) 500,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme; (ii) 152,683 Shares awarded to him on 18 December 2020; and (iii) 40,028 Shares awarded to him on 2 September 2021 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 the 1,000,000 Shares which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the Share Option Scheme.*

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

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

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 31 December 2021, none of the Directors or chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or were otherwise required pursuant to the Model Code to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries been participated in any arrangements to enable the directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of shares or underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

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

As at 31 December 2021, so far as the Directors and chief executive of the Company were aware, the following persons and corporations (excluding the Directors and chief executives of the Company) had interests or short positions in any of the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of the issued voting Shares
Sany HK (Note 1)	Beneficial owner	2,578,228,722	81.74%
Sany BVI (Note 2)	Interest of a controlled corporation	2,578,228,722	81.74%
Mr. Liang Wengen (Note 3)	Interest of a controlled corporation/Beneficial owner	2,589,098,722	82.09%

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 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 held by Sany HK under the SFO. Mr. Liang Wengen also directly holds 10,870,000 Shares.*

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Deed of Non-Competition

Each of the controlling shareholders has confirmed to the Company of his/her compliance with the deed of non-competition provided to the Company under the Deed of Non-Competition (as defined in the Company's prospectus dated 12 November 2009) during the year ended 31 December 2021. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the year ended 31 December 2021.

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 report, the Company has maintained sufficient public float of not less than 25% of the Company's issued shares, as required under the Listing Rules for the year ended 31 December 2021 and up to the date of this annual report.

Retirement Scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and employee are required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$30,000. Contributions made to the scheme are vested immediately.

The employees of the subsidiaries in the People's Republic of China participate in the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of their salaries to these schemes to pay the benefits. The only obligation of the Group in respect to these schemes is the required contributions under the schemes.

For the year ended 31 December 2021, the Group's total contributions to the retirement schemes charged in the income statement amounted to RMB38.2 million (2020: RMB11.2 million). Details of the Group's pension scheme are set out in note 6 to the financial statements.

Code on Corporate Governance Practices

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. The Company has complied with the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2021. The Group's principal corporate governance practices are set out on pages 60 to 72 of the annual report.

Connected Transactions

During the year ended 31 December 2021, the Group has the following connected transactions with Mr. Liang Wengen's associates which are subject to the reporting requirements set out in Chapter 14A of the Listing Rules.

Mr. Liang Wengen is a controlling shareholder of the Company (as defined under the Listing Rules). Given each of Sany Group and its subsidiaries ("Sany Group Companies"), Sanxiang Bank, Sany Construction Technology Co., Ltd ("Sany Construction Technology"), Hunan Zhonghong Financial Leasing Co., Ltd ("Hunan Zhonghong") and Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司) ("Sany Logistics") is a 30%-controlled company (as defined under the Listing Rules) of Mr. Liang Wengen and thus they are associates of Mr. Liang Wengen under Rule 14A.12(1)(c) of the Listing Rules and hence connected persons of the Company under the Listing Rules. Accordingly, the below mentioned transactions constitute connected transactions of the Group.

Continuing Connected Transactions

(1) Supplemental Master Purchase Agreement (2020–2022)

On 18 December 2019, the Company and Sany Group entered into the supplemental master purchase agreement (the "Supplemental Master Purchase Agreement (2020–2022)") with a fixed term of three years ending 31 December 2022, pursuant to which the Company agreed to purchase or procure its subsidiaries to purchase from Sany Group Companies (1) certain parts and components produced by Sany Group Companies and (2) certain second-hand manufacturing equipment, for the manufacturing of products of the Group.

Parts and Components

For those tailor-made parts and components for the Group manufactured by Sany Group Companies, the basis of determining prices of the parts and components produced by Sany Group Companies will be determined on arm's length negotiation and with reference to the manufacturing costs involved in the relevant parts and components plus a gross margin ranging from approximately 10% to 30%, with reference to the usual gross margin of the Group's procurement of other similar parts and components from independent third parties, which should be in any event no less favorable to the Group than is available to independent third parties. Due to confidentiality concern of certain technical information, the Group only procures tailor-made parts and components from Sany Group Companies rather than other third-party suppliers. In fact, the Group could engage third-party suppliers to manufacture tailor-made parts and components imposing confidentiality obligations on them. However, under such arrangement, the Group will need to disclose the confidential technical information to third parties, which is not in the best interest of the Company.

For those common parts and components which can be easily accessible in the market, the Group will follow the pricing as determined during the Group's commercial procurement tender process.

Second-hand Manufacturing Equipment

The basis of determining prices of the second-hand manufacturing equipment will be determined on arm's length negotiation and with reference to the below formula, which is a default formula set by the Group's SAP financial software following the Group's accounting policy for depreciation and valuation on equipment and also applicable to the valuation of all equipment of the Group, no matter whether they are procured from independent third parties or Sany Group Companies, and should be in any event no less favorable to the Group than is available to independent third parties.

Price = Original Purchase Price — Original Purchase Price (1–3%) x (number of years since the equipment was purchased by Sany Group Companies/10 years)

"3%" represents the minimum residual value of equipment and "10 years" represents the maximum durable years of equipment and both of them are set according to the Group's accounting policy.

It was proposed that the annual caps under the Supplemental Master Purchase Agreement (2020–2022) for each of the financial years ending 31 December 2022 would not exceed RMB408,694,687, RMB560,746,774 and RMB721,460,178, respectively.

During the year ended 31 December 2021, the actual transactions under the Supplemental Master Purchase Agreement (2020–2022) amounted to RMB545,836,000, which was within the annual cap amount of RMB560,746,774. Further details of the Supplemental Master Purchase Agreement (2020–2022) were set out in the announcement of the Company dated 18 December 2019 and the circular of the Company dated 7 February 2020.

(2) Supplemental Master Sales Agreement (2020–2022)

On 18 December 2019, the Company and Sany Group entered into the supplemental master sales agreement (the "Supplemental Master Sales Agreement (2020–2022)") with a fixed term of three years ending 31 December 2022, pursuant to which the Group agreed to sell to Sany Group Companies raw materials which were originally sourced by the Group for its own use, parts and components and certain second-hand manufacturing equipment for the production of Sany Group Companies' products.

Raw Materials and Parts and Components

The basis of determining prices of raw materials will be determined based on the arm's length negotiation and with reference to the original procurement costs of raw materials sourced by the Group or the value of the raw materials or parts and components as shown in the SAP financial software of the Group, which should be in any event no less favorable to the Group than is available to independent third parties.

Second-hand Manufacturing Equipment

The basis of determining prices of the second-hand manufacturing equipment will be determined on arm's length negotiation and with reference to the below formula, which is a default formula set by the Group's SAP financial software following the Group's accounting policy for depreciation and valuation on equipment and also applicable to the valuation of all equipment of the Group, and should be in any event no less favorable to the Group than is available to independent third parties.

Price = Original Purchase Price — Original Purchase Price (1–3%) x (number of years since the equipment was purchased by the Group/10 years)

"3%" represents the minimum residual value of equipment and "10 years" represents the maximum durable years of equipment and both of them are set according to the Group's accounting policy.

It was proposed that the annual caps under the Supplemental Master Sales Agreement (2020–2022) for each of the financial years ending 31 December 2022 would not exceed RMB103,520,060, RMB89,330,618 and RMB89,136,176, respectively.

During the year ended 31 December 2021, the actual transactions under the Supplemental Master Sales Agreement (2020–2022) amounted to RMB44,020,000, which was within the annual cap amount of RMB89,330,618. Further details of the Supplemental Master Sales Agreement (2020–2022) were set out in the announcement of the Company dated 18 December 2019.

(3) Supplemental Master Transportation Agreement (2020–2022)

On 18 December 2019, the Company and Sany Logistics entered into the supplemental master transportation agreement (the "Supplemental Master Transportation Agreement (2020-2022)") with a fixed term of three years ending 31 December 2022, pursuant to which Sany Logistics agreed to provide certain logistics services to the Group in connection with the transportation of energy equipment, logistics equipment and automated machinery.

The service fees payable shall be determined based on arm's length negotiation with reference to (i) means of transportation, (ii) transportation distance, (iii) transportation location, (iv) weight of the goods transported and (v) gasoline price, which should be in any event no less favorable to the Group than is available to independent third parties.

It was proposed that the annual caps under the Supplemental Master Transportation Agreement (2020–2022) for each of the financial years ending 31 December 2022 would not exceed RMB327,600,000, RMB425,880,000 and RMB553,644,000, respectively.

During the year ended 31 December 2021, the actual transactions under the Supplemental Master Transportation Agreement (2020–2022) amounted to RMB287,375,000, which was within the annual cap amount of RMB425,880,000. Further details of the Supplemental Master Transportation Agreement (2020–2022) were set out in the announcement of the Company dated 18 December 2019 and the circular of the Company dated 7 February 2020.

(4) 2021 Supplemental Products Sales Agreement

On 21 May 2021, the Company and Sany Group entered into the supplemental products sales agreement (the "2021 Supplemental Products Sales Agreement") for a fixed term of two years ending 31 December 2022, pursuant to which the Company agreed to sell or procure its subsidiaries to sell its finished products to Sany Group Companies for sales to the end customers.

Since the 2021 Supplemental Products Sales Agreement serves the purpose for the Company to take advantage of Sany Group Companies' sales network to sell its finished products to end-customers in a large scale, and in other words, the Group just sells the finished products to end-customers through Sany Group Companies' sales network, under an arrangement which Sany Group Companies do not actually receive any mark-up against the prices under the 2021 Supplemental Products Sales Agreement, the prices of the finished products under the individual sales agreement are determined according to the costs involved (raw material costs, labour costs and manufacturing expenses) plus the gross profit margin, ranging from 25%–40% for domestic sales and from 25%–35% for overseas sales (considering the overseas sales involve higher transportation costs). Such gross profit margin is the same as that the Group charges on independent third party customers when the Group sells the finished products to them directly. In any event, the prices at which the Group sells its product(s) to Sany Group Companies shall not be less than the price at which the Group sells the same product(s) to other distributors.

It was proposed that the annual caps under the 2021 Supplemental Products Sales Agreement for each of the financial years ending 31 December 2022 would not exceed RMB1,281,336,000 and RMB1,469,953,000, respectively.

During the year ended 31 December 2021, the actual transactions under the 2021 Supplemental Products Sales Agreement amounted to RMB1,094,033,000, which was within the annual cap amount of RMB1,281,336,000. Further details of the 2021 Supplemental Products Sales Agreement were set out in the announcement of the Company dated 21 May 2021 and the circular of the Company dated 25 June 2021.

(5) Master Lease Agreement (2020–2022)

On 18 December 2019, the Company and Sany Group entered into the mater lease agreement (the "Master Lease Agreement (2020–2022)") with a fixed term of three years ending 31 December 2022, pursuant to which the Group agreed to lease certain premises from Sany Group Companies.

The fees under the lease will consist of rental and utility changes because the Group agreed to pay electricity and water charges incurred by it under the Master Lease Agreement (2020–2022) to Sany Group Companies, which Sany Group Companies shall in turn pay such charges to the relevant authorities.

(1) The rental was determined based on market price of similar areas and locations.

(2) The relevant electricity and water charges shall be settled an as incurred basis in accordance with the prices set forth by the relevant authorities calculated based on the actual usage by the Group under the lease.

It was proposed that the annual caps for the right-of-use assets under the Master Lease Agreement (2020–2022) for each of the financial years ending 31 December 2022 would not exceed RMB25,000,000, RMBNil and RMBNil, respectively. The annual caps for the utility charges under the Master Lease Agreement (2020–2022) for each of the financial years ending 31 December 2022 would not exceed RMB8,309,300, RMB10,220,230 and RMB12,202,253, respectively.

During the year ended 31 December 2021, there were no right-of-use assets being acquired by the Group and the actual utility charges were RMB3,426,000, which were within the respective annual caps as disclosed above. Further details of the Master Lease Agreement (2020–2022) were set out in the announcements of the Company dated 18 December 2019 and 15 January 2020.

For the year ended 31 December 2021, the total rental payments made under the Master Lease Agreement (2020–2022) were RMB6,592,000.

(6) Supplemental Automated Machinery and Other Products Sales Agreement

On 21 May 2021, the Company and Sany Group entered into the supplemental automated machinery and other products sales agreement (the "Supplemental Automated Machinery and Other Products Sales Agreement") (as supplemented and revised on 22 June 2021) for a fixed term of two years ending 31 December 2022, pursuant to which the Group agreed to sell to Sany Group Companies automated and robot machinery and relevant ancillary parts which were newly developed and manufactured by the Group for Sany Group Companies to upgrade its intelligent equipment and intelligent manufacturing.

The prices are determined according to the costs involved (R&D costs, raw material costs, labour costs and manufacturing expenses) plus the gross profit margin ranging from 20% to 35%, which shall be in any event no less favourable to the Group than available to independent third parties.

It was proposed that the annual caps under the Supplemental Automated Machinery Sales Agreement for each of the financial years ending 31 December 2022 would not exceed RMB1,008,750,000 and RMB1,024,520,000, respectively.

During the year ended 31 December 2021, the actual transactions under the Supplemental Automated Machinery Sales Agreement amounted to RMB1,004,764,000, which was within the annual cap amount of RMB1,008,750,000. Further details of the Supplemental Automated Machinery Sales Agency Agreement were set out in the announcements of the Company dated 21 May 2021 and 22 June 2021 and the circular of the Company dated 25 June 2021.

(7) Master Sales Agency Agreement (2020–2022)

On 18 December 2019, the Company and Sany Group entered into the master sales agency agreement (the "Master Sales Agency Agreement (2020–2022)") with a fixed term of three years ending 31 December 2022, pursuant to which Sany Group Companies agreed to act as the sales agency for the Group for the overseas end-customers and the Company agreed to pay Sany Group Companies for the agency fees based on the actual amount of the sales transactions.

The basis of determining sales agency fees payable will be determined on arm's length negotiation and with reference to the below formula and the sales agency fees paid by the Group to Sany Group Companies shall not be higher than the sales agency fees paid to the independent third party agencies for similar products and regions.

Sales agency fees = Sales revenue of sold products × 5%.

It was proposed that the annual caps under the Master Sales Agency Agreement (2020–2022) for each of the financial years ending 31 December 2022 would not exceed RMB5,000,000, RMB6,000,000 and RMB7,000,000, respectively.

During the year ended 31 December 2021, the actual transactions under the Master Sales Agency Agreement (2020–2022) amounted to RMB4,024,000, which was within the annual cap amount of RMB6,000,000. Further details of the Master Sales Agency Agreement (2020–2022) were set out in the announcement of the Company dated 18 December 2019.

(8) Equipment Sale and Leasing Framework Agreement

On 21 May 2021, the Company and Sany Group entered into the equipment sale and leasing framework agreement (the "Equipment Sale and Leasing Framework Agreement") for a fixed term commencing from 13 July 2021 and ending on 31 December 2022, pursuant to which parts and equipment (the "Parts and Equipment") shall either be sold to Sany Group Companies for leasing to the lessees or to the lessees which shall then be on-sold to Sany Group Companies for leasing back to the lessees. The Group, as seller of the Parts and Equipment, would provide a financial guarantee in favour of the lessees in respect of the Parts and Equipment to guarantee their performance under the individual financial lease and guarantee agreements (the "Financial Lease and Guarantee Agreements"). If the lessees breach the terms as set out in the Financial Lease and Guarantee Agreements, the Group will be required to settle the payment for and on behalf of the Lessees or to repurchase the Parts and Equipment in accordance with the Financial Lease and Guarantee Agreements.

Proposed annual caps:

(i) *Sale and Purchase Agreements:*

It was proposed that the annual caps for the sales of the Parts and Equipment under the sale and purchase agreements (the "Sale and Purchase Agreements") for the two years ending 31 December 2022 would be RMB500 million and RMB600 million, respectively.

(ii) *Financial Lease and Guarantee Agreements:*

It was proposed that the annual caps for the financial guarantee and the repurchase of the Parts and Equipment in case of default by the Lessees would be RMB425 million and RMB510 million for the two years ending 31 December 2022 respectively.

During the year ended 31 December 2021, the actual transaction amount of sales of equipment under Sale and Purchase Agreements was RMB100,393,000, which was within the annual cap amount of RMB500,000,000. The actual transaction amount for the financial guarantee and repurchase of the equipment in case of default by the lessees under the Financial Lease and Guarantee Agreements was RMB88,163,000, which was within the annual cap amount of RMB425,000,000. Further details of the Equipment Sale and Leasing Framework Agreement were set out in the announcement of the Company dated 21 May 2021 and the circular of the Company dated 25 June 2021.

(9) 2021 Supplemental Technical Service Framework Agreement

On 21 May 2021, the Company and Sany Group entered into the supplemental technical service framework agreement (the "2021 Supplemental Technical Service Framework Agreement") for a fixed term of two years ending 31 December 2022. Pursuant to the 2021 Supplemental Technical Service Framework Agreement, the Group shall provide technical services to Sany Group Companies in connection with the automated and robot machinery and relevant ancillary parts which are developed and manufactured by the Group for Sany Group Companies to upgrade their intelligent equipment and intelligent manufacturing systems.

The service fees payable by Sany Group Companies to the Group shall be on normal commercial terms, and shall be determined based on costs (including but not limited to research and development, various tests to be conducted and labour involved in the provision of the technical services) plus a gross profit margin of at least 20%, which is the expected gross margin required by the Group for providing similar services to independent third parties with reference to the gross profit margin charged by other service providers who are independent third parties for comparable transactions.

The proposed annual caps for the two years ending 31 December 2022 were RMB70,180,000 and RMB96,000,000, respectively.

During the year ended 31 December 2021, the actual transactions under the 2021 Technical Service Framework Agreement amounted to RMB52,880,000, which was within the annual cap amount of RMB70,180,000. Further details of the 2021 Technical Service Framework Agreement were set out in the announcement of the Company dated 21 May 2021.

(10) The Deposit Services Framework Agreement

On 12 January 2021, the Company entered into a deposit services framework agreement (the "Deposit Services Framework Agreement") with Sanxiang Bank pursuant to which Sanxiang Bank agreed to provide deposit services to the Group from 12 January 2021 to 31 December 2023.

The proposed annual caps for the daily balance of deposit under the Deposit Services Framework Agreement for each of the three years ending 31 December 2023 are RMB500 million, and the proposed annual interest income for each of the three years ending 31 December 2023 was RMB25 million.

The interest rates offered by Sanxiang Bank to the Group shall not be lower than (i) the interest rates in respect of the same type of deposit service quoted by the People's Bank of China for the same period; and (ii) the interest rates in respect of the same type of deposit service provided by major domestic commercial banks in the PRC to the Group for the same period, subject to compliance with the prevailing regulatory policy in the PRC.

During the year under review, maximum daily balance of deposit in actual transactions and the interest income earned under the Deposit Services Framework Agreement amounted to RMB450,000,000, and RMB15,556,000 which was within the respective aforementioned annual cap amount.

Details of the Deposit Services Framework Agreement are set out in the Company's announcement dated 12 January 2021.

Review by the independent non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Company;

(ii) either (a) on normal commercial terms or; (b) where there is no available comparable terms, on terms no less favorable to the Company than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Review by the auditors

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unmodified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group, a copy of which has been provided by the Company to the Stock Exchange.

The auditors of the Company have reported to the Directors that during the financial year under review:

(i) the above continuing connected transactions have been approved by the Board;

(ii) the above continuing connected transactions are in accordance with the pricing policies of the Company;

(iii) the above continuing connected transactions have been entered into in accordance with the terms of the agreements governing such transactions; and

(iv) the respective annual cap amounts set out in the relevant agreements referred to above have not been exceeded.

One-off Connected Transactions

(1) Acquisition of Sany Construction Robot

On 26 January 2021, Sany Heavy Equipment (a wholly-owned subsidiary of the Company) and Sany Construction Technology entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which Sany Heavy Equipment has conditionally agreed to purchase and Sany Construction Technology has conditionally agreed to sell 70% equity interests of the Sany Construction Robot (Xian) Research Institute Co., Ltd. ("Sany Construction Robot"), at a cash consideration of RMB17,822,000.

Sany Construction Robot is engaged in the research and development, manufacture and sales of robots, and has been engaging in research and development of robots and automation equipment robots which could be applied to the processes of smart production lines. Sany Construction Robot owned various patents in relation to robots which were developed by it. This acquisition would enable the Group to expedite its development of advanced technological equipment with automatic control and accelerate the Group's research and development in smart technologies, which will create synergy with the Group's existing business.

Details of the Acquisition Agreement are set out in the Company's announcement dated 26 January 2021.

(2) Loan Agreement with Hunan Zhonghong

On 29 January 2021, Sany Heavy Equipment entered into a loan agreement ("2021 Loan Agreement") with Hunan Zhonghong, pursuant to which Sany Heavy Equipment agreed to provide a loan to Hunan Zhonghong in the principal amount of RMB300 million with an interest rate of 4.15% per annum for a maximum term of 180 days commencing from 29 January 2021, for financing the daily operation of Hunan Zhonghong. The 2021 Loan Agreement would enable the Group to earn interest income.

Details of the 2021 Loan Agreement are set out in the Company's announcement dated 29 January 2021.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 40 to the financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those described in the sub-section headed "Connected Transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Management Contracts

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

Subsequent Events

No significant events which affected the Group occurred after 31 December 2021.

Annual General Meeting

The annual general meeting of the Company will be convened and held on Tuesday, 31 May 2022. A notice convening the annual general meeting will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members — Annual General Meeting

The register of members of the Company will be closed from Thursday, 26 May 2022 to Tuesday, 31 May 2022, both days inclusive, during which period no transfer of the Shares will be registered. The record date for entitlement to attend and vote at the annual general meeting is Tuesday, 31 May 2022. In order to be entitled to attend, to speak and vote at the forthcoming annual general meeting of the Company to be convened and held on Tuesday, 31 May 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 25 May 2022.

Closure of Register of Members — Final Dividend Payment

The register of members of the Company will also be closed from Wednesday, 8 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of the Shares will be registered. The record date for entitlement to the proposed dividends is Friday, 10 June 2022. In order for the Shareholders to be entitled to the proposed dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 7 June 2022.

Audit Committee

The audit committee had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2021.

Auditors

The consolidated financial statements for the year ended 31 December 2021 have been audited by Ernst & Young. Ernst & Young will retire and, being eligible, offer themselves for reappointment. A resolution will be proposed by the Company at the forthcoming annual general meeting to re-appoint Ernst & Young as auditors of the Company.

There was no change in the external auditors of the Company for the three preceding years prior to the date of this Directors' Report.

By Order of the Board

Liang Zaizhong
Chairman

Hong Kong, 29 March 2022

CORPORATE GOVERNANCE REPORT

Corporate Governance

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

The Company has complied with the CG Code contained in Appendix 14 to the Listing Rules from 1 January 2021 to 31 December 2021. Unless otherwise stated, reference made in this corporate governance report in relation to the CG Code is referred to the provisions contained in the Appendix 14 to the Listing Rules in force during the year ended 31 December 2021 and as at 31 December 2021.

The Board

The Board currently 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 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.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Biographical information of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board and the senior management.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint three independent non-executive Directors, representing more than one-third of the Board. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules.

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that the three independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

All Directors have separate and independent access to the Company's senior management to fulfil their duties and, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board committees, which records in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the company secretary and are open for inspection by Directors.

The Company has subscribed appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against directors arising out of corporate activities. 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.

Chairman and Chief Executive Officer

On 6 August 2015, Mr. Qi Jian was appointed as the chairman of the Board and chief executive officer. On 21 October 2019, Mr. Liang Zaizhong was appointed as the chairman of the Board of the Company, and Mr. Qi Jian was re-designated as the vice chairman of the Board and remained as the chief executive officer of the Company. The Board considers that Mr. Liang Zaizhong acting as the chairman of the Board and Mr. Qi Jian remaining as the chief executive officer provides the Company with better corporate governance, facilitates effective and efficient planning and implementation of business decisions and strategies, and provides adequate safeguards to ensure a balance of power and authority between the Board and the management of the Company.

Company Secretary

Mr. Yu Leung Fai of Harris Corporate Solutions Limited, an external service provider, has been engaged by the Company as its joint company secretary to act jointly with Mr. Zhu Xiangjun (appointed on 12 September 2016). On 22 January 2019, Mr. Zhu Xiangjun ceased to be a joint company secretary due to internal work arrangement of the Group, and on the same date, Mr. Zhou Huidong has been appointed as the joint company secretary of the Company. On 4 February 2021, Mr. Zhou Huidong resigned as a joint company secretary of the Company. Since then, Mr. Yu has the Company's sole company secretary. Details of the biographies of Mr. Yu are set out in the section headed "Directors and Senior Management" of the annual report of which this corporate governance report forms part. The primary corporate contact person for Mr. Yu Leung Fai at the Company is Ms. Tang Lin, her position is manager of the securities affairs department of the Group. In accordance with Rule 3.29 of the Listing Rules, the Company has received training information from Mr. Yu, pursuant to the content of which, the Company considers that Mr. Yu's training was in compliance with the requirements under Rule 3.29 of the Listing Rules. Please see below for the details:

	Accounting/Financial/ Management or Updates on Rules and Regulations		Corporate Governance/Laws, Other Professional Skills	
Name of Company Secretary	**Read materials**	**Attend Seminars Briefings/(Times)**	**Read materials**	**Attend Seminars Briefings/(Times)**
Mr. Yu Leung Fai		6 (12 hours in total)		10 (30 hours in total)

Appointments and Re-election of Directors

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for a specific term of three years, and is subject to retirement by rotation and re-election at an annual general meeting in accordance with the articles of association. Pursuant to article 84(1) of the articles of association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

Pursuant to article 83(3) of the articles of association, any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Diversity Policy

Pursuant to the CG Code, the Board adopted a board diversity policy (the "Board Diversity Policy") in August 2013. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. In designing the Board's composition, Board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. All Board appointments will be based on meritocracy and shall be taken full account of the benefits of diversity on the Board when considering candidates.

The Group has also taken steps to promote gender diversity at all levels of the Company, including but not limited to the Board and the management levels. In order to ensure gender diversity at the Board level, the nomination committee of the Company will identify at least one suitable female candidate who has necessary skills and experience to the Board for its consideration of Director by 31 December 2024. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level of the Group so that it will have a pipeline of female senior management and potential successors to the Board in the future.

Nomination Policy

The nomination committee shall nominate suitable candidates to the Board and advise the Board on the appointment of Directors and the succession plan of Directors. The nomination committee considers, include (but are not limited to) the following factors when assessing candidates, and makes recommendations on the appointment of any proposed candidate to the Board or reappointment of any existing member(s) of the Board: (a) integrity; (b) achievements, experience and reputation in China's coal industry and other related industries; (c) commitment in respect of sufficient time, interests and attention to the business of the Company; (d) diversification of the Board in all aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; (e) the ability to assist and support management and to make a significant contribution to the success of the Company; and (f) any other relevant factors as determined by the nomination committee or the Board from time to time. The appointment of any proposed candidate to the Board or reappointment of any existing member(s) of the Board shall be made in accordance with the Company's articles of association and other applicable rules and regulations.

Board Committees

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs. Each of these committees comprises independent non-executive Directors who have been invited to join as members. The terms of reference of the board committees which explain their respective role and the authority delegated to them by the Board are available on the website of the Company at www.sanyhe.com and the website of the Stock Exchange at www.hkexnews.hk. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group and to provide advice and comments to the Board. The members meet regularly with the external auditors and the Company's senior management for the review, supervision and discussion of the Company's financial reporting and internal control procedures and ensure that management has discharged its duty to have an effective internal control system. The Audit Committee consists of three members, namely Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan, of which are all 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.

During the year ended 31 December 2021, the Audit Committee held four meetings. The Group's unaudited interim results for the six months ended 30 June 2021 and the audited annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that true, accurate, complete and sufficient disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, the selection and appointment of the external auditors and the risk management and internal control systems of the Group.

Remuneration Committee

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

During the year ended 31 December 2021, the Remuneration Committee held two meetings to review the remuneration packages of the Directors and the senior management.

Nomination Committee

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

During the year ended 31 December 2021, the Nomination Committee held one meeting to review and recommend the re-election of Mr. Qi Jian, Mr. Xiang Wenbo and Mr. Poon Chiu Kwok as Directors.

Strategic Investment Committee

The Strategic Investment Committee was established on 4 October 2012. The Strategic Investment Committee is responsible for the proposal and analysis of the business development and investment of the company. Mr. Liang Zaizhong acts as the chairman of the Strategic Investment Committee and the other four members are Mr. Qi Jian, Mr. Fu Weizhong, Mr. Ng Yuk Keung and Mr. Poon Chiu Kwok.

The Board may seek advice from the Strategic Investment Committee on the business development plan of the Group and the feasibility of investment project whenever necessary. During the year ended 31 December 2021, no meeting was held by the Strategic Investment Committee.

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 include (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. During the year of 2021, the Board determined the policy for the corporate governance of the Company.

Number of Meetings and Directors' Attendance

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Strategic Investment Committee and general meetings of the Company during the year ended 31 December 2021 is set out below:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Strategic Investment Committee	General Meeting
Executive Directors						
Mr. Liang Zaizhong *(Chairman)*	11/11	N/A	N/A	1/1	0/0	2/2
Mr. Qi Jian *(Vice Chairman)*	11/11	N/A	N/A	N/A	0/0	2/2
Mr. Fu Weizhong	11/11	N/A	N/A	N/A	0/0	2/2
Non-executive Directors						
Mr. Tang Xiuguo	11/11	N/A	N/A	N/A	N/A	2/2
Mr. Xiang Wenbo	11/11	N/A	N/A	N/A	N/A	2/2
Independent non-executive Directors						
Mr. Ng Yuk Keung	11/11	4/4	2/2	N/A	0/0	2/2
Mr. Poon Chiu Kwok	11/11	4/4	2/2	1/1	0/0	2/2
Mr. Hu Jiquan	11/11	4/4	2/2	1/1	N/A	2/2

None of the meetings set out above was attended by any alternate Director.

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the company secretary of the Company at all time and may seek independent professional advice at the Company's expense. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of Board meetings are given to the Directors at least 14 days before the meeting and Board procedures comply with the articles of association of the Company, as well as relevant rules and regulations.

Continuous Professional Development

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company.

The Directors have been informed of the requirements under Code Provision A.6.5 of the CG Code regarding continuous professional development. For the year ended 31 December 2021, the Company has received training information from each Director, pursuant to the content of which, the Company considers that the training of Directors was in compliance with the requirements under Code Provision A.6.5 of the CG Code.

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the year ended 31 December 2021:

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills		Anti-corruption Training	
Name of Directors	**Read materials**	**Attend Seminars/ Briefings**	**Read materials**	**Attend Seminars/ Briefings**	**Read materials**	**Attend Seminars/ Briefings**
Executive Directors						
Mr. Liang Zaizhong	✓	✓	✓	✓	✓	✓
Mr. Qi Jian	✓	✓	✓	✓	✓	✓
Mr. Fu Weizhong	✓	✓	✓	✓	✓	✓
Non-executive Directors						
Mr. Tang Xiuguo	✓	✓	✓	✓	✓	✓
Mr. Xiang Wenbo	✓	✓	✓	✓	✓	✓
Independent non-executive Directors						
Mr. Ng Yuk Keung	✓	✓	✓	✓	✓	✓
Mr. Poon Chiu Kwok	✓	✓	✓	✓	✓	✓
Mr. Hu Jiquan	✓	✓	✓	✓	✓	✓

Compliance with the Model Code for Directors' Securities Transactions

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

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2021 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

Auditors' Remuneration

The audit committee of the Board is responsible for making recommendations to the Board on the appointment, reappointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company has appointed Ernst & Young as the auditors of the Company. The fees for the audit services and non-audit service (the non-audit service mainly included tax compliance service)provided by the auditors to the Group for the year ended 31 December 2021 amounted to RMB2.57 million, details of which are as follows:

Types of service	**RMB'000**
Audit service	2,555
Non-audit service	20

The statement of the auditors of the Company concerning their responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on pages 74 to 78 of this annual report.

Internal Control and Risk Management

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and Shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal control. The Company also has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout 2021 and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time and at least annually in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

In addition, the procedures on disclosure of inside information were in place to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is promptly assessed and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

During the year under review, the Board and the Audit Committee have reviewed the effectiveness of the Group's risk management and internal control systems on all major operations of the Group, with assistance from the Group's risk management and internal audit department. The Group's internal audit department has reported major risk management and internal control review findings to the Board and Audit Committee, and considered that the risk management and internal control systems are effective and adequate. No major issues but areas for improvement have been identified. All of the recommendations from the Group's internal audit department will be properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee considered that the key areas of the Group's risk management and internal control systems, including the adequacy of resources, qualifications and experience of our accounting, internal audit and financial reporting staff, and their training programs and budget, are reasonably implemented and the Group has fully complied with provisions of the CG Code regarding risk management and internal control systems in general for the year ended 31 December 2021.

Shareholders' Rights

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meeting

Pursuant to the article 58 of the articles of association of the Company, any one or more Shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail at philipyu@fungyucpa.com to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within 11 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by mail at No. 25, 16 Kaifa Road, Shenyang Economic and Technological Development Zone, Shenyang, Liaoning Province, PRC or by email at philipyu@fungyucpa.com. The Company secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

Constitutional documents

During the year ended 31 December 2021, there has been no significant change in the Company's constitutional documents.

Communication with Shareholders

The Board recognizes the importance of maintaining a clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors of the Company and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.sanyhe.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and members of various Board committees will attend the annual general meeting of the Company to answer questions raised by the Shareholders. The resolution of every important proposal will be proposed at general meetings separately.

Voting at general meetings of the Company are conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

CORPORATE INFORMATION

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
Export-Import 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

Hong Kong Share Registrar
Computershare Hong Kong Investor
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INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Sany Heavy Equipment International Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sany Heavy Equipment International Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 197, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment provision for trade receivables	
At 31 December 2021, the Group had trade receivables of RMB4,912,275,000, net of a provision for impairment of RMB348,404,000. The balance of trade receivables accounted for approximately 24% of the total assets, which was material to the Group and a significant portion of which was overdue. The Group has used a provision matrix to calculate the expected credit losses ("ECLs") for trade receivables. The provision matrix is initially based on the Group's historical observed default rates and adjusted for forward-looking information, and it requires a high level of management estimation. Specific factors which management would consider include the ageing of the balances, existence of disputes, value of the pledged assets, past collection history, customer creditworthiness, future repayment plans and other available information concerning the forecast economic conditions. Related disclosures are included in notes 2.4, 3, 4, 6 and 19 to the consolidated financial statements.	Our audit procedures included among others: • Assessing the Group's internal controls over the credit control of trade receivables; • Evaluating the assumptions used in the ECL model by 1) reviewing the credit terms and historical payment patterns of different categories of the customers to assess the groupings of customer segments with similar loss patterns; 2) examining the underlying data used in the provision matrix by checking to the corresponding ageing of trade receivables, values of pledged assets, historical repayment records and subsequent settlements on a sampling basis; and 3) assessing management's consideration on forward-looking information, including the use of macroeconomic information, the judgement of adjustments to ECL and the underpinned rationale; • Recalculating the provision matrix of ECLs; and • Assessing the adequacy of the related disclosures in the consolidated financial statements.
Impairment of goodwill	
At 31 December 2021, the carrying value of goodwill amounted to RMB1,129,520,000, which was material to the Group. Goodwill is allocated to the logistics equipment cash-generating unit (the "CGU") and is tested for impairment annually. The impairment test is based on the recoverable amount of the CGU. Management's assessment process is complex and highly judgemental, and involves subjectivity of future cash flow forecasts, associated growth rates and the discount rate applied. Related disclosures are included in notes 2.4, 3 and 15 to the consolidated financial statements.	Our audit procedures included among others: • Reviewing the cash flow forecast for the CGU to which the goodwill was allocated, and assessed the methodology and assumptions such as the growth rate, the budgeted gross margins and the budgeted sales quantity based on the existing production capacity adopted by management; • Comparing the assumptions used in the forecasts with the historical performance and the business development plan based on the industry trend and the historical performance of the CGU; • With the assistance of our internal valuation specialists, reassessing the results of the CGU valuation performed by the external valuer engaged by management; and • Assessing the adequacy of the related disclosures in the consolidated financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hui Kin Fai, Stephen.

Certified Public Accountants
Hong Kong

29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
REVENUE	5	**10,194,616**	7,363,859
Cost of sales		**(7,804,976)**	(5,403,087)
Gross profit		**2,389,640**	1,960,772
Other income and gains	5	**790,923**	456,307
Selling and distribution expenses		**(566,567)**	(430,465)
Administrative expenses		**(1,053,151)**	(706,904)
Reversal of impairment on financial and contract assets, net	6	**(2,434)**	74,205
Other expenses		**(694)**	(31,355)
Finance costs	7	**(119,666)**	(132,283)
PROFIT BEFORE TAX	6	**1,438,051**	1,190,277
Income tax expense	10	**(128,893)**	(138,728)
PROFIT FOR THE YEAR		**1,309,158**	1,051,549
Attributable to:			
Owners of the parent		**1,259,071**	1,045,144
Non-controlling interests		**50,087**	6,405
		1,309,158	1,051,549
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic (RMB Yuan)		**0.40**	0.34
Diluted (RMB Yuan)		**0.35**	0.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 **RMB'000**	2020 RMB'000
PROFIT FOR THE YEAR	**1,309,158**	1,051,549
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**7,796**	16,997
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**7,796**	16,997
OTHER COMPREHENSIVE INCOME, NET OF TAX	**7,796**	16,997
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**1,316,954**	1,068,546
Attributable to:		
Owners of the parent	**1,266,867**	1,062,141
Non-controlling interests	**50,087**	6,405
	1,316,954	1,068,546

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,314,006**	2,591,455
Right-of-use assets	14(a)	**1,113,534**	1,139,620
Goodwill	15	**1,129,520**	1,129,520
Intangible assets	16	**19,295**	—
Trade receivables	19	**640,575**	261,116
Non-current prepayments	21	**9,650**	9,650
Contract assets	20	**54,614**	21,272
Deferred tax assets	31	**286,852**	295,585
Total non-current assets		**6,568,046**	5,448,218
CURRENT ASSETS			
Inventories	17	**2,528,509**	1,820,802
Properties under development	18	**1,039,637**	883,852
Trade receivables	19	**4,271,700**	3,287,799
Bills receivable	19	**700,270**	595,116
Contract assets	20	**41,850**	19,517
Prepayments, other receivables and other assets	21	**584,658**	359,040
Financial assets at fair value through profit or loss	22	**3,680,123**	4,023,670
Pledged deposits	23	**20,997**	455
Cash and cash equivalents	23	**1,349,332**	941,451
		14,217,076	11,931,702
Assets of a subsidiary classified as held for sale	37	**—**	84,241
Total current assets		**14,217,076**	12,015,943
CURRENT LIABILITIES			
Trade and bills payables	24	**4,422,304**	2,892,579
Bonds payable	25	**—**	499,655
Other payables and accruals	26	**2,659,400**	1,917,497
Dividend payable	11	**70,226**	72,584
Interest-bearing bank and other borrowings	27	**1,687,346**	2,145,112
Tax payable		**185,221**	196,533
Provision for warranties	28	**24,053**	32,009
Government grants	29	**112,700**	96,164
Derivative financial instruments	30	**8,561**	5,407
		9,169,811	7,857,540
Liabilities directly associated with the assets classified as held for sale	37	**—**	80,923
Total current liabilities		**9,169,811**	7,938,463
NET CURRENT ASSETS		**5,047,265**	4,077,480
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,615,311**	9,525,698

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**1,766,768**	492,754
Government grants	29	**967,460**	1,105,446
Deferred tax liabilities	31	**97,935**	68,597
Total non-current liabilities		**2,832,163**	1,666,797
Net assets		**8,783,148**	7,858,901
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**312,060**	309,707
Reserves	35	**8,388,996**	7,529,027
		8,701,056	7,838,734
Non-controlling interests		**82,092**	20,167
Total equity		**8,783,148**	7,858,901

Qi Jian
Director

Fu Weizhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent											
	Issued capital											
	Ordinary shares RMB'000 (note 32)	Convertible preference shares RMB'000 (note 32)	Share premium account RMB'000 (note 32)	Contributed surplus RMB'000	Share option reserve RMB'000 (note 33)	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	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 year	—	—	—	—	—	—	—	—	1,045,144	1,045,144	6,405	1,051,549
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	16,997	—	—	16,997	—	16,997
Total comprehensive income for the year	—	—	—	—	—	—	16,997	—	1,045,144	1,062,141	6,405	1,068,546
Issue of shares (note 32)	2,238	—	27,555	—	—	—	—	—	—	29,793	—	29,793
Share-based payments (note 33,34)	—	—	—	—	12,173	—	—	(3,124)	—	9,049	—	9,049
Release of share-based compensation reserve to share premium upon exercise of share options (note 32)	—	—	12,331	—	(12,331)	—	—	—	—	—	—	—
Final 2019 dividend paid	—	—	(394,052)	—	—	—	—	—	—	(394,052)	—	(394,052)
Transfer from retained profits	—	—	—	—	—	96,861	—	—	(96,861)	—	—	—
At 31 December 2020	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent											
	Issued capital											
	Ordinary shares RMB'000 (note 32)	Convertible preference shares RMB'000 (note 32)	Share premium account RMB'000 (note 32)	Contributed surplus RMB'000	Share option reserve RMB'000 (note 33)	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	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 year	—	—	—	—	—	—	—	—	1,259,071	1,259,071	50,087	1,309,158
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	7,796	—	—	7,796	—	7,796
Total comprehensive income for the year	—	—	—	—	—	—	7,796	—	1,259,071	1,266,867	50,087	1,316,954
Acquisition of a subsidiary (note 36)	—	—	—	—	—	—	—	—	—	—	7,638	7,638
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	—	4,200	4,200
Disposal of a subsidiary classified as held for sale (note 37)	—	—	—	—	—	(372)	—	—	—	(372)	—	(372)
Issue of shares (note 32)	2,353	—	24,121	—	—	—	—	—	—	26,474	—	26,474
Share-based payments (note 33,34)	—	—	—	(6,071)	26,139	—	—	—	—	20,068	—	20,068
Release of share-based compensation reserve to share premium upon exercise of share options (note 32)	—	—	12,191	—	(12,191)	—	—	—	—	—	—	—
Final 2020 dividend paid	—	—	(450,715)	—	—	—	—	—	—	(450,715)	—	(450,715)
Transfer from retained profits	—	—	—	—	—	121,142	—	—	(121,142)	—	—	—
At 31 December 2021	274,212	37,848	1,565,108#	1,344,319#	41,669#	776,075#	3,594#	2,620#	4,655,611#	8,701,056	82,092	8,783,148

\# These reserve accounts comprise the consolidated reserves of RMB8,388,996,000 (2020: RMB7,529,027,000) in the consolidated statement of financial position.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,438,051**	1,190,277
Adjustments for:			
Finance costs	7	**119,666**	132,283
Interest income	5	**(50,647)**	(36,174)
Loss/(gain) on disposal of items of property, plant and equipment	5	**694**	(299)
Fair value gain on financial assets at fair value through profit or loss, net	5	**(176,572)**	(182,441)
Depreciation of property, plant and equipment	6	**221,815**	223,072
Depreciation of right-of-use assets	6	**26,086**	25,973
Amortisation of intangible assets	6	**954**	—
Government grants	5	**(302,846)**	(200,028)
Reversal of impairment of trade receivables	6	**(2,658)**	(72,524)
Impairment of contract assets	6	**453**	755
Impairment/(reversal of impairment) of other receivables	6	**4,638**	(2,436)
Write-back of provision against slow-moving and obsolete inventories	6	**(24,342)**	(24,936)
Gain on disposal of a subsidiary classified as held for sale	37	**(172,405)**	—
Share-based payments expense	6	**26,139**	12,173
		1,109,026	1,065,695
Increase in inventories		**(683,365)**	(357,594)
Increase in properties under development		**(155,785)**	(123,850)
Increase in trade receivables		**(1,338,225)**	(728,588)
Increase in bills receivable		**(105,154)**	(170,631)
Increase in contract assets		**(56,128)**	(41,544)
(Increase)/decrease in prepayments, other receivables and other assets		**(156,850)**	18,242
Increase in trade and bills payables		**1,526,531**	1,061,027
Increase in other payables and accruals		**831,336**	294,534
Decrease in provision for product warranties		**(7,956)**	(487)
Receipt of government grants		**140,265**	112,265
Cash generated from operations		**1,103,695**	1,129,069
Interest received		**20,741**	58,947
Interest paid		**(17,056)**	(9,426)
PRC tax paid		**(184,582)**	(108,214)
Net cash flows from operating activities		**922,798**	1,070,376

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	**2021 RMB'000**	2020 RMB'000
Net cash flows from operating activities		**922,798**	1,070,376
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**7,203**	14,121
Purchases of items of property, plant and equipment		**(939,226)**	(389,286)
Payment for consideration of acquired subsidiaries	36	**(17,815)**	—
Disposal of a subsidiary classified as held for sale		**(3)**	—
Advance from disposal of a subsidiary classified as held for sale		**—**	40,000
Proceeds from disposal of items of property, plant and equipment		**54,253**	54,912
Proceeds from disposal of financial assets at fair value through profit or loss		**9,061,970**	4,553,919
Purchases of financial assets at fair value through profit or loss		**(8,541,851)**	(5,118,734)
Loans to the related companies		**(300,000)**	(300,000)
Repayment of loans from the related companies		**400,000**	500,000
Additional payments for parcels of land		**—**	(3,857)
(Increase)/decrease in pledged deposits		**(20,542)**	1,555
Net cash flows used in investing activities		**(296,011)**	(647,370)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	32	**26,474**	29,793
Proceeds from (redemption)/issue of bonds	38(b)	**(500,000)**	500,000
Direct cost of bonds	38(b)	**—**	(563)
Payment for share awards		**(6,071)**	(3,124)
New bank loans	38(b)	**3,811,969**	2,811,092
Repayment of bank loans	38(b)	**(2,995,691)**	(3,423,954)
Settlement of derivative financial instruments	38(b)	**(5,407)**	(3,864)
Principal portion of lease payments	38(b)	**—**	(3,391)
Dividends paid		**(450,715)**	(394,052)
Capital injection by non-controlling shareholders		**4,200**	—
Interest paid	38(b)	**(111,461)**	(113,660)
Net cash flows used in financing activities		**(226,702)**	(601,723)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**400,085**	(178,717)
Cash and cash equivalents at beginning of year		**941,451**	1,103,171
Effect of foreign exchange rate changes, net		**7,796**	16,997
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**1,349,332**	941,451

1. CORPORATE AND GROUP 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 year, 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 mine 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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ establishment and operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sany Heavy Equipment Co., Ltd. ("Sany Heavy Equipment") (三一重型裝備有限公司)*	PRC/Mainland China	RMB2,918,070,000	100	—	Manufacture and sale of integrated excavation machinery, integrated coal mining equipment and coal mine transportation equipment
Sany Mining Machinery Co., Ltd. ("Sany Mining Machinery") (三一礦機有限公司)*	PRC/Mainland China	RMB172,004,600	—	91	Manufacture and sale of off-highway mining trucks
Sany Marine Industry International Holdings Co., Ltd. ("Sany Marine Industry") (三一海工國際控股有限公司)	Cayman Islands	HK$380,000	100	—	Investment holding
Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry") (三一海洋重工有限公司)*	PRC/Mainland China	RMB713,180,000	—	100	Development, manufacture and sale of large-size logistics equipment
Zhuhai Sany Port Machinery Co., Ltd. ("Zhuhai Sany") (珠海三一港口機械有限公司)*	PRC/Mainland China	RMB63,180,000	—	100	Sale of logistics equipment
Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") (湖南三一港口設備有限公司)*	PRC/Mainland China	RMB13,180,000	—	100	Development, manufacture and sale of small-size logistics equipment
Sany (Zhuhai) Asset Co., Ltd. ("Sany Asset") (三一置業有限公司)*^	PRC/Mainland China	RMB53,180,000	—	100	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of incorporation/ establishment and operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sany Intelligent Mining Technology Co., Ltd. ("Sany Intelligent Mining") (三一智礦科技有限公司)*	PRC/Mainland China	RMB50,000,000	—	100	Research, development and manufacture of automation equipment
Sany Machinery Intelligence Co., Ltd. ("Sany Machinery") (三一機器人科技有限公司)*^	PRC/Mainland China	RMB50,000,000	—	65	Research, development, manufacture and sale of automation equipment
Sany Construction Robot (Xian) Research Institute Co., Ltd. ("Sany Construction Robot") (三一建築機器人(西安)研究院有限公司)*^	PRC/Mainland China	RMB100,000,000	—	70	Research, development, manufacture and sale of automation equipment

* Companies established as limited liability companies under PRC law.

^ The registered share capital of Sany Asset, Sany Machinery and Sany Construction Robot amounted to RMB53,180,000, RMB50,000,000 and RMB100,000,000, respectively, among which RMB53,180,000, RMB38,000,000 and RMB100,000,000 were unpaid as at 31 December 2021.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for bills receivable, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. A subsidiary classified as held for sale was stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in United States dollars and European Currency based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group also had an interest rate swap whereby the Group pays interest at a fixed rate of 3.43% and receives interest at a variable rate based on LIBOR on the notional amount. The Group expects that LIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's LIBOR-based borrowings. For the LIBOR-based borrowings and interest rate swap, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 43 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IFRS 17	*Initial Application of IFRS17 and IFRS9 — Comparative Information*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about the IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its bills receivable, financial assets at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, disposal groups classified as held for sale and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a subsidiary classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and annual rates used for this purpose are as follows:

	Estimated useful lives	Residual value rates	Annual rates
Buildings	20–40 years	3%	2.4%–4.9%
Plant and machinery	10 years	3%	9.7%
Office and other equipment	8.33 years	3%	11.6%
Motor vehicles	8.33 years	3%	11.6%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) *Lease liabilities* (continued)

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

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, bonds payable, interest-bearing bank and other borrowings and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of less than three months, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

The Group provides for warranties in relation to the sale of certain industrial products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to government grants and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) *Sale of industrial products*

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on customer acceptance for the industrial products.

(b) *Installation services*

The Group provides installation services that are either sold separately or bundled together with the sale of industrial products to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the industrial products.

Contracts for bundled sales of industrial products and installation services are comprised of two performance obligations because the promises to transfer the industrial products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the industrial products and installation services.

Revenue from installation services is recognised upon customer acceptance for the services.

(c) *Rendering of maintenance and other services*

Revenue from rendering of maintenance and other services is recognised over the contracted period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods, and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns, and any additional decreases in the value of the returned goods.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 and note 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee retirement benefits

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The costs of employee retirement benefits are recognised as expenses in the statement of profit or loss in the period in which they are incurred.

For Hong Kong employees, the Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Company, which was incorporated in the Cayman Islands, uses the Hong Kong dollar ("HK$") as its functional currency. The functional currency of the PRC subsidiaries is RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Company. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company which is RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of foreign currency transactions are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of foreign currency transactions which arise throughout the year are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group applied the following judgement that significantly affects the determination of the amount and timing of revenue from contracts with customers:

- Identifying performance obligations in a bundled sale of industrial products and installation services

The Group provides installation services that are either sold separately or bundled together with the sale of industrial products to a customer. The installation services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer.

The Group determined that both industrial products and installation services are each capable of being distinct. The fact that the Group regularly sells both industrial products and installation services on a stand-alone basis indicates that the customer can benefit from both products on their own. The Group also determined that the promises to transfer the industrial products and to provide installation services are distinct within the context of the contract. The industrial products and installation services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the industrial products and installation services together in the contract does not result in any additional or combined functionality and neither the equipment nor the installation modifies or customises the other. In addition, the industrial products and installation services are not highly interdependent or highly interrelated, because the Group would be able to transfer the industrial products even if the customer declined installation and would be able to provide installation services in relation to products sold by other suppliers. Consequently, the Group has allocated a portion of the transaction price to the industrial products and the installation services based on relative stand-alone selling prices.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was RMB1,129,520,000 (2020: RMB1,129,520,000). Further details are given in note 15.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type, and coverage by credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 19 and note 20 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 13 and 14 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 31 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment and intangible assets, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation/amortisation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment and intangible assets are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. Further details are included in note 13 to the financial statements.

Provision for product warranties

The Group provides one-year warranties on the products sold to its customers, under which faulty products are repaired or replaced. The amount of the warranty provision is estimated based on the sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. Further details are included in note 28 to the financial statements.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down involves management's judgement and estimates on market conditions, future sales, production plans, technical upgrade and usage of inventories in future. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which the estimate has been changed. Further details are included in note 17 to the financial statements.

4. 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 (other than lease liabilities), deferred tax liabilities, tax payables, bonds payable 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.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021	Mining equipment RMB'000	Logistics equipment RMB'000	Total RMB'000
Segment revenue			
Sales to customers (note 5)	6,895,856	3,298,760	10,194,616
Intersegment sales	46,445	46,292	92,737
Other revenue	535,835	204,441	740,276
	7,478,136	3,549,493	11,027,629
Reconciliation:			
Elimination of intersegment sales			(92,737)
Revenue from operations			10,934,892
Segment results	1,228,803	278,267	1,507,070
Interest income			50,647
Finance costs (other than interest on lease liabilities)			(119,666)
Profit before tax			1,438,051
Income tax expense			(128,893)
Profit for the year			1,309,158
Segment assets	13,008,074	8,774,325	21,782,399
Reconciliation:			
Elimination of intersegment receivables			(2,654,458)
Corporate and other unallocated assets			1,657,181
Total assets			20,785,122
Segment liabilities	5,325,053	5,590,505	10,915,558
Reconciliation:			
Elimination of intersegment payables			(2,654,458)
Corporate and other unallocated liabilities			3,740,874
Total liabilities			12,001,974
Other segment information:			
(Gain)/loss on disposal of items of property, plant and equipment	(2,122)	2,816	694
(Reversal of impairment)/impairment of trade receivables, net	(18,629)	15,971	(2,658)
Impairment of other receivables, net	3,462	1,177	4,639
Impairment of contract assets, net	—	453	453
(Write-back of provision)/provision against slow-moving and obsolete inventories	(32,849)	8,507	(24,342)
Depreciation and amortisation	143,350	105,505	248,855
Other non-cash expenses	6,945	4,281	11,226
Capital expenditure*	435,203	672,486	1,107,689

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020	Mining equipment RMB'000	Logistics equipment RMB'000	Total RMB'000
Segment revenue			
Sales to customers (note 5)	4,846,103	2,517,756	7,363,859
Intersegment sales	7,434	1,629	9,063
Other revenue	300,874	119,259	420,133
Revenue from operations	5,154,411	2,638,644	7,793,055
Reconciliation:			
Elimination of intersegment sales			(9,063)
Revenue from operations			7,783,992
Segment results	894,093	392,207	1,286,300
Interest income			36,174
Finance costs (other than interest on lease liabilities)			(132,197)
Profit before tax			1,190,277
Income tax expense			(138,728)
Profit for the year			1,051,549
Segment assets	10,984,235	9,248,212	20,232,447
Reconciliation:			
Elimination of intersegment receivables			(4,005,777)
Corporate and other unallocated assets			1,237,491
Total assets			17,464,161
Segment liabilities	4,195,513	6,512,528	10,708,041
Reconciliation:			
Elimination of intersegment payables			(4,005,777)
Corporate and other unallocated liabilities			2,902,996
Total liabilities			9,605,260
Other segment information:			
Loss/(gain) on disposal of items of property, plant and equipment	375	(674)	(299)
Reversal of impairment of trade receivables, net	(71,133)	(1,391)	(72,524)
(Reversal of impairment)/impairment of other receivables, net	(2,697)	261	(2,436)
Impairment of contract assets, net	—	755	755
(Write-back of provision)/provision against slow-moving and obsolete inventories	(28,046)	3,110	(24,936)
Depreciation	157,039	92,006	249,045
Other non-cash expenses	7,568	4,605	12,173
Capital expenditure*	54,293	540,537	594,830

* Capital expenditure consists of additions to property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2021 **RMB'000**	2020 RMB'000
Mainland China	**8,099,167**	6,003,242
Asia (excluding Mainland China)	**1,048,098**	707,566
European Union	**268,654**	137,302
United States of America	**337,506**	237,522
Other countries/regions	**441,191**	278,227
Total revenue from contracts with customers	**10,194,616**	7,363,859

The revenue information above is based on the locations of the customers.

(b) All of the Group's non-current assets, excluding deferred tax assets, are located in Mainland China.

Information about major customers

Revenue of approximately RMB2,098,797,000 (2020: RMB803,908,000) 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.

5. 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:

	2021 **RMB'000**	2020 RMB'000
Revenue from contracts with customers	**10,194,616**	7,363,859

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Mining equipment RMB'000	Logistics equipment RMB'000	Total RMB'000
Types of goods or services			
Sale of industrial products	6,730,801	3,246,749	9,977,550
Installation services	10,250	32,031	42,281
Maintenance and other services	154,805	19,980	174,785
Total revenue from contracts with customers	6,895,856	3,298,760	10,194,616
Geographical markets			
Mainland China	6,001,944	2,097,223	8,099,167
Asia (excluding Mainland China)	602,773	445,325	1,048,098
European Union	—	268,654	268,654
United States of America	—	337,506	337,506
Other countries/regions	291,139	150,052	441,191
Total revenue from contracts with customers	6,895,856	3,298,760	10,194,616
Timing of revenue recognition			
Goods transferred at a point in time	6,741,051	3,278,780	10,019,831
Services transferred over time	154,805	19,980	174,785
Total revenue from contracts with customers	6,895,856	3,298,760	10,194,616

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) *Disaggregated revenue information* (continued)

For the year ended 31 December 2020

Segments	Mining equipment RMB'000	Logistics equipment RMB'000	Total RMB'000
Types of goods or services			
Sale of industrial products	4,740,490	2,438,486	7,178,976
Installation services	—	45,367	45,367
Maintenance and other services	105,613	33,903	139,516
Total revenue from contracts with customers	4,846,103	2,517,756	7,363,859
Geographical markets			
Mainland China	4,401,560	1,601,682	6,003,242
Asia (excluding Mainland China)	298,629	408,937	707,566
European Union	3,851	133,451	137,302
United States of America	—	237,522	237,522
Other countries/regions	142,063	136,164	278,227
Total revenue from contracts with customers	4,846,103	2,517,756	7,363,859
Timing of revenue recognition			
Goods transferred at a point in time	4,740,490	2,483,853	7,224,343
Services transferred over time	105,613	33,903	139,516
Total revenue from contracts with customers	4,846,103	2,517,756	7,363,859

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) *Disaggregated revenue information* (continued)

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2021 **RMB'000**	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**842,231**	590,809

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon customer acceptance for the industrial products and payment is generally within one year from customer acceptance, except for new customers, where payment in advance is normally required.

Installation services

The performance obligation is satisfied upon customer acceptance for the services rendered and payment is generally due upon completion of installation and customer acceptance, except for new customers, where payment in advance is normally required.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Maintenance and other services

The performance obligation is satisfied over time as services are rendered. Maintenance and other service contracts are for periods of one year or less, and are billed based on the time incurred.

	Notes	**2021** **RMB'000**	2020 RMB'000
Other income			
Bank interest income		**43,444**	27,320
Other interest income		**7,203**	8,854
Government grants	29	**302,846**	200,028
Rental income	14	**13,218**	8,762
Profit from sale of scrap materials		**29,399**	421
Foreign exchange differences, net		**5,225**	—
Others		**40,611**	28,182
		441,946	273,567
Gains			
Fair value gain, net:			
Financial assets at fair value through profit or loss — mandatorily classified as such		**178,135**	182,486
Derivative instruments — transactions not qualifying as hedges		**(1,563)**	(45)
Gain on disposal of a subsidiary classified as held for sale	37	**172,405**	—
Gain on disposal of items of property, plant and equipment, net		**—**	299
		348,977	182,740
		790,923	456,307

6. PROFIT BEFORE TAX

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

	Notes	**2021 RMB'000**	2020 RMB'000
Cost of inventories sold		**7,714,306**	5,330,714
Cost of services provided		**115,012**	97,309
Depreciation of property, plant and equipment	13	**221,815**	223,072
Depreciation of right-of-use assets	14(a)	**26,086**	25,973
Amortisation of patents and licences	16	**954**	—
Auditors' remuneration		**2,555**	2,555
Provision of warranties*	28	**7,875**	16,352
Research and development costs**		**751,274**	447,552
Lease payments not included in the measurement of lease liabilities	14(c)	**21,180**	7,145
Employee benefit expenses (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**1,103,493**	633,220
Share option and share award expenses		**26,139**	12,173
Employee retirement benefits******		**38,165**	11,160
Other staff welfare		**26,697**	11,226
		1,194,494	667,779
Foreign exchange differences, net***		**(5,225)**	31,355
Reversal of impairment on financial and contract assets, net****:			
Reversal of impairment of trade receivables, net	19	**(2,658)**	(72,524)
Impairment of contract assets, net	20	**453**	755
Impairment/(reversal of impairment) of other receivables, net		**4,639**	(2,436)
		2,434	(74,205)
Write-back of provision against slow-moving and obsolete inventories*****	17	**(24,342)**	(24,936)
Loss/(gain) on disposal of items of property, plant and equipment***		**694**	(299)
Gains from sales of scrap materials***		**(29,399)**	(421)
Gain on disposal of a subsidiary classified as held for sale***	37	**(172,405)**	—
Fair value (gains)/losses, net***:			
Financial assets at fair value through profit or loss — mandatorily classified as such		**(178,135)**	(182,486)
Derivative instruments — transactions not qualifying as hedges		**1,563**	45
		(176,572)	(182,441)

6. PROFIT BEFORE TAX (continued)

*	Included in "Selling and distribution expenses" in the consolidated statement of profit or loss
**	Included in "Administrative expenses" in the consolidated statement of profit or loss
***	Included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss
****	Included in "Reversal of impairment on financial and contract assets, net" in the consolidated statement of profit or loss
*****	Included in "Cost of sales" in the consolidated statement of profit or loss
******	As at 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: Nil)

7. FINANCE COSTS

	2021 **RMB'000**	2020 RMB'000
Interest on interest-bearing bank and other borrowings (other than lease liabilities)	**94,887**	117,627
Interest on bonds	**7,723**	5,230
Interest on lease liabilities	**—**	86
Interest on discounted bills	**17,056**	9,340
	119,666	132,283

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 **RMB'000**	2020 RMB'000
Fees	**596**	637
Other emoluments:		
Salaries, allowances and benefits in kind	**10,658**	7,151
Share option and share award expenses	**3,507**	1,118
Employee retirement benefits and other staff welfare	**10**	103
	14,175	8,372
	14,771	9,009

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

During the year, certain directors were granted share options and share awards, in respect of their services to the Group, under the share option scheme and share award scheme of the Company, further details of which are set out in note 33 and 34 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees and mandatory provident fund paid to independent non-executive directors during the year were as follows:

	Fees RMB'000	Share option and share award expenses RMB'000	Total remuneration RMB'000
2021			
Mr. Poon Chiu Kwok	**215**	**6**	**221**
Mr. Ng Yuk Keung	**215**	**6**	**221**
Mr. Hu Jiquan	**166**	**6**	**172**
	596	**18**	**614**
2020			
Mr. Poon Chiu Kwok	230	50	280
Mr. Ng Yuk Keung	230	50	280
Mr. Hu Jiquan	177	50	227
	637	150	787

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share option and share award expenses RMB'000	Employee retirement benefits and other staff welfare RMB'000	Total remuneration RMB'000
2021					
Executive directors:					
Mr. Qi Jian (Chief executive)	—	7,476	2,970	10	10,456
Mr. Fu Weizhong	—	2,282	496	—	2,778
Mr. Zhang Zhihong (resigned on 4 February 2021)	—	—	23	—	23
Mr. Liang Zaizhong	—	900	—	—	900
	—	10,658	3,489	10	14,157
Non-executive directors:					
Mr. Tang Xiuguo	—	—	—	—	—
Mr. Xiang Wenbo	—	—	—	—	—
	—	—	—	—	—

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share option and share award expenses RMB'000	Employee retirement benefits and other staff welfare RMB'000	Total remuneration RMB'000
2020					
Executive directors:					
Mr. Qi Jian (Chief executive)	—	3,767	477	26	4,270
Mr. Fu Weizhong	—	1,885	292	10	2,187
Mr. Zhang Zhihong (resigned on 4 February 2021)	—	599	199	67	865
Mr. Liang Zaizhong	—	900	—	—	900
	—	7,151	968	103	8,222
Non-executive directors:					
Mr. Tang Xiuguo	—	—	—	—	—
Mr. Xiang Wenbo	—	—	—	—	—
	—	—	—	—	—

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors of the Company (2020: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries and allowances	**1,293**	1,745
Bonuses	**6,197**	5,628
Share option and share award expenses	**668**	380
Employee retirement benefits and other staff welfare	**66**	92
	8,224	7,845

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$4,500,001 to HK$5,000,000	**1**	1
	3	3

During the year, share options and share award were granted to 3 non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 33 and 34 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. 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 taxable income was offset by the tax loss carried forward from prior years.

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China were subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the year ended 31 December 2021.

Five of the Group's principal operating companies, Sany Heavy Equipment, Hunan Sany Port Equipment, Sany Marine Heavy Industry, Sany Intelligent Mining and Sany Machinery, and one of the Group's principal operating companies, Sany Construction Robot, were subject to CIT at a rate of 15% in 2021 due to the recognition as High and New Technology Enterprises, and the recognition as a company engaged in the encouraged industry in China's Western Region, respectively.

	2021 **RMB'000**	2020 RMB'000
Current — Mainland China		
Charge for the year	**77,418**	65,680
Underprovision/(overprovision) in prior years	**18,465**	(11,219)
Deferred (note 31)	**33,010**	84,267
Total tax charge for the year	**128,893**	138,728

10. INCOME TAX (continued)

A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for the location in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2021		2020	
	RMB'000	**%**	RMB'000	%
Profit before tax	**1,438,051**		1,190,277	
Tax at the statutory tax rate	**359,512**	**25.0**	297,569	25.0
Entities subject to lower statutory income tax rates	**(139,454)**	**(9.7)**	(117,924)	(9.9)
Expenses not deductible for tax	**1,458**	**0.1**	1,418	0.1
Tax losses utilised from previous periods	**(9,700)**	**(0.7)**	(10,975)	(0.9)
Different tax rate when temporary difference is realized	**3,820**	**0.3**	10,569	0.9
Super-deduction of research and development costs	**(108,464)**	**(7.5)**	(51,762)	(4.4)
Adjustments in respect of current tax of previous periods	**18,465**	**1.3**	(11,219)	(0.9)
Income not subject to tax	**(14,892)**	**(1.0)**	—	—
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**14,717**	**1.0**	11,475	1.0
Tax losses not recognised	**3,431**	**0.2**	9,577	0.8
Tax charge at the Group's effective tax rate	**128,893**	**9.0**	138,728	11.7

11. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Proposed final dividend — HK$0.15 (2020: HK$0.15) per ordinary share	**473,124**	469,096
Proposed final dividend — HK$0.15 (2020: HK$0.15) per preference share	**71,967**	71,967
	545,091	541,063
Equivalent to RMB'000	**441,153**	453,162

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 remaining amount of HK$86,241,000 (equivalent to RMB70,226,000 as at 31 December 2021 and RMB72,584,000 as at 31 December 2020) was recorded in "dividend payable" in the consolidated statement of financial position as at 31 December 2021 and 2020.

12. 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 year ended 31 December 2021 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,140,679,026 (2020: 3,111,383,038) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year ended 31 December 2021 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 year, 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.

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

	2021 **RMB'000**	2020 RMB'000
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,259,071**	1,045,144
Preferred distribution to the convertible preference shares	**80**	81
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**1,259,151**	1,045,225

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,140,679,026**	3,111,383,038
Effect of dilution — convertible preference shares	**479,781,034**	479,781,034
Effect of dilution — share options and share awards	**16,674,921**	26,813,856
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,637,134,981**	3,617,977,928

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021							
At 1 January 2021:							
Cost	2,077,218	—	1,110,014	264,897	65,224	423,207	3,940,560
Accumulated depreciation	(379,961)	—	(771,147)	(151,399)	(46,598)	—	(1,349,105)
Net carrying amount	1,697,257	—	338,867	113,498	18,626	423,207	2,591,455
At 1 January 2021, net of accumulated depreciation	1,697,257	—	338,867	113,498	18,626	423,207	2,591,455
Additions	3,123	2,568	43,890	73,070	11,140	864,649	998,440
Acquisition of a subsidiary (note 36)	—	—	—	873	—	—	873
Disposals	(46,230)	—	(5,295)	(3,004)	(418)	—	(54,947)
Depreciation provided during the year	(88,228)	(128)	(84,134)	(48,502)	(823)	—	(221,815)
Transfers	252,070	—	328,426	9,731	531	(590,758)	—
At 31 December 2021, net of accumulated depreciation	1,817,992	2,440	621,754	145,666	29,056	697,098	3,314,006
At 31 December 2021:							
Cost	2,282,712	2,568	1,449,421	330,543	74,836	697,098	4,837,178
Accumulated depreciation	(464,720)	(128)	(827,667)	(184,877)	(45,780)	—	(1,523,172)
Net carrying amount	1,817,992	2,440	621,754	145,666	29,056	697,098	3,314,006

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020						
At 1 January 2020:						
Cost	1,984,964	1,165,029	231,914	60,511	208,344	3,650,762
Accumulated depreciation	(294,670)	(770,832)	(126,624)	(45,469)	—	(1,237,595)
Net carrying amount	1,690,294	394,197	105,290	15,042	208,344	2,413,167
At 1 January 2020, net of accumulated depreciation	1,690,294	394,197	105,290	15,042	208,344	2,413,167
Additions	78,985	74,605	42,573	5,976	253,834	455,973
Disposals	(260)	(48,580)	(5,729)	(44)	—	(54,613)
Depreciation provided during the year	(86,102)	(104,657)	(29,965)	(2,348)	—	(223,072)
Transfers	14,340	23,302	1,329	—	(38,971)	—
At 31 December 2020, net of accumulated depreciation	1,697,257	338,867	113,498	18,626	423,207	2,591,455
At 31 December 2020:						
Cost	2,077,218	1,110,014	264,897	65,224	423,207	3,940,560
Accumulated depreciation	(379,961)	(771,147)	(151,399)	(46,598)	—	(1,349,105)
Net carrying amount	1,697,257	338,867	113,498	18,626	423,207	2,591,455

14. 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. Leases 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 year are as follows:

	Leasehold land RMB'000	**Buildings** RMB'000	**Total** RMB'000
As at 1 January 2020	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	**1,139,620**	**—**	**1,139,620**
Depreciation charge	**(26,086)**	**—**	**(26,086)**
As at 31 December 2021	**1,113,534**	**—**	**1,113,534**

(b) Lease liabilities

No of lease liabilities was recognised in the current year. The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements in the prior year are as follows:

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

The maturity analysis of lease liabilities is disclosed in note 43 to the consolidated financial statements.

14. LEASES (continued)

The Group as a lessee (continued)

(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 year are as follows:

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets	**26,086**	25,973
Interest charge on lease liabilities	**—**	86
Expense relating to short-term leases	**21,180**	7,145
Total amount recognised in profit or loss	**47,266**	33,204

(d) The total cash outflow for leases is disclosed in note 38(c) to the consolidated financial statements.

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 were 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 year was RMB13,218,000 (2020: RMB8,762,000), details of which are included in note 5 to the consolidated financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	**7,742**	8,666
After 1 year but within 2 years	**1,731**	5,581
After 2 years but within 3 years	**1,162**	1,000
	10,635	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 31 December 2021 were nil, RMB17,123,000 and RMB26,041,000, respectively (2020: RMB24,050,000, RMB17,799,000 and RMB9,679,000).

15. GOODWILL

	RMB'000
At 31 December 2020 and 31 December 2021:	
Cost	1,129,520
Accumulated impairment	—
Net carrying amount	1,129,520

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the following cash-generating unit for impairment testing:

- Logistics equipment cash-generating unit

The carrying amount of goodwill allocated to the logistics equipment cash-generating unit is as follows:

	2021 **RMB'000**
Carrying amount of goodwill	**1,129,520**

The recoverable amount of goodwill has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 18% (2020: 17%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2020: 3%), which was the same as the long-term average growth rate of the industry. The goodwill was not impaired based on the results of the above impairment testing.

Assumptions were used in the value in use calculation for 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected market development.

Discount rate — The discount rate used is before tax and reflects specific risk relating to the relevant unit.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

16. INTANGIBLE ASSETS

	2021 RMB'000
31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	—
Acquisition of a subsidiary (note 36)	**20,249**
Amortisation provided during the year	**(954)**
At 31 December 2021	**19,295**
At 31 December 2021:	
Cost	**20,249**
Accumulated amortization	**(954)**
Net carrying amount	**19,295**

17. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**469,372**	572,953
Work in progress	**827,667**	594,717
Finished goods	**1,296,485**	758,991
	2,593,524	1,926,661
Less: Provision against slow-moving and obsolete inventories	**(65,015)**	(105,859)
	2,528,509	1,820,802

The movements in the provision against slow-moving and obsolete inventories are as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	**105,859**	130,795
Charged for the year (note 6)	**31,397**	39,953
Write-back for the year (note 6)	**(55,739)**	(64,889)
Write-off for the year	**(16,502)**	—
At 31 December	**65,015**	105,859

18. PROPERTIES UNDER DEVELOPMENT

	2021 **RMB'000**	2020 RMB'000
Carrying amount as at 1 January	**883,852**	760,002
Additions	**155,785**	123,850
Carrying amount as at 31 December	**1,039,637**	883,852

No impairment/reversal of impairment was recognised in the consolidated statement of profit or loss for the year ended 31 December 2021.

All properties under development are situated in Mainland China.

19. TRADE AND BILLS RECEIVABLES

	2021 **RMB'000**	2020 RMB'000
Trade receivables	**5,260,679**	3,973,124
Impairment	**(348,404)**	(424,209)
	4,912,275	3,548,915
Less: Trade receivables due after one year	**(640,575)**	(261,116)
	4,271,700	3,287,799
Bills receivable	**700,270**	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 5% (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 RMB742,104,000 as at 31 December 2021 (2020: RMB355,709,000) for sales of products by the Group, which accounted for 14% (2020: 9%) of the Group's trade receivables at the end of the reporting period. Trade receivables are non-interest-bearing.

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

19. TRADE AND BILLS RECEIVABLES (continued)

	2021 RMB'000	2020 RMB'000
Within 180 days	**3,262,566**	2,107,968
181 to 365 days	**1,112,214**	985,333
1 to 2 years	**412,296**	384,728
2 to 3 years	**114,855**	61,935
Over 3 years	**10,344**	8,951
	4,912,275	3,548,915

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

	2021 RMB'000	2020 RMB'000
At beginning of year	**424,209**	564,151
Reversal of impairment, net (note 6)	**(2,658)**	(72,524)
Amount written off as uncollectible	**(73,147)**	(67,418)
At end of year	**348,404**	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.

19. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

			Ageing		
As at 31 December 2021	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**2.07%**	**12.78%**	**29.24%**	**93.47%**	**6.62%**
Gross carrying amount (RMB'000)	**4,467,169**	**472,704**	**162,322**	**158,484**	**5,260,679**
Expected credit losses (RMB'000)	**92,389**	**60,408**	**47,467**	**148,140**	**348,404**

			Ageing		
As at 31 December 2020	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.54%	14.09%	49.26%	96.58%	10.68%
Gross carrying amount (RMB'000)	3,141,555	447,806	122,055	261,708	3,973,124
Expected credit losses (RMB'000)	48,254	63,078	60,119	252,758	424,209

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:

	2021 RMB'000	2020 RMB'000
Within six months	**534,249**	456,376
Over six months	**166,021**	138,740
	700,270	595,116

Included in the bills receivable was an amount of RMB96,940,000 as at 31 December 2021 (2020: RMB118,034,000) which was pledged for the issuance of a letter of guarantee.

No of the bill receivable as at 31 December 2021 (2020: RMB3,900,000) was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

19. TRADE AND BILLS RECEIVABLES (continued)

Transferred financial assets that are not derecognised in their entirety

At 31 December 2021, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB194,840,000 (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 year to which the suppliers have recourse was RMB194,840,000 (2020: RMB183,465,000) as at 31 December 2021.

Transferred financial assets that are derecognised in their entirety

At 31 December 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 RMB744,178,000 (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 may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the Directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. 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.

20. CONTRACT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contract assets arising from:		
Sale of industrial products	**97,672**	41,544
Impairment	**(1,208)**	(755)
	96,464	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 year ended 31 December 2021, RMB1,208,000 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 19 to the financial statements.

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

	2021 RMB'000	2020 RMB'000
Within one year	**41,850**	19,517
After one year	**54,614**	21,272
Total contract assets	**96,464**	40,789

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

	2021 RMB'000	2020 RMB'000
At beginning of year	**755**	—
Impairment losses, net (note 6)	**453**	755
At end of year	**1,208**	755

20. CONTRACT ASSETS (continued)

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.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2021 RMB'000	2020 RMB'000
Expected credit loss rate	**1.24%**	1.82%
Gross carrying amount (RMB'000)	**97,672**	41,544
Expected credit losses (RMB'000)	**1,208**	755

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Non-current prepayments	**9,650**	9,650
Current assets:		
Prepayments	**255,707**	131,371
Deposits and other receivables	**339,332**	130,882
Loans to related parties	**—**	100,000
Loans to third parties	**20,676**	53,933
Gross balance	**615,715**	416,186
Impairment allowance	**(31,057)**	(57,146)
	584,658	359,040

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

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

Included in the current prepayments, RMB53,466,000 was due from fellow subsidiaries as at 31 December 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 31 December 2021 was 3.2% (2020: 3.0%).

Loans to related parties of RMB100,000,000 as at 31 December 2020 were unsecured, bore interest at rates of 3.85% per annum and have been repaid in 2021.

No of loans to third parties as at 31 December 2021 (31 December 2020: RMB756,000) are unsecured, repayable within one year and bear interest at the prevailing market rate. As at 31 December 2021 and 2020, except for the defaulted receivables, the Group assessed the expected loss rate for the rest to be minimal.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	RMB'000
Unlisted investments		
Financial investments at fair value through profit or loss	**3,680,123**	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.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**710,329**	397,234
Time deposits	**660,000**	544,672
	1,370,329	941,906
Less: Pledged time deposits for banking facilities	**(20,997)**	(455)
Cash and cash equivalents	**1,349,332**	941,451
Cash and cash equivalents, time deposits and pledged deposits denominated in		
— RMB	**1,255,909**	879,075
— Hong Kong dollar ("HK$")	**7,480**	24,300
— United States dollar ("US$")	**106,726**	37,751
— Euro ("EUR")	**214**	235
— Australian Dollar ("AUD")	**—**	545
	1,370,329	941,906

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

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

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

At 31 December 2021, bank balances of RMB600,000,000 (2020: RMB230,000,000) are deposited in Sanxiang Bank, a related company of the Group.

24. 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:

	2021 RMB'000	2020 RMB'000
Within 30 days	**2,769,451**	1,057,094
31 to 90 days	**686,892**	884,439
91 to 180 days	**337,542**	724,199
181 to 365 days	**494,060**	150,052
Over 1 year	**134,359**	76,795
	4,422,304	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 RMB128,963,000 as at 31 December 2021 (2020: RMB95,161,000) for purchasing raw materials by the Group.

25. BONDS PAYABLE

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

On 6 May 2020, the Group registered its super and 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 by the Group.

26. OTHER PAYABLES AND ACCRUALS

	Notes	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Contract liabilities	(a)	**1,644,891**	947,632
Deposits received for disposal of a subsidiary classified as held for sale	37	**—**	175,433
Other payables	(b)	**933,207**	733,487
Accruals		**81,302**	60,945
		2,659,400	1,917,497

(a) Details of contract liabilities are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Sales of industrial products	**1,644,891**	947,632

Contract liabilities include short-term advances received to deliver industrial products. The increase in contract liabilities in 2021 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 year.

Included in the contract liabilities was an amount of RMB509,228,000 as at 31 December 2021 (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 RMB329,308,000 as at 31 December 2021 (2020: RMB294,170,000), which is non-interest-bearing and is repayable on demand.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	**—**	**—**	**—**	3.00	2021	507,969
Bank loans — unsecured	**Libor+ 0.15–3.55**	**2022**	**1,687,346**	1.14–3.70	2021	1,637,143
			1,687,346			2,145,112
Non-current						
Bank loans — unsecured	**2.92–4.10**	**2023-2024**	**1,766,768**	2.92–3.40	2023	492,754

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**1,687,346**	2,145,112
In the second year	**1,566,768**	—
In the third to fifth years, inclusive	**200,000**	492,754
	3,454,114	2,637,866

(a) 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, respectively (2021: Nil).

(b) As at 31 December 2021, Sany Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB2,650,172,000 (2020: RMB1,513,722,000) as at the end of the reporting period.

(c) Except for a unsecured bank loan of RMB187,109,000 which is denominated in United States dollars, all borrowings are in RMB (2020: RMB775,051,000).

28. PROVISION FOR WARRANTIES

	2021 RMB'000	2020 RMB'000
At 1 January	**32,009**	32,496
Additional provision (note 6)	**30,788**	32,009
Amounts utilised during the year	**(15,831)**	(16,839)
Reversal of unutilised amounts (note 6)	**(22,913)**	(15,657)
At 31 December	**24,053**	32,009

The Group provides warranties (one year for coal mining 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.

29. GOVERNMENT GRANTS

	2021 RMB'000	2020 RMB'000
At 1 January	**1,201,610**	1,289,373
Received during the year	**140,265**	112,265
Accrued during the year	**21,658**	—
Acquisition of a subsidiary (note 36)	**19,473**	—
Released to the statement of profit or loss during the year (note 5)	**(302,846)**	(200,028)
At 31 December	**1,080,160**	1,201,610
Current portion	**(112,700)**	(96,164)
Non-current portion	**967,460**	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.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 Liabilities RMB'000	2020 Liabilities RMB'000
Forward currency contracts	**2,552**	—
Interest rate swaps	**6,009**	5,407
	8,561	5,407

The interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Fair value loss of forward currency contracts amounting to RMB2,552,000 (2020: nil) and fair value gain of non-hedging interest rate swaps amounting to RMB989,000 (2020: fair value loss of RMB45,000) were charged to the statement of profit or loss during the year.

The Group holds the following foreign exchange forward contracts:

	Maturity Less than 3 months	 3 to 6 months	 Total
As at 31 December 2021			
Foreign currency forward contracts (highly probable forecast purchases)			
Notional amount (in USD'000)	**36**	**14,883**	**14,919**
Average forward rate (RMB/USD)	**5.9000**	**6.6084**	

31. 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	345,955	2,539	348,494
Charged to the consolidated statement of profit or loss (note 10)	(50,730)	(2,179)	(52,909)
At 31 December 2020 and 1 January 2021	**295,225**	**360**	**295,585**
(Charged)/credited to the consolidated statement of profit or loss (note 10)	**(24,200)**	**15,467**	**(8,733)**
At 31 December 2021	**271,025**	**15,827**	**286,852**

The Group has tax losses arising in Hong Kong of RMB5,550,000 (2020: RMB41,724,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Mainland China of RMB3,759,000 (2020: RMB34,097,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have mainly arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

31. 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	2,982	32,924	1,333	—	37,239
Charged/(credited) to the consolidated statement of profit or loss (note 10)	8,164	11,475	(29)	11,748	31,358
At 31 December 2020 and 1 January 2021	**11,146**	**44,399**	**1,304**	**11,748**	**68,597**
Acquisition of a subsidiary (note 36)	—	—	**5,061**	—	**5,061**
Charged/(credited) to the consolidated statement of profit or loss (note 10)	**6,456**	**14,717**	**(268)**	**3,372**	**24,277**
At 31 December 2021	**17,602**	**59,116**	**6,097**	**15,120**	**97,935**

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 31 December 2021, the Group has not recognised deferred tax liabilities of RMB137,466,000 (2020: RMB103,159,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB2,749,315,000 (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.

32. SHARE CAPITAL

Shares

	2021 HK$'000	2020 HK$'000
Authorised:		
4,461,067,880 (2020: 4,461,067,880) ordinary shares of HK$0.10 each	**446,107**	446,107
538,932,120 (2020: 538,932,120) convertible preference shares of HK$0.10 each	**53,893**	53,893
Total authorised capital	**500,000**	500,000
Issued and fully paid:		
3,154,123,013 (2020: 3,125,981,250) ordinary shares of HK$0.10 each	**315,412**	312,598
479,781,034 (2020: 479,781,034) convertible preference shares of HK$0.10 each	**47,978**	47,978
Total issued and fully paid capital	**363,390**	360,576
Equivalent to RMB'000	**312,060**	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.

32. SHARE CAPITAL (continued)

Shares (continued)

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	Share capital Equivalent to RMB'000
At 1 January 2020	479,781,034	3,100,762,500	358,054	307,469
Issue of shares (note)	—	25,218,750	2,522	2,238
Release of share-based compensation reserve to share premium upon exercise of share options (note)	—	—	—	—
At 31 December 2020	479,781,034	3,125,981,250	360,576	309,707

	Number of convertible shares	**Number of ordinary shares**	**Share capital HK$'000**	**Share capital Equivalent to RMB'000**
At 1 January 2021	**479,781,034**	**3,125,981,250**	**360,576**	**309,707**
Issue of shares (note)	**—**	**28,141,763**	**2,814**	**2,353**
Release of share-based compensation reserve to share premium upon exercise of share options (note)	**—**	**—**	**—**	**—**
At 31 December 2021	**479,781,034**	**3,154,123,013**	**363,390**	**312,060**

Note:

During the year ended 31 December 2021, 28,141,763 (2020: 25,218,750) new ordinary shares were issued for the share options exercised. Cash proceeds of HK$31,663,000 (equivalent to RMB26,474,000) (2020: HK$33,567,000, equivalent to RMB29,793,000) were received with no transaction costs borne by the Company, and the related share option reserve of RMB12,191,000 (2020: RMB12,331,000) was transferred to share premium accordingly.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive directors and other employees of the Group. The Scheme became effective on 15 December 2017, 29 December 2017, 14 November 2018, and 29 December 2021 (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 revenue for the year 2021 represents an increase of 35% or more as compared to that of the year 2020, or the net profit for the year 2021 represents an increase of 20% or more as compared to that of the year 2020 ("Target Performance I"), the Vesting Date will be the date when the annual results announcement for the year ending 31 December 2021 is published.(1)	30%
If the revenue for the year 2022 represents an increase of 70% or more as compared to that of the year 2020, or the net profit for the year 2022 represents an increase of 45% or more as compared to that of the year 2020 ("Target Performance II"), the Vesting Date will be the date when the annual results announcement for the year ending 31 December 2022 is published.(2)	30%
If the revenue for the year 2023 represents an increase of 100% or more as compared to that of the year 2020, or the net profit for the year 2023 represents an increase of 70% or more as compared to that of the year 2020 ("Target Performance III"), the Vesting Date will be the date when the annual results announcement for the year ending 31 December 2023 is published.(3)	40%

Notes:

(1) If the Target Performance I is not achieved, then the 30% share options (the "First Tranche Options") lapse in the year of 2022;

(2) If the Target Performance II is not achieved, then the 30% share options (the "Second Tranche Options") lapse in the year of 2023;

(3) If the Target Performance III is not achieved, then the 40% share options (the "Third Tranche Options") lapse in the year of 2024.

33. SHARE OPTION SCHEME (continued)

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

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

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

	Year ended 31 December 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
Granted during the year	**7.39**	**96,950,000**	—	—
Exercised during the year	**1.32**	**(24,028,800)**	1.33	(25,218,750)
Forfeited during the year	**1.42**	**(2,682,500)**	1.28	(5,293,750)
31 December	**6.73**	**108,726,200**	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:

31 December 2021

Number of options	**Exercise price* per share HK$**	**Exercise period**
10,662,200	**1.22**	**15–12–2017 to 15–3–2021**
380,000	**1.71**	**29–12–2017 to 15–3–2021**
734,000	**2.30**	**14–11–2018 to 31–3–2021**
96,950,000	**7.39**	**29–12–2021 to 31–3–2024**
108,726,200		

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		

33. SHARE OPTION SCHEME (continued)

There were 108,726,200 share options outstanding as at 31 December 2021.

The Group recognised a share option expense of RMB1,849,000 (31 December 2020: RMB11,305,000) during the year.

The fair value of equity-settled share options granted was HK$128,668,000 (HK$1.33 each) (equivalent to RMB105,166,000) on 29 December 2021, of which the Group recognised a share option expense of HK$1,133,000 (equivalent to RMB939,000) during the year ended 31 December 2021.

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	Granted on 29 December 2021
Dividend yield (%)	2.18	1.58	7.83	3.00
Expected volatility (%)	46.45	46.72	43.21	45.60
Historical volatility (%)	46.45	46.72	43.21	45.60
Risk-free interest rate (%)	2.22	2.28	3.02	1.27
Expected life of options (year)	10	10	10	10
Weighted average share price (HK$ per share)	1.22	1.71	2.30	7.39

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.

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, the Company had 108,726,200 share options outstanding under the Schemes, which represented approximately 3.1% of the Company's ordinary shares in issue as at that date.

34. SHARE AWARD SCHEME

The Company operates a restricted share award scheme (the "Share Award Scheme") for the purpose of recognising and rewarding 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 and 2 September 2021 (the "Date of Grant") respectively, and the granted shall vest in the proposed grantees in accordance with the timetable below:

Vesting date	Number of restricted shares involved		Percentage of restricted shares to vest	
	Granted on 18 December 2020	Granted on 2 September 2021	Granted on 18 December 2020	Granted on 2 September 2021
18 March 2021	1,048,412	—	20%	—
18 March 2022	1,048,412	1,585,885	20%	20%
18 March 2023	1,048,412	1,585,885	20%	20%
18 March 2024	1,048,412	1,585,885	20%	20%
18 March 2025	1,048,551	1,585,885	20%	20%
18 March 2026	—	1,587,206	—	20%
	5,242,199	7,930,746	100%	100%

The following shares award were outstanding during the year:

	Year ended 31 December 2021 Number of share awards
At 1 January	**5,239,654**
Vested during the period	**(1,041,605)**
Granted during the year	**7,930,746**
Lapsed during the year	**(118,006)**
31 December	**12,010,789**

There were 12,010,789 share awards outstanding and none of which were vested as at 31 December 2021.

The Group recognised a share award expense of RMB24,290,000 during the year.

34. SHARE AWARD SCHEME (continued)

The fair value of the share awards granted on 18 December 2020 and 29 September 2021 was HK$27,679,000 (HK$5.28 each) (equivalent to RMB23,321,000) and HK$82,480,000 (HK$10.40 each) (equivalent to RMB67,414,000), of which the Group recognised a share award expense of HK$12,450,000 (equivalent to RMB10,315,000) and HK$16,867,000 (equivalent to RMB13,975,000) respectively during the year.

The fair value of share awards granted on 18 December 2020 and 29 September 2021 during the year was estimated using the fair value of stock price as at the grant date, which was HK$5.28 each and HK$10.40 each respectively.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor pursuant to the group reorganisation as defined in the prospectus of the Company dated 12 November 2009.

In accordance with the PRC Company Law, the PRC subsidiaries of the Group are required to allocate 10% of their profit after tax to the reserve funds until the reserve reaches 50% of the registered capital of the PRC subsidiaries. Subject to certain restrictions set out in the Company Law of the PRC, part of the reserve funds may be converted to increase the paid-up capital/issued capital of the PRC subsidiaries, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

36. BUSINESS COMBINATION

On 26 January 2021, the Group acquired a 70% equity interest in Sany Construction Robot from Sany Construction Technology Co., Ltd., a fellow subsidiary of the Company. Sany Construction Robot is engaged in the research and development of robots and automation equipment robots 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 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.

The Group has elected to measure the non-controlling interest in Sany Construction Robot at the non-controlling interest's proportionate share of Sany Construction Robot's identifiable net assets.

36. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of Sany Construction as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	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 29)	(19,473)
Deferred tax liabilities (note 31)	(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 contributed RMB216,213,000 to the Group's revenue and RMB31,636,000 to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB10,198,094,000 and RMB1,311,537,000, respectively.

37. DISPOSAL OF A SUBSIDIARY 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 subsidiary 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

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, the Group had non-cash additions to prepayments, other receivables and other assets of RMB21,658,000, in respect of the accrual of government grant in relation to tax refund.

During the year ended 31 December 2020, the Group had non-cash additions to property, plant and equipment of RMB32,593,000, which were transferred from trade receivables due to a customer used a barge to offset the payment.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Interest payables included in other payables and accruals RMB'000	Derivative financial instruments RMB'000	Bonds payable RMB'000	Total RMB'000
At 31 December 2020	**2,637,866**	**11,051**	**5,407**	**499,655**	**3,153,979**
Changes from financing cash flows	**816,278**	**(111,461)**	**(5,407)**	**(500,000)**	**199,410**
Import bill advance	**8,531**	**—**	**—**	**—**	**8,531**
Interest rate swaps	**(8,561)**	**—**	**8,561**	**—**	**—**
Interest expense	**—**	**119,321**	**—**	**345**	**119,666**
Interest paid classified as operating cash flows	**—**	**(17,056)**	**—**	**—**	**(17,056)**
At 31 December 2021	**3,454,114**	**1,855**	**8,561**	**—**	**3,464,530**

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Interest payables included in other payables and accruals RMB'000	Derivative financial instruments RMB'000	Bonds payable RMB'000	Total RMB'000
At 31 December 2019	3,256,135	3,391	2,072	3,864	—	3,265,462
Changes from financing cash flows	(612,862)	(3,391)	(113,660)	(3,864)	499,437	(234,340)
Interest rate swaps	(5,407)	—	—	5,407	—	—
Interest expense	—	86	131,979	—	218	132,283
Interest paid classified as operating cash flows	—	(86)	(9,340)	—	—	(9,426)
At 31 December 2020	2,637,866	—	11,051	5,407	499,655	3,153,979

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	21,180	7,231
Within financing activities	—	3,391

39. COMMITMENTS

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

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Buildings	551,653	212,608
Plant and machinery	203,331	1,625,730
	754,984	1,838,338

(b) Operating lease commitments as at 31 December 2021

At 31 December 2021, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2021 RMB'000	2020 RMB'000
Within one year	—	153

40. RELATED PARTY TRANSACTIONS

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

(1) Recurring transactions

	Notes	2021 RMB'000	2020 RMB'000
Sales of products to:			
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(vi)	**337,200**	70,427
PT.SANY INDONESIA MACHINERY (印度尼西亞三一機械有限公司)	(i)&(vi)	**302,382**	61,159
Sany America Inc. (三一美國)	(i)&(vi)	**262,516**	142,041
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(vi)	**235,030**	21,275
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(vi)	**131,683**	44,850
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(i)&(vi)	**119,071**	17,628
Sany International Development Limited (三一國際發展有限公司)	(i)&(vi)	**106,420**	113,825
Sany Heavy Industry India Pvt Ltd. (三一重工印度私人有限公司)	(i)&(vi)	**100,852**	53,371
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(vi)	**82,787**	5,568
SANY Europe GmbH (三一歐洲)	(i)&(vi)	**62,418**	53,320
Sany South America Co., Ltd. (三一南美有限公司)	(i)&(vi)	**50,581**	—
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(vi)	**48,748**	23,288
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(vi)	**41,830**	3,831
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(i)&(vi)	**37,182**	7,479
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(vi)	**34,282**	41,915
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(i)&(vi)	**30,185**	44,157
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(vi)	**28,234**	633
Sany (Russia) Co., Ltd. (俄羅斯三一有限責任公司)	(i)&(vi)	**18,517**	1,385
Hunan Trinity Industrial Vocational and Technical College (湖南三一工業職業技術學院)	(i)&(vi)	**9,690**	—
Hunan Sany Zhongyi Machinery Co., Ltd. (湖南三一中益機械有限公司)	(i)&(vi)	**9,304**	—
Hunan Sanyi Petroleum Technology Co., Ltd. (湖南三一石油科技有限公司)	(i)&(vi)	**9,035**	—
Shengjing Intelligent Technology (Jiaxing) Co., Ltd. (盛景智能科技(嘉興)有限公司)	(i)&(vi)	**6,393**	—
Hunan Sany Tower Lifting Machinery Co., Ltd. (湖南三一塔式起重機械有限公司)	(i)&(vi)	**5,285**	3,129
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(i)&(vi)	**4,796**	682
SANY SOUTHERN AFRICA (PTY) Ltd. (三一南非有限公司)	(i)&(vi)	**4,507**	—
Sany Auto Finance Co., Ltd. (三一汽車金融有限公司)	(i)&(vi)	**4,248**	—
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(i)&(vi)	**4,096**	62,955
Hunan Sany Zhongyang Machinery Co., Ltd. (湖南三一中陽機械有限公司)	(i)&(vi)	**3,811**	3,301
Hunan Sany Medium Lifting Machinery Co. Ltd. (湖南三一中型起重機械有限公司)	(i)&(vi)	**3,601**	21,274
Hunan Sanyi Huayuan Machinery Co., Ltd. (湖南三一華源機械有限公司)	(i)&(vi)	**1,081**	—
Sany Supply Chain Technology (Shanghai) Co., Ltd. (三一供應鏈科技(上海)有限公司)	(i)&(vi)	**914**	—
Sany Heavy Energy Equipment Co., Ltd. (三一重能有限公司)	(i)&(vi)	**518**	2,101
Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司)	(i)&(vi)	**265**	517
Changsha Branch of Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司長沙分公司)	(i)&(vi)	**—**	1,946
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(vi)	**—**	308
Others	(i)&(vi)	**1,335**	1,543
		2,098,797	803,908

40. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2021 RMB'000	2020 RMB'000
Sales of raw materials, parts and equipment to:			
Shengjing Intelligent Technology (Jiaxing) Co., Ltd. (盛景智能科技(嘉興)有限公司)	(i)&(vi)	**19,656**	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(vi)	**18,578**	15,183
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(vi)	**2,529**	—
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(i)&(vi)	**1,097**	377
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(i)&(vi)	**489**	—
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(i)&(vi)	**293**	—
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(vi)	**271**	28,338
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(vi)	**213**	—
Hunan Sanyi Petroleum Technology Co., Ltd. (湖南三一石油科技有限公司)	(i)&(vi)	**195**	—
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(vi)	**154**	164
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(i)&(vi)	**58**	30
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(vi)	**34**	854
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(i)&(vi)	**12**	237
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(vi)	**2**	11
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(vi)	**—**	11
Sany International Development Limited (三一國際發展有限公司)	(i)&(vi)	**—**	41,214
Sany America Inc (三一美國)	(i)&(vi)	**—**	4,695
PT.Sany Indonesia Machinery (印度尼西亞三一機械有限公司)	(i)&(vi)	**—**	3,896
Sany Southern Africa (PTY) Ltd. (三一南非有限公司)	(i)&(vi)	**—**	3,876
SANY Europe GmbH (三一歐洲)	(i)&(vi)	**—**	1,820
Sany Heavy Industry India Pvt Ltd. (三一重工印度私人有限公司)	(i)&(vi)	**—**	1,557
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(vi)	**—**	1
Others	(i)&(vi)	**439**	1,247
		44,020	103,511

40. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2021 RMB'000	2020 RMB'000
Purchases of raw materials from:			
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(ii)&(vi)	**181,212**	127,202
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(ii)&(vi)	**83,134**	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(vi)	**53,805**	31,175
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(ii)&(vi)	**42,691**	19,229
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(ii)&(vi)	**32,713**	3,755
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(ii)&(vi)	**31,218**	16,072
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(vi)	**25,487**	11,953
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(ii)&(vi)	**24,770**	26,214
Changsha Dilian Industrial Control Technology Co., Ltd. (長沙帝聯工控科技有限公司)	(ii)&(vi)	**14,016**	—
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(ii)&(vi)	**7,323**	3,995
Hunan Sany Culture Co. Ltd. (湖南三一文化產業有限公司)	(ii)&(vi)	**6,412**	2,124
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(ii)&(vi)	**5,935**	139
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(ii)&(vi)	**5,268**	1,715
Shengjing Intelligent Technology (Jiaxing) Co., Ltd. (盛景智能科技(嘉興)有限公司)	(ii)&(vi)	**3,450**	—
Hunan Sany Hoisting Machinery Co., Ltd. (湖南三一汽車起重機械有限公司)	(ii)&(vi)	**3,214**	2,098
Shanghai Huaxing Digital Technology Co., Ltd. (上海華興數字科技有限公司)	(ii)&(vi)	**2,664**	1,094
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(ii)&(vi)	**301**	—
SANY Europe GmbH (三一歐洲)	(ii)&(vi)	**254**	—
Sany Group Co., Ltd. (三一集團有限公司)	(ii)&(vi)	**73**	—
Hunan Xingbida Network Technology Co., Ltd. (行必達網聯科技有限公司)	(ii)&(vi)	**8**	—
Others	(ii)&(vi)	**509**	271
		524,457	247,036

40. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2021 RMB'000	2020 RMB'000
Purchases of equipment from:			
Hunan Zizhuyuan Real Estate Co., Ltd. (湖南紫竹源房地產有限公司)	(ii)&(vi)	**16,547**	5,776
Hunan Xingxiang Construction Supervision Consulting Co. Ltd. (湖南興湘建設監理諮詢有限公司)	(ii)&(vi)	**4,684**	2,430
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(vi)	**111**	520
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(ii)&(vi)	**37**	1,821
Rootcloud Technology Co., Ltd. (樹根互聯技術有限公司)	(ii)&(vi)	**—**	3,589
Sany Construction Industry Co., Ltd. (三一築工科技有限公司)	(ii)&(vi)	**—**	181
Hunan Trinity Industrial Vocational and Technical College (湖南三一工業職業技術學院)	(ii)&(vi)	**—**	154
Others	(ii)&(vi)	**—**	210
		21,379	14,681
Rental fees paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(vi)	**3,505**	3,379
Others	(iii)&(vi)	**3,087**	548
		6,592	3,927
Service fees paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(vi)	**7,269**	3,146
Sany Group Co., Ltd. (三一集團有限公司)	(iv)&(vi)	**181**	518
Others		**—**	22
		7,450	3,686

40. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2021 RMB'000	2020 RMB'000
Service income from：			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(vi)	**22,121**	—
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(iv)&(vi)	**10,112**	—
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(iv)&(vi)	**7,359**	—
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(iv)&(vi)	**3,388**	—
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(iv)&(vi)	**2,950**	—
Hunan Sany Medium Lifting Machinery Co., Ltd. (湖南三一中型起重機械有限公司)	(iv)&(vi)	**2,077**	1,634
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(iv)&(vi)	**1,453**	8,883
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(iv)&(vi)	**1,394**	4,420
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(iv)&(vi)	**1,305**	—
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(iv)&(vi)	**495**	5,377
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(iv)&(vi)	**111**	1,628
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(iv)&(vi)	**53**	—
Hunan Sany Zhongyang Machinery Co., Ltd. (湖南三一中陽機械有限公司)	(iv)&(vi)	**34**	—
Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司)	(iv)&(vi)	**17**	—
Hunan Sany Zhongyi Machinery Co., Ltd. (湖南三一中益機械有限公司)	(iv)&(vi)	**6**	—
Sany Construction Industry Co., Ltd. (三一築工科技有限公司)	(iv)&(vi)	**5**	—
		52,880	21,942

40. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2021 RMB'000	2020 RMB'000
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(iv)&(vi)	**287,375**	158,803
Balance of deposits with:			
Sanxiang Bank (湖南三湘銀行股份有限公司)	(v)&(vi)	**600,000**	230,000
Annual interests provided by:			
Sanxiang Bank (湖南三湘銀行股份有限公司)	(v)&(vi)	**24,497**	10,264
Sales of parts and equipment under a financial guarantee contract with:			
Sany Financial Leasing Co., Ltd. (三一融資租賃有限公司)	(i)&(vi)	**100,393**	—
Hunan Zhonghong Finance Leasing Co., Ltd. (湖南中宏融資租賃有限公司, "Hunan Zhonghong")	(i)&(vi)	**—**	143,187
		100,393	143,187
Provision of a financial guarantee under a financial guarantee Contract with:			
Sany Financial Leasing Co., Ltd. (三一融資租賃有限公司)	(i)&(vi)	**88,163**	—
Hunan Zhonghong	(i)&(vi)	**—**	121,832
		88,163	121,832

40. 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 Group deposited RMB230,000,000 in the prior year at an interest rate of 3.85% per annum and the deposit agreement will be due on 17 April 2023. In the current year, the Group deposited RMB750,000,000 at the interest rates between 3.85% and 4.15%, with the deposit agreement due on 5 March 2026 or 25 June 2026, among which RMB380,000,000 was early withdrawn.

(vi) 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.

40. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions

	2021 RMB'000	2020 RMB'000
Supervisor fee paid to:		
Hunan Xingxiang Construction Consultation Co., Ltd. (湖南興湘建設監理諮詢有限公司)	—	556
Service fees paid to:		
SANY Europe GmbH (三一歐洲)	2,231	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	1,284	1,372
Sany Group Co., Ltd. (三一集團有限公司)	683	—
Hunan Zhongtai Equipment Engineering Co., Ltd. (湖南中泰設備工程有限公司)	657	530
Hunan Sany Vocational and Technical College of Industry (湖南三一工業職業技術學院)	125	273
Sany America Inc. (三一美國)	89	—
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	69	—
Hunan Zizhuyuan Real Estate Co. Ltd. (湖南紫竹源房地產有限公司)	—	943
Shugen Internet Technology Co., Ltd. (樹根互聯技術有限公司)	—	601
Others	507	652
	5,645	4,371
Service income from:		
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	—	904
Rental income received from:		
Shenyang Sanyiyuan Construction Machinery Co., Ltd. (瀋陽三益源工程機械有限公司)	306	238
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	50	66
Shenyang Sany Architectural Design and Research Co. Ltd. (瀋陽三一建築設計研究有限公司)	—	103
Others	—	26
	356	433
Rental fees paid to：		
Hunan Zhongtai Equipment Engineering Co., Ltd. (湖南中泰設備工程有限公司)	2,944	—
Others	2	—
	2,946	—

40. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions (continued)

	Notes	**2021 RMB'000**	2020 RMB'000
Loans to related parties:			
Hunan Zhonghong	(i)	**300,000**	300,000
Repayment of loans from related parties:			
Hunan Zhonghong	(i)	**400,000**	400,000
China Kangfu Finance Lease Co., Ltd. (中國康富國際租賃股份有限公司, "Kangfu Leasing")	(i)	**—**	100,000
		400,000	500,000
Interest from loans to related parties:			
Hunan Zhonghong	(i)	**7,203**	3,707
China Kangfu Finance Lease Co., Ltd. (中國康富國際租賃股份有限公司, "Kangfu Leasing")	(i)	**—**	5,147
		7,203	8,854

Note:

(i) A loan of RMB100,000,000 and RMB300,000,000 was made to Hunan Zhonghong in the prior year and in the current year respectively, at an interest rate of 3.85% and 4.15%, and the loan was guaranteed by Sany Group Co., Ltd. ("Sany Group") for a maximum term of 180 days and has been fully repaid in the current year.

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

40. RELATED PARTY TRANSACTIONS (continued)

(3) Compensation of key management personnel

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**12,684**	18,621
Equity-settled share-based payment expenses	**4,686**	1,703
Employee retirement benefits and other staff welfare	**9,543**	6,056
Total compensation paid to key management personnel	**26,913**	26,380

Included in the above were the compensation paid to the Company's directors and the chief executive as set out in note 8 to the financial statements and the compensation paid to senior management personnel of the Group is as follows:

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,034**	1,632
Equity-settled share-based payment expenses	**43**	70
Employee retirement benefits and other staff welfare	**316**	56
Total	**1,393**	1,758

Number of members of the senior management personnel above by remuneration band:

Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income (debt instruments) RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	—	—	4,912,275	4,912,275
Bills receivable	—	700,270	—	700,270
Financial assets included in prepayments, other receivables and other assets	—	—	328,951	328,951
Financial assets at fair value through profit or loss	3,680,123	—	—	3,680,123
Pledged deposits	—	—	20,997	20,997
Cash and cash equivalents	—	—	1,349,332	1,349,332
	3,680,123	700,270	6,611,555	10,991,948

Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	4,422,304	4,422,304
Financial liabilities included in other payables and accruals	—	890,785	890,785
Interest — bearing bank and other borrowings	—	3,454,114	3,454,114
Derivative financial instruments	8,561	—	8,561
	8,561	8,767,203	8,775,764

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2020

Financial assets	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income (debt instruments) RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	—	—	3,548,915	3,548,915
Bills receivable	—	595,116	—	595,116
Financial assets included in prepayments, other receivables and other assets	—	—	235,806	235,806
Financial assets at fair value through profit or loss	4,023,670	—	—	4,023,670
Pledged deposits	—	—	455	455
Cash and cash equivalents	—	—	941,451	941,451
	4,023,670	595,116	4,726,627	9,345,413

Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	2,892,579	2,892,579
Bonds payable	—	499,655	499,655
Financial liabilities included in other payables and accruals	—	689,661	689,661
Interest — bearing bank and other borrowings	—	2,637,866	2,637,866
Derivative financial instruments	5,407	—	5,407
	5,407	6,719,761	6,725,168

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair value	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Trade receivables, non-current portion	**640,575**	261,116	**610,432**	243,784
Bills receivable	**700,270**	595,116	**700,270**	595,116
Financial assets at fair value through profit or loss	**3,680,123**	4,023,670	**3,680,123**	4,023,670
	5,020,968	4,879,902	**4,990,825**	4,862,570
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	**1,766,768**	492,754	**1,735,632**	469,255
Derivative financial instruments	**8,561**	5,407	**8,561**	5,407
	1,775,329	498,161	**1,744,193**	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.

42. 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 the non-current portion of trade receivable, interest-bearing bank and other borrowings as at 31 December 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 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.

42. 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 31 December 2021	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bills receivable	—	700,270	—	700,270
Financial assets at fair value through profit or loss	—	3,680,123	—	3,680,123
	—	4,380,393	—	4,380,393

As at 31 December 2020	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total 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

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2021	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	**—**	**8,561**	**—**	**8,561**

As at 31 December 2020	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	—	5,407	—	5,407

During the year, 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.

Assets for which fair values are disclosed:

As at 31 December 2021	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade receivables, non-current portion	**—**	**610,432**	**—**	**610,432**

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

Fair value hierarchy (continued)

Assets for which fair values are disclosed: (continued)

As at 31 December 2020	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade receivables, non-current portion	—	243,784	—	243,784

Liabilities for which fair values are disclosed:

As at 31 December 2021	**Fair value measurement using** **Quoted prices in active markets (Level 1)** **RMB'000**	**Significant observable inputs (Level 2)** **RMB'000**	**Significant unobservable inputs (Level 3)** **RMB'000**	**Total** **RMB'000**
Interest-bearing bank and other borrowings (other than lease liabilities), non-current portion	**—**	**1,735,632**	**—**	**1,735,632**

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, bonds payable and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, bills receivable, trade payables and bills payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rate risk of the Group is mainly due to the interest rate fluctuations of its bank borrowings. Interest on these bank borrowings is computed based on market rates.

The Group will constantly assess the interest rate risk it encounters to decide whether it is required to hedge against the possible interest rate risk that may arise. As at 31 December 2021, if the interest rate of the floating rate bank borrowings had increased/decreased by 5% and all other factors remained unchanged, there would have been a decrease/increase of RMB1,035,000 on the profit before tax for the year (2020: RMB430,000).

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 20.5% (2020： 18.5%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst all costs were denominated in the units' functional currencies. In addition, the Group has currency exposures from its interest-bearing bank borrowings.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of monetary assets and liabilities.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000
31 December 2021		
If RMB weakens against HK$	**5**	**563**
If RMB strengthens against HK$	**(5)**	**(563)**
If RMB weakens against US$	**5**	**31,895**
If RMB strengthens against US$	**(5)**	**(31,895)**
If RMB weakens against EUR	**5**	**9,913**
If RMB strengthens against EUR	**(5)**	**(9,913)**
31 December 2020		
If RMB weakens against HK$	5	1,448
If RMB strengthens against HK$	(5)	(1,448)
If RMB weakens against US$	5	17,474
If RMB strengthens against US$	(5)	(17,474)
If RMB weakens against EUR	5	(4,595)
If RMB strengthens against EUR	(5)	4,595

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2021	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	 Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	5,260,679	5,260,679
Bills receivable	700,270	—	—	—	700,270
Contract assets*	—	—	—	97,672	97,672
Financial assets included in prepayments, other receivables and other assets					
— Normal**	339,332	—	—	—	339,332
— Doubtful**	20,676	—	—	—	20,676
Pledged deposits					
— Not yet past due	20,997	—	—	—	20,997
Cash and cash equivalents					
— Not yet past due	1,349,332	—	—	—	1,349,332
Guarantees given to financial institutions/finance lease companies in connection with facilities granted to customers***					
— Not yet past due	1,009,944	—	—	—	1,009,944
	3,440,551	—	—	5,358,351	8,798,902

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	3,973,124	3,973,124
Bills receivable	595,116	—	—	—	595,116
Contract assets*	—	—	—	41,544	41,544
Financial assets included in prepayments, other receivables and other assets					
— Normal**	239,019	—	—	—	239,019
— Doubtful**	53,933	—	—	—	53,933
Pledged deposits					
— Not yet past due	455	—	—	—	455
Cash and cash equivalents					
— Not yet past due	941,451	—	—	—	941,451
Guarantees given to financial institutions/finance lease companies in connection with facilities granted to customers***					
— Not yet past due	1,001,959	—	—	—	1,001,959
	2,831,933	—	—	4,014,668	6,846,601

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 and note 20 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

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

	Notes	**2021 RMB'000**	2020 RMB'000
Guarantees given to financial institutions in connection with loans granted to customers	(a)	**25,665**	20,448
Guarantees given to the finance lease companies in connection with the unsettled lease amounts due from customers	(b)/(c)	**984,279**	981,511
		1,009,944	1,001,959

Notes:

(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, 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

Notes: (continued)

(c) Sany Heavy Equipment enters into an agreement with Kangfu Leasing, Hunan Zhonghong or Sany Leasing and Sany Heavy Equipment agrees to:

- either sell the equipment to Kangfu Leasing, Hunan Zhonghong or Sany Leasing for leasing to lessees or sell the equipment to the lessees who will then on-sell the equipment to Kangfu Leasing, Hunan Zhonghong or Sany Leasing for leasing back to lessees; and

- provide a financial guarantee to Kangfu Leasing, Hunan Zhonghong or Sany Leasing in favour of the lessees in respect of the leasing of the equipment by Kangfu Leasing, Hunan Zhonghong or Sany Leasing and repurchase the equipment under certain circumstances.

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 2021.

Liquidity risk

The Group's objective is to maintain sufficient cash and cash equivalents and have available funding through capital contribution and financial support from bank and other borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	31 December 2021			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	—	4,422,304	—	4,422,304
Financial liabilities included in other payables and accruals	—	890,785	—	890,785
Interest-bearing bank and other borrowings	—	2,201,171	1,790,708	3,991,879
Derivative financial instruments	—	8,561	—	8,561
	—	7,522,821	1,790,708	9,313,529

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2020			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	—	2,892,579	—	2,892,579
Bonds payable	—	499,655	—	499,655
Financial liabilities included in other payables and accruals	—	689,661	—	689,661
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	2,156,164	492,754	2,648,918
Derivative financial instruments	—	5,407	—	5,407
	—	6,243,466	492,754	6,736,220

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, and certain other payables and accruals, and less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	**2021 RMB'000**	2020 RMB'000
Capital and net debt			
Interest-bearing bank and other borrowings	27	**3,454,114**	2,637,866
Trade and bills payables	24	**4,422,304**	2,892,579
Other payables and accruals	26	**2,659,400**	1,917,497
Bonds payable	25	**—**	499,655
Less: Cash and cash equivalents	23	**(1,349,332)**	(941,451)
Net debt		**9,186,486**	7,006,146
Equity attributable to owners of the parent		**8,701,056**	7,838,734
Adjusted capital		**8,701,056**	7,838,734
Capital and net debt		**17,887,542**	14,844,880
Gearing ratio		**51%**	47%

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 **RMB'000**	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	—	3
Investments in subsidiaries	**3,502,388**	3,476,344
Total non-current assets	**3,502,388**	3,476,347
CURRENT ASSETS		
Trade receivables	**331,188**	111,322
Dividend receivable	**67,391**	67,391
Due from subsidiaries	**703,018**	811,442
Financial assets at fair value through profit or loss	**9,505**	239,765
Cash and cash equivalents	**9,634**	20,242
Total current assets	**1,120,736**	1,250,162
CURRENT LIABILITIES		
Due to subsidiaries	**291,742**	103,570
Other payables and accruals	**502,222**	3,650
Dividend payable	**70,226**	72,584
Interest-bearing bank and other borrowings	**95,636**	520,030
Derivative financial instruments	—	1,986
Total current liabilities	**959,826**	701,820
NET CURRENT ASSETS	**160,910**	548,342
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,663,298**	4,024,689
Net assets	**3,663,298**	4,024,689
EQUITY		
Issued capital	**312,060**	309,707
Reserves (note)	**3,351,238**	3,714,982
Total equity	**3,663,298**	4,024,689

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Contributed surplus RMB'000	Share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
As at 1 January 2020	2,333,677	1,676,409	27,879	14,925	5,744	(17,679)	4,040,955
Profit for the year	—	—	—	—	—	57,646	57,646
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	—	(26,171)	—	—	(26,171)
Total comprehensive income for the year	—	—	—	(26,171)	—	57,646	31,475
Issue of shares	27,555	—	—	—	—	—	27,555
Share-based payments	—	—	12,173	—	—	—	12,173
Dividends declared	(394,052)	—	—	—	—	—	(394,052)
Repurchase of issued shares	—	—	—	—	(3,124)	—	(3,124)
Release of share-based compensation reserve to share premium upon exercise of share options (note 32)	12,331	—	(12,331)	—	—	—	—
As at 31 December 2020 and 1 January 2021	**1,979,511**	**1,676,409**	**27,721**	**(11,246)**	**2,620**	**39,967**	**3,714,982**
Profit for the year						**47,365**	**47,365**
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**(4,583)**	**—**	**—**	**(4,583)**
Total comprehensive income for the year	**—**	**—**	**—**	**(4,583)**	**—**	**47,365**	**42,782**
Issue of shares	**24,121**	**—**	**—**	**—**	**—**	**—**	**24,121**
Share-based payments	**—**	**—**	**26,139**	**—**	**—**	**—**	**26,139**
Dividends declared	**(450,715)**	**—**	**—**	**—**	**—**	**—**	**(450,715)**
Repurchase of issued shares	**—**	**(6,071)**	**—**	**—**	**—**	**—**	**(6,071)**
Release of share-based compensation reserve to share premium upon exercise of share options (note 32)	**12,191**	**—**	**(12,191)**	**—**	**—**	**—**	**—**
As at 31 December 2021	**1,565,108**	**1,670,338**	**41,669**	**(15,829)**	**2,620**	**87,332**	**3,351,238**

The share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised and fair value of restricted share awards granted which are yet to be vested, as further explained in the accounting policy for share-based payments in note 2.5 to the financial statements. The amounts will either be transferred to the share premium account when the related options are exercised and the restricted share awards are vested, or be transferred to retained profits should the related options and awards expire or be forfeited.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2022.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**10,194,616**	7,363,859	5,656,064	4,416,944	2,481,365
Cost of sales	**(7,804,976)**	(5,403,087)	(3,987,034)	(3,119,322)	(1,743,814)
Gross profit	**2,389,640**	1,960,772	1,669,030	1,297,622	737,551
Other income and gains	**790,923**	456,307	488,827	301,197	339,304
Gain on disposal of non-current assets classified as held for sale	**—**	—	—	—	—
Selling and distribution expenses	**(566,567)**	(430,465)	(387,756)	(329,462)	(299,483)
Administrative expenses	**(1,053,151)**	(706,904)	(642,739)	(492,128)	(341,851)
Reversal of impairment on financial and contract assets, net	**(2,434)**	74,205	32,083	—	—
Other expenses	**(694)**	(31,355)	(4,246)	(32,951)	(118,313)
Finance costs	**(119,666)**	(132,283)	(85,473)	(18,220)	(2,634)
PROFIT BEFORE TAX	**1,438,051**	1,190,277	1,069,726	726,058	314,574
Income tax expense	**(128,893)**	(138,728)	(147,819)	(122,584)	(83,637)
PROFIT/(LOSS) FOR THE YEAR	**1,309,158**	1,051,549	921,907	603,474	230,937
Attributable to:					
Owners of the parent	**1,259,071**	1,045,144	919,706	600,209	229,436
Non-controlling interests	**50,087**	6,405	2,201	3,265	1,501
	1,309,158	1,051,549	921,907	603,474	230,937

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**20,785,122**	17,464,161	15,546,436	11,914,694	11,199,151
TOTAL LIABILITIES	**(12,001,974)**	(9,605,260)	(8,400,871)	6,481,617	(4,836,879)
NON-CONTROLLING INTERESTS	**82,092**	20,167	13,762	11,561	58,458