SANYI

SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631

2022 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 port. 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 categories, 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 driving 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.

On 30 December 2022, Sany Heavy Equipment Co. Ltd. ("Sany Heavy Equipment") (a wholly-owned subsidiary of the Company) and Sany Group Co., Ltd.* (三一集團有限公司) ("Sany Group") entered into the purchase agreement. Upon completion of the acquisition in February 2023, Sany Technology Equipment Co., Ltd.* (三一技術裝備有限公司) ("Sany Technology Equipment") became a non-wholly-owned subsidiary of the Company. Sany Technology Equipment is principally engaged in research and development, manufacturing and sales of new energy battery equipment. The Group thus expanded its business scope to the field of new energy equipment.

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)	**2022 (audited)**	2021 (audited)	Growth (%)
Revenue	**15,536,716**	10,194,616	52.4
Gross profit	**3,628,344**	2,389,640	51.8
Profit before tax	**1,920,933**	1,438,051	33.6
Net profit	**1,669,074**	1,309,158	27.5
Profit attributable to owners of the parent	**1,664,911**	1,259,071	32.2
Total assets	**24,953,269**	20,785,122	20.1
Average total assets	**22,869,196**	19,124,642	19.6
Total equity	**10,103,774**	8,783,148	15.0
Cash flows of operating activities	**1,084,438**	922,798	17.5
Cash flows of investing activities	**639,245**	(296,011)	316.0
Cash flows of financing activities	**(376,814)**	(226,702)	(66.2)
Earnings per share[1]			
— Basic (RMB Yuan)	**0.53**	0.40	32.5
— Diluted (RMB Yuan)	**0.46**	0.35	31.4

(Percentage)	**2022**	2021	Percentage points
Gross profit margin	**23.4%**	23.4%	0
Percentage of profit attributable to shareholders of the Company[2]	**10.7%**	12.4%	(1.7)
Assets turnover	**67.9%**	53.3%	14.6
Gearing ratio	**50.9%**	51.4%	(0.5)

1 The weighted average number of ordinary shares for the year ended 31 December 2022 was 3,141,714,465 shares, and the weighted average number of ordinary shares for the year ended 31 December 2021 was 3,140,679,026 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 2022

Sales of Sany Heavy Equipment exceeded RMB10 Billion — Sany Heavy Equipment achieved another round of success

As of 31 December 2022, the sales of Sany Heavy Equipment exceeded RMB10 billion, reaching a record high. The market share of integrated mining products exceeded 60%, leading the industry for 14 consecutive years. It has sold over 8,000 hydraulic support structures and has cumulatively sold over 3,000 mining vehicles, with products exported to more than 50 countries and regions overseas.

Blockbuster contract — Securing the single largest automation orders

On 14 December 2022, Yantian Port East International Container Terminal Co., Ltd. entered into a contract with Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry") for 42 full-automatic orbital container gantry cranes with a total amount of approximately RMB1 billion, making it the single largest automation order in Sany Marine Heavy Industry's history. This batch of equipment consists of fully automated gantry independently integrated by Sany. The speed of fully automatic operation is 30% faster than the traditional gantry, and it has advanced designs such as automatic scanning of containers area, laser, accurate positioning, and all-round anti-collision system.

Initial success in overseas market

In December 2022, the complete set of lithium battery disassembly equipment independently built by Sany Machinery Intelligence Co., Ltd. ("Sany Machinery") was shipped to Singapore. This is the first time that Sany Machinery have exported a complete set of intelligent production line. This intelligent production line will exhibit strong intelligent feeding, intelligent transportation, intelligent sorting and intelligent disassembly, greatly satisfying the automatic production needs of customers.

Building an industry benchmark for intelligent excavation

In 2022, Sany Heavy Equipment successfully built an intelligent excavation demonstration interface in coal mines in Guizhou and Shanxi, and successfully put "replacing personnel with machine, reducing personnel with automation, and adopting unmanned intelligent operation" into practice, forming a safe and efficient excavation model of "visualized remote intervention". The successful construction of "sample mine" for intelligent excavation is of great significance to the intelligent excavation, the production and efficiency enhancement, and the safe production of coal mine. Meanwhile, "sample mine" also provides valuable and successful experience for the construction of intelligent excavation interface of smart mine in the future.

IMPORTANT MILESTONES IN YEAR 2022

First in China — Automated rail mounted gantry cranes was granted industry innovation case

In 2022, the automatic railway loading and unloading project of the second phase of Yangluo sea-rail intermodal transportation was selected as the "TOP30 Innovative Case of Port and Shipping Logistics Industry in 2022". It is also the first successful automated rail mounted gantry crane project in China, realizing the automatic positioning function of train wagons and allowing the identification of multiple types and models of train wagons. The equipment can automatically run to the corresponding train wagons to complete the grabbing and unloading operation and automatically align the container to be placed in the middle of the carriage, ensuring high efficiency and safety.

Absolute dominance — Fully leading the electrification market

In 2022, Sany's new energy products such as electric front loaders, electric stacking machines and electric trucks was put into use in 22 provinces across China and also exported to mainstream ports and operators in Singapore, New Zealand and India, possessing an absolute market leading position and fully leading the electrification market, with cumulative sales exceeding 500 units.

First in the World — Implementation of the complete set of battery-replaceable motor machinery

On 28 June 2022, the world's first "Application of Battery-replaceable Container Motor Machinery" project independently developed by Sany was launched in Beibu Gulf International Container Terminal, unifying the power exchange standards for front loaders, stacking machines and trucks, realizing versatility, significantly reducing the overall cost, and completely eliminating the concerns about the insufficient service life and charging downtime of new energy products.

Services create value — Sany Heavy Equipment successfully completed the Services Global Campaign

The 2022 Sany Heavy Equipment Value Services Global Campaign was launched on 18 May, lasting a total of 135 days, with more than 300 people participated in service, research and development, and quality assurance activity. The total service mileage of the event reached 105,000 km, a total of 3,850 customer's equipment were inspected, and 32 hazard identifications were conducted on individual equipment. On-site visits were conducted to 920 customers, with customer satisfaction rate reaching 100%. The campaign was successfully completed.

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 2022, the Group recorded revenue of RMB15,536.7 million, representing an increase of 52.4% compared with that of the previous year. Profit for the year amounted to RMB1,669.1 million, representing an increase of 27.5% compared with that of the previous year. The Group's total assets and net assets as at 31 December 2022 were RMB24,953.3 million and RMB10,103.8 million, respectively.

In 2022, 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 construction of smart and green ports worldwide expedited the electric and intelligent upgrades of port machineries, while the electric, computerized and unmanned transformation and upgrades in the traditional discrete manufacturing and new energy industries also accelerated. The Group adhered to the drive by high goals, and continued to adopt the strategy of digitalisation, electrification and internationalization. Mining equipment, logistics equipment and robotics all achieved rapid development.

During 2022, mining equipment business has reached a new high, with sales exceeding RMB10 billion, and sales have increased 6-fold in 5 years. By taking the vast opportunities brought about by technology upgrades of electrification and computerization in the industry, the Group continued to increase investment in R&D. R&D expenses amounted to RMB860.0 million for the year ended 31 December 2022, representing a year-on-year increase of 14.5%. 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 hydraulic supports and widebodied vehicles steadily increased. The Group further implemented its internationalization strategy to expedite the development of international markets. International sales revenue for the year ended 31 December 2022 recorded a year-on-year increase of 101.5%, which accounted for 27.2% of the revenue. Meanwhile, the Group endeavored in developing new business and actively explored in new areas. External orders saw a voluminous increase, with newly signed external orders amounted to RMB480 million.

In the future, the Group will continue the in-depth implementation of the digital intellectualization and electrification strategy to grasp electrification and digital intellectualization opportunities and seize market opportunities. The Group will develop "5+3" hot-selling products. For mining equipment, 5 upgraded products, namely intelligent roadheader, excavation and bolting machine, new structure support, 100T hybrid widebodied vehicle and 150T electric drive, and 3 leading popular products, namely the complete set of roadheader equipment, hydraulic support and 240T electric drive, will be developed. For logistics equipment, 5 upgraded products, namely the new generation of electric front loader 45E, telehandlers STH742 for European market, fully automatic transtainers, efficient remote control quay cranes and the new generation of in-vehicle control interactive system, and 3 leading popular products, namely the double-trolley quay crane, intelligent RTG, large-tonnage gripper, will be developed. For robotics, the Group will develop intelligent production lines, intelligent warehouse, AGV and intelligent forklift to establish competitive advantage.

Based on the strategy of internationalization, the Group will aim to become the No. 1 brand of widebodied vehicles in the international market. The major breakthrough achieved by mining cars and shearers in the international market will facilitate the rapid introduction of 100T hybrid/150T electric drive in the international market. The logistics equipment is deeply engaged with 6 major international port operators in hopes to break into 30 key regional customers. The Group will accelerate the penetration rate of small port machinery in Europe and the US with intelligentization and electrification, and will develop 3 customized telehandlers exclusively for the Europe and the US market to break into mainstream customers in Europe and the US.

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, 20 March 2023

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 port machinery such as front loader, stacking machine, etc., and large 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 2022, the Group's strategy of digitalisation, electrification and internationalization achieved outstanding results, 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 101.5%, among which the overseas sales of products such as widebodied vehicles, roadheaders, large port machineries and small port machineries increased rapidly. Meanwhile, the Group's robotics business expanded rapidly, entering into more factories of intelligent manufacturers. The main business highlights were as follows:

Quick progress in digitalization and significant achievements in intelligent research and development

For the mining equipment segment, sales of intelligent roadheaders doubled, and the development of integrated mining intelligent control system based on digital twin technology has aligned with leading national standard. Intelligent shearers achieved full spectrum coverage and they have entered into services in a number of coal mining groups in Shanxi and Anhui, with an accumulated sales of more than 100 units. The unmanned operating mileage of smart mine exceeds 300,000 kilometres, and the integrated operation efficiency reaches 88%.

For the logistics equipment segment, the Group secured nearly RMB1 billion worth of orders for automated Rail-Mounted Gantry, which are all equipped with advanced design such as automatic scanning of cargo area, and the operation aligned with leading national standard. We delivered 14 automated rubber-tyred cranes to Tianjin Port, breaking the record for operating efficiency. The Group has also completed the first successful operation of the automated rail mounted gantry cranes project in China. The project was selected as an industry innovation case.

For robotic products, the Group continuously launched new products that led the development of the industry, and developed the C6 electric forklift equipped with intelligent system; high precision, rotary lifting Automatic Guided Vehicle ("AGV") for lithium battery industry; and AGV specialized for cable industry. The Group also released the industry's first new energy intelligent storage and logistics solution.

Accelerated electric product launches extended the comprehensive lead in the race of electrification

The Group accelerated the launch of new energy and large-tonnage mining cars. The electric drive SET150S had a major breakthrough with key customers in Central Asia and Africa, with 65 units ordered for the year ended 31 December 2022. The SET240S/320S model to be launched in 2024 is under development. The SKT105EC electric widebodied vehicle with integrated charging and replacement is currently at the stage of trial use by customers and becomes the industry's first mine integrated charging and replacement comprehensive solution. The Group developed 18 large-tonnage widebodied vehicles, including the SKT105/125/130/160. The pure electric mining transport equipment has been successfully launched in numerous mining areas in Tibet, Xinjiang, Yunnan and Thailand. The world's first application of battery-replaceable container motor machinery was launched in Beibu Gulf Terminal, unifying the power exchange standards, significantly reducing the overall cost, and completely eliminating the concerns about the insufficient service life of machinery. New energy products such as electric front loaders, electric stacking machines and electric trucks were put into use in 22 provinces across China and also exported to mainstream ports and operators in Singapore, New Zealand and India, possessing an absolute market leading position, with cumulative sales exceeding 500 units.

Further international expansion to reach new heights in overseas results

As roadheaders broke into several major overseas markets, its revenue significantly increased by 247.6%, while overseas sales revenue of widebodied vehicles significantly increased by 135.9%. The Group achieved a major breakthrough in international market promotion, with revenue for overseas sales ranking first in the industry for the first time. Large-tonnage widebodied vehicles received bulk overseas orders.

Large port machinery projects have been delivered to international markets including Singapore, Vietnam, Thailand, India, Cambodia and the Philippines. The Group deeply collaborated with PSA Corporation Limited and entered into contracts for the super-large double-trolley quay crane project, which is the largest overseas quay crane project of the Group. PSA Corporation Limited has entered into a total of more than 100 orders for equipment including quay cranes, front loaders, electric stacking machines and electric trucks. The brand new 14m and 18m telehandlers were unveiled at the BMW Show in Germany and entered the European market. The Group has also developed customized models for different regions of the world to break into new markets in North American and South American regions, with layout of global production and establishment of production bases overseas. Meanwhile, the Group has set up factories and production bases overseas to establish worldwide presence.

Robotic products successfully entered the overseas market, and the complete set of lithium battery disassembly intelligent production lines was exported to Singapore. This intelligent production line exhibits strong intelligent feeding, intelligent transportation, intelligent sorting and intelligent disassembly, greatly satisfying the automatic production needs of customers.

Financial review

Revenue

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB15,536.7 million, representing an increase of approximately 52.4% as compared with approximately RMB10,194.6 million for the year ended 31 December 2021. The increase was mainly due to (1) an increase in the revenue for the Group's roadheaders, integrated mining equipment, widebodied vehicles and logistics equipment products due to the quick launch of products with intelligentization and electrification; and (2) a significant increase in the international sales revenue of mining equipment and logistics equipment as a result of the successful expansion into overseas markets.

Other income and gains

For the year ended 31 December 2022, the Group's other income and gains were approximately RMB646.9 million, representing a decrease of approximately 18.2% as compared with approximately RMB790.9 million for the year ended 31 December 2021. The change was mainly due to the gain on disposal of Xinjiang Sany recorded by the Group in 2021 while no similar gain was recorded in 2022.

Cost of sales

For the year ended 31 December 2022, the Group's cost of sales was approximately RMB11,908.4 million, representing an increase of approximately 52.6% as compared with approximately RMB7,805.0 million for the year ended 31 December 2021. 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 RMB3,628.3 million for the year ended 31 December 2022 (for the year ended 31 December 2021: approximately RMB2,389.6 million).

The gross profit margin of the Group for the year ended 31 December 2022 was approximately 23.4%, which remained at a similar level as compared to that for the year ended 31 December 2021.

Selling and distribution expenses

For the year ended 31 December 2022, the selling and distribution expenses of the Group were approximately RMB932.9 million, representing an increase of approximately 64.6% as compared with approximately RMB566.6 million for the year ended 31 December 2021.

During the reporting period, the ratio of the Group's selling and distribution expenses to revenue was approximately 6.0%, representing an increase of approximately 0.4 percentage points as compared with approximately 5.6% for the year ended 31 December 2021. The change was mainly due to an increase in resources investment for international marketing, an increase in salary incentives for international marketing personnel, and an increase in investment in robotics business marketing.

Research and development expenses

For the year ended 31 December 2022, the R&D expenses of the Group were approximately RMB860.0 million, representing an increase of approximately 14.5% as compared with approximately RMB751.3 million for the year ended 31 December 2021. Such change was mainly due to (1) the Group's focus on enhancing its R&D capability on intelligent, electric and internationalized new products as well as data, algorithm and software, leading to an increase in R&D investments in the fields of intelligent roadheaders, intelligent integrated mining equipment, smart port and robotics business; and (2) an increase in salary incentives for R&D personnel.

Administrative expenses

For the year ended 31 December 2022, administrative expenses of the Group were approximately RMB1,177.3 million (for the year ended 31 December 2021: approximately RMB1,053.2 million). The administrative expenses excluding R&D expenses were approximately RMB317.3 million (for the year ended 31 December 2021: approximately RMB301.9 million), which accounted for approximately 2.0% of the revenue, representing a decrease of approximately 1.0% as compared with that for the year ended 31 December 2021 (for the year ended 31 December 2021: approximately 3.0%). The decrease in such ratios was mainly due to the fact that the Group tightly controlled its expenses and strictly managed its administrative expenses by taking measures such as cost penetration analysis and performance review.

Finance costs

For the year ended 31 December 2022, finance costs of the Group were approximately RMB132.0 million (for the year ended 31 December 2021: approximately RMB119.7 million). Such change was mainly due to an increase in bank borrowings.

Profit margin before tax

The Group's profit margin before tax for the year ended 31 December 2022 was approximately 12.4%, representing a decrease of approximately 1.7 percentage points as compared with approximately 14.1% for the year ended 31 December 2021. Such change was mainly attributable to the Group's gain on the disposal of Xinjiang Sany in 2021 while no similar gain was recorded in 2022.

Taxation

For the year ended 31 December 2022, the Group's effective tax rate was 13.1% (for the year ended 31 December 2021: 9.0%). For details regarding income tax, please refer to note 10 on pages 138 to 139 hereof.

Profit attributable to owners of the parent

Profit attributable to owners of the parent recorded by the Group for the year ended 31 December 2022 was approximately RMB1,664.9 million, representing an increase of approximately 32.2% as compared with approximately RMB1,259.1 million for the year ended 31 December 2021. 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".

Non-IFRS measures

To supplement the consolidated statement of profit or loss presented in this financial statements which is presented in accordance with IFRS, the Company also use the adjusted equity attributable to owners of the parent as a non-IFRS measures, which are not required by, or presented in accordance with, IFRS. The adjusted equity attributable to owners of the parent for the year ended 31 December 2021 is calculated by deducting the one-off gain on disposal of Xinjiang Sany of RMB150.5 million from the net equity attributable to owners of the parent. The Company believed that the consideration of non-IFRS measures when shown in conjunction with the corresponding IFRS measures facilitates a comparison of the Group's operating performance from year to year by eliminating potential impacts of items that the Company's management does not consider to be indicative of the Group's operating performance. Such non-IFRS measures allow investors to consider metrics used by the Company's management in evaluating the Group's performance. From time to time in the future, there may be other items that the Company may exclude in reviewing the Group's financial results. The use of the non-IFRS measures has limitations as an analytical tool, and shareholders of the Company (the "Shareholders") or potential investors should not consider it in isolation from, or as a substitute for or superior to analysis of, the Group's results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

For the year ended 31 December 2022, the Group recorded an adjusted profit attributable to owners of the parent of approximately RMB1,664.9 million, representing an increase of approximately 50.2% as compared with approximately RMB1,108.6 million for the year ended 31 December 2021.

Liquidity and financial resources

As at 31 December 2022, total current assets of the Group were approximately RMB17,190.7 million (31 December 2021: RMB14,217.1 million). As at 31 December 2022, total current liabilities of the Group were approximately RMB10,835.8 million (31 December 2021: RMB9,169.8 million).

As at 31 December 2022, total assets of the Group were approximately RMB24,953.3 million (31 December 2021: approximately RMB20,785.1 million), and total liabilities were approximately RMB14,849.5 million (31 December 2021: approximately RMB12,002.0 million). As at 31 December 2022, the gearing ratio (the net debt over net assets ratio) was approximately 50.9% (31 December 2021: 51.4%).

Trade and bills receivables

As at 31 December 2022, the Group's gross balance of trade and bills receivables recorded approximately RMB8,740.9 million, representing an increase of approximately 46.6% as compared with approximately RMB5,960.9 million as at 31 December 2021, among which trade receivables recorded approximately RMB7,729.1 million, representing an increase of approximately 46.9% as compared with approximately RMB5,260.7 million as at 31 December 2021. Such change was mainly attributable to the increase in sales revenue. Bills receivables recorded approximately RMB1,011.8 million, representing an increase of approximately 44.5% as compared with RMB700.3 million as at 31 December 2021. Such change was mainly due to the increase in receipt of bills.

Interest-bearing bank and other borrowings

As at 31 December 2022, interest-bearing bank and other borrowings of the Group were approximately RMB3,645.4 million (31 December 2021: RMB3,454.1 million). All borrowings were in RMB (31 December 2021: RMB187.1 million denominated in US$). The main reason for the Group's borrowings was that the Group engaged 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. Subsequent to 31 December 2022 and up to the date of this report, the Group has not entered into any letter of intention or definitive agreement for capital investments and acquisitions which would constitute a notifiable transaction under Chapter 14 or a non-exempted connected transaction under Chapter 14A of the Listing Rules.

The Group's secured bank borrowings carried interests at 3.2% per annum (31 December 2021: Nil) and the unsecured bank borrowings carried interests between 1.4% and 3.6% per annum (31 December 2021: between Libor+0.15% and 4.10% per annum).

One of the Group's bank loans of RMB400.0 million is secured by the Group's leasehold land, which had a net carrying value at the end of the reporting period of approximately RMB210.8 million (2021: nil).

Cash flow

As at 31 December 2022, the cash and cash equivalents and the term deposits with maturity of three months or more of the Group were approximately RMB2,689.8 million in total.

For the year ended 31 December 2022, the net cash inflow of the Group from operating activities was approximately RMB1,084.4 million (for the year ended 31 December 2021: approximately RMB922.8 million). Such change was mainly due to persistence in value-based selling and the increase of efforts in recovering receivables.

For the year ended 31 December 2022, the net cash inflow from investing activities of the Group was approximately RMB639.2 million (for the year ended 31 December 2021: net cash outflow of approximately RMB296.0 million). Such change was mainly due to a decrease in the purchase of wealth management products issued by third party financial institutions.

For the year ended 31 December 2022, the net cash outflow of the Group from financing activities was approximately RMB376.8 million (for the year ended 31 December 2021: net cash outflow of approximately RMB226.7 million). Such change was mainly due to the repayment of bank borrowings.

Turnover days

Excluding the impairment losses for inventories provision and properties for sale, the Group's average turnover days of inventory were approximately 94.0 days as at 31 December 2022, representing a decrease of approximately 11.4 days from 105.4 days as at 31 December 2021, which was mainly because the Group enhanced its control on inventories and implemented direct settlement upline and downline, managing by categories and adopting "one product, one strategy".

The turnover days of trade and bills receivables as at 31 December 2022 were approximately 172.7 days, representing a decrease of 15.8 days from approximately 188.5 days as at 31 December 2021. The decrease was mainly due to the Group persisted in value-based selling and increased its efforts in recovering receivables.

Excluding the impairment losses for inventories provision, turnover days of trade and bills payables decreased by approximately 0.7 days from approximately 170.5 days as at 31 December 2021 to approximately 169.8 days as at 31 December 2022, which was mainly due to the increase of raw materials procured and improved payment terms for purchase contract.

Financing guarantee contracts

The financial guarantee contracts represent guarantees given to financial institutions or finance lease companies in connection with facilities granted to the Group's customers. Allowance of RMB3.6 million was provided for the unsettled loans and lease amounts of RMB1,746.8 million as at December 2022 (31 December 2021: RMB1,009.9 million).

Capital commitment

As at 31 December 2022, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB688.6 million (31 December 2021: approximately RMB755.0 million).

Employees and remuneration policy

As at 31 December 2022, the Group had 6,441 (2021: 4,995) full-time 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 acquisitions and disposals of subsidiaries, associates and joint ventures

As at 31 December 2022, the Group subscribed certain assets management products from CITIC Securities Company Limited and its subsidiaries at an aggregated subscription amount of approximately RMB899.2 million. These products carried at an estimated investment return rates ranged from 1.46% to 5.08% per annum. The Group adopted a prudent approach in choosing these products which are with low investment risks. By investing in these products, the Group would earn investment income by using its temporary idle funds which is in the interests of the Company and the Shareholders as a whole.

There were no significant investments held, and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022, nor was there any plan authorized by the Board for other material investments or additions of capital assets as of the date of this report.

Pledge on assets

As at 31 December 2022, the Group recorded pledged bank deposits of approximately RMB50.3 million (31 December 2021: approximately RMB21.0 million) for the purpose of issuing security deposit for bank acceptance bills. As at 31 December 2022, the Group's leasehold land of approximately RMB210.8 million (31 December 2021: nil) was pledged for the Group's bank loans of RMB400.0 million.

Foreign exchange risk

As at 31 December 2022, the Group's cash and bank balances denominated in foreign currencies such as US$ and HK$ were equivalent to approximately RMB1,154.0 million. The Group will monitor the risk exposures and consider hedging against material currency risk if and when necessary.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Liang Zaizhong (梁在中), aged 38, 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 63, 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 49, 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 60, 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 61, 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 58, was appointed as an independent non-executive Director of the Company on 5 November 2009. Mr. Ng is currently the executive director and chief financial officer of Kingsoft Corporation Limited (金山軟件有限公司), a company listed on the Hong Kong Stock Exchange.

Mr. Ng worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2001 to 2003, he was the chief financial officer of Beijing International School (北京國際學校), and was the accounting adviser of Australian Commercial Lawyers Agency in 2004. From November 2004 to August 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (彩虹集團電子股份有限公司). He was the independent non-executive director of Xinjiang Xinxin Mining Industry 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 (中國泰淩醫藥集團有限公司) 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 61, 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 65, 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 39, 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 resigned as the Chief Financial Officer of the Company on 12 September 2022.

Mr. Zhu Xiangjun 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 manager and head of the accounting department of the Company from April 2010 to March 2012. 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 Xiangjun has 14 years of experience in finance and accounting, cost control, capital management and risk control. He is familiar with the business and has solid professional knowledge, with a deep understanding on the process of manufacturing business as well as marketing and financial management. Mr. Zhu Xiangjun was awarded the "Sany Figures" (三一人物) for Year 2016, the May 1st Labor Medal and the honorary title of "Model Worker" of Tiexi District of Shenyang City in 2018 and voted as the a member of the People's Congress of Tiexi District of Shenyang City in 2021.

Mr. Zhu Xiangjun graduated from Shenyang University of Technology (瀋陽工業大學) with a master's degree in accounting in 2006. Mr. Zhu Xiangjun obtained his qualification as a certified public accountant of China in June 2009.

Mr. Tang Ziwei (唐子威), aged 44, was appointed as the Chief Financial Officer of the Company on 12 September 2022.

Mr. Tang joined Sany Heavy Industry Co., Ltd. in September 2008. He served in the general department of finance of Sany Heavy Industry and engaged in tax related work from September 2008 to January 2011. During the period from January 2011 to September 2015, he held various management positions in the financial and audit operations of Sany Heavy Industry, including the deputy head of security affair department, the leader of operating expense review team, the director of the audit department in Eastern China and the assistant to supervisor. He served as the deputy director of the finance department, head of general management department and head of the marketing finance department of Sany Lifting Machinery from September 2015 to May 2019. He served as the financial supervisor of the heavy truck business department from May 2019 to August 2022.

Mr. Tang graduated with a bachelor degree from the School of Business Administration of Jishou University in Hunan Province in June 2002. He obtained a master's degree in business administration from Hunan University in June 2008.

COMPANY SECRETARY

Mr. Yu Leung Fai (余亮暉), aged 46, has extensive experience in the accounting and corporate services fields. Mr. Yu has joined the Fung, Yu & Co. CPA Limited (formerly known as the Fung, Yu & Co. CPA) since 2001 and is currently the company's Managing Partner. He holds a Degree of Bachelor of Commerce (Hon.) from the University of Toronto (多倫多大學) and a Degree of Bachelor of Laws from the University of London (倫敦大學), and is a member of the American Institute of Certified Public Accountants, Certified Public Accountants of Australia, the Hong Kong Institute of Certified Public Accountants and the certified trust practitioner of Hong Kong Trustees' Association.

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.

The Board is pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2022.

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 2022 are set out in the financial statements on pages 85 to 199 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 20 March 2023, the Board resolved the declaration and payment of the final dividend of HK$0.19 per ordinary share of the Company, amounting to HK$602,849,872 in total based on the total number of 3,172,894,062 shares of the Company as at 28 February 2023, to be payable to the Shareholders whose names appear on the Company's register of members at the close of business on Friday, 9 June 2023. Should there be any change in the Company's total number of shares between 28 February 2023 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 the Company's forthcoming annual general meeting. Such final dividend is expected to be paid on or around 21 June 2023.

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 2022 to 31 December 2022, and (b) the final dividend of HK$0.19 per Convertible Preference Share, amounting to approximately HK$91,158,396. The Preferred Distribution and the dividend on the Convertible Preference Shares are proposed to be distributed on or around 21 June 2023, on the same distribution date as the final dividend on ordinary shares. As at 31 December 2022, 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 200 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 2022 are set out in note 27 to the financial statements.

Distributable Reserves

As at 31 December 2022, 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 RMB4,335.4 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 2022 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 (the "Articles") 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. The Share Option Scheme shall be valid and effective until 15 February 2023, after which no further options will be granted or offered.

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 9.6% of the issued share capital as at the date of this report. As at 1 January 2022, the maximum number of Shares which may be issued upon exercise of all options granted under the Share Option Scheme and other share option schemes of the Company was 75,002,500 Shares. As at 31 December 2022, the maximum number of Shares which may be issued upon exercise of all options granted under the Share Option Scheme and other share option schemes of the Company was 79,803,575 Shares, representing 2.5% 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.

Details of the movement of share options granted under the Share Option Scheme during the year ended 31 December 2022 are as follows:

Category of participants	Date of grant	Exercise price per share (HK$)	Outstanding at 1 January 2022	Granted during the year	Exercised during the year[4]	Forfeited during the year[5]	Cancelled during the year[5]	Outstanding at 31 December 2022
Directors								
Mr. Qi Jian	29 December 2021[2,3]	7.39	5,290,000	—	—	—	—	5,290,000
Mr. Fu Weizhong	15 December 2017[1]	1.22	500,000	—	—	—	—	500,000
	29 December 2021[2,3]	7.39	3,160,000	—	—	—	—	3,160,000
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 who are employees of the Group								
Mr. Liang Zhenggen (supervisor of a Group's subsidiary)	29 December 2021[2,3]	7.39	1,140,000	—	—	—	—	1,140,000
Employees	15 December 2017[1]	1.22	7,162,200	—	(445,900)	—	—	6,716,300
Employees	29 December 2017[1]	1.71	380,000	—	—	—	—	380,000
Employees	14 November 2018[1]	2.30	734,000	—	(604,000)	—	—	130,000
Employees	29 December 2021[2,3]	7.39	87,360,000	—	(1,056,901)	(4,801,075)	(12,069,143)	69,432,881
Total			108,726,200	—	(2,106,801)	(4,801,075)	(12,069,143)	89,749,181

(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
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$8.06.*

(5) *During the year ended 31 December 2022, 16,870,218 share options were forfeited and cancelled for the following reasons: (1) certain employees' performance appraisal results for 2021 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 2022.

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 1 January 2022, the number of Shares available for future grants under the Share Award Scheme was 296,987,856. As at 31 December 2022, a total of 24,786,616 Restricted Shares were granted in which 2,221,815 Restricted Shares were lapsed in accordance with the Share Award Scheme. The number of Restricted Shares still available for future grants was 287,475,449, which represents 9.1% 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 6 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 11,613,671 Shares at nil consideration to selected employees during the year ended 31 December 2022, among which 10,720,876 would be satisfied by new Shares to be issued under the general mandate granted by the Shareholders to the Directors at the Company's annual general meeting held on 31 May 2022, 800,253 would be satisfied by existing Shares and 92,542 would be satisfied by using the unvested new Shares previously issued and granted. 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 2022	Shares awarded during the year	Vested during the year[2]	Lapsed during the year[3]	Unvested awarded shares at 31 December 2022	Vesting period
Directors							
Mr. Qi Jian	18 December 2020	734,153	—	(183,538)	—	550,615	18 March 2021–18 March 2025
	2 September 2021	394,190	—	(78,838)	—	315,352	29 March 2022–29 March 2026
	8 June 2022	—	590,739[4]	—	—	590,739	31 March 2023–31 March 2027
Mr. Fu Weizhong	18 December 2020	122,147	—	(30,536)	—	91,611	18 March 2021–18 March 2025
	2 September 2021	40,028	—	(8,006)	—	32,022	29 March 2022–29 March 2026
	8 June 2022	—	108,885[4]	—	—	108,885	31 March 2023–31 March 2027
Other connected persons who are employees of the Group							
Mr. Liang Zhenggen (supervisor of the Group's subsidiary)	18 December 2020	23,751	—	(5,937)	—	17,814	18 March 2021–18 March 2025
	2 September 2021	38,288	—	(7,658)	—	30,630	29 March 2022–29 March 2026
	8 June 2022	—	32,933[4]	—	—	32,933	31 March 2023–31 March 2027
Mr. Zhu Xiangjun (director of subsidiaries of the Group)	18 December 2020	54,820	—	(13,705)	—	41,115	18 March 2021–18 March 2025
	2 September 2021	73,095	—	(14,619)	—	58,476	29 March 2022–29 March 2026
	8 June 2022	—	23,785[4]	—	—	23,785	31 March 2023–31 March 2027
Mr. Guo Chengzhi (director of subsidiaries of the Group)	18 December 2020	7,917	—	(1,979)	—	5,938	18 March 2021–18 March 2025
	2 September 2021	54,531	—	(10,906)	—	43,625	29 March 2022–29 March 2026
	8 June 2022	—	43,911[4]	—	—	43,911	31 March 2023–31 March 2027
Employees	18 December 2020	3,137,255	—	(674,935)	(439,979)	2,022,341	18 March 2021–18 March 2025
	2 September 2021	7,330,614	—	(1,325,934)	(700,911)	5,303,769	29 March 2022–29 March 2026
	8 June 2022	—	10,720,876	—	(960,374)	9,760,502	31 March 2023–31 March 2027
	16 November 2022	—	92,542	—	—	92,542	31 March 2023–31 March 2024
Total		12,010,789	11,613,671	(2,356,591)	(2,101,264)	19,166,605	

(1) The closing price of the Shares immediately before the date of these Shares were awarded was HK$5.03 (for 18 December 2020 grant), HK$9.87 (for 2 September 2021 grant), HK$7.71 (for 8 June 2022 grant) and HK$8.13 (for 16 November 2022 grant).

(2) The weighted average closing price of the Shares immediately before the date of the awards were vested was HK$7.685.

(3) During the year ended 31 December 2022, a total of 11,613,671 Restricted Shares were granted in which 2,101,264 Restricted Shares had lapsed in accordance with the Share Award Scheme.

(4) These Shares awarded to the Company's connected persons were satisfied by existing Shares purchased from the secondary market by the trustee.

During the year ended 31 December 2022, the trustee subscribed a total of 6,757,329 new Shares, and did not acquired any Shares from the secondary market pursuant to the Share Award Scheme rules and the relevant trust deed.

The number of shares that may be issued in respect of the awards granted under the Share Award Scheme during the year ended 31 December 2022 divided by the weighted average number of ordinary shares in issue was 0.34% (i.e. 10,720,876/3,141,714,465).

Major Suppliers and Customers

During the year ended 31 December 2022, the aggregate sales attributable to the Group's five largest customers comprised approximately 10.4% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 4.2% of the Group's total sales. The aggregate purchases during the year under review attributable to the Group's five largest suppliers were approximately 15.2% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 5.8% of the Group's total purchases.

So far as is known to the Directors, at no time during the year ended 31 December 2022 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 2022, the Group made no donation (2021: Nil).

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 2022.

Property, Plant and Equipment

During the year ended 31 December 2022, the Group held property, plant and equipment of approximately RMB4,065.9 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 2022, 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 form part of this Directors' Report.

Future Development

Looking ahead, 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. Upholding the business principle of high-quality development, the Group will accelerate the implementation of the digital intellectualization, electrification and international transformation strategy when opportunities and challenges arise.

Regarding digital intellectualization, the Group will continue to increase investment in talents and the development of new products and technologies to make breakthroughs in respect of intellectual products in a full range. For the mining equipment, the Group aims to become a leader in "electric, computerized, whole-set and green excavation" technologies. For the logistics equipment, 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 the Group will 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 electric, computerized and unmanned transformation and upgrades in the discrete manufacturing and new energy industries (lithium batteries, wind and photovoltaics 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 build an advanced intelligent manufacturing factory model for widebodied vehicles, hydraulic supports, small port machineries and large port machineries. It will establish a uniform framework for digital planning to continuously improve the operational efficiency and management level, enabling its intelligent operation to meet and even exceed the advanced industry level.

As for electrification, the Group will comprehensively follow the trend of advanced technologies to launch products into market as soon as possible, covering all types of electric products including electric mining transport equipment, electric widebodied vehicles, electric front loaders, electric stacking machines, electric forklifts, electric trucks and electric grippers, and constantly upgrade popular products so as to build the top 1 brand of electric mining transport equipment, electric widebodied vehicles and electric port machineries. The Group will deepen the industrial chain by further cooperating with suppliers to consolidate the supply chain of electric products. It will also strengthen talents development, by improving the proportion of electric R&D personnel, forming an excellent electric R&D team and introducing industry leaders.

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 improving an internationalized product portfolio, building benchmark mines in Indonesia, India, Africa and other overseas regions, and becoming the No. 1 brand of widebodied vehicles in the international market. As the Group's logistics equipment breaks into the mainstream markets in Europe and the US, the Group focuses on the international market, completes the portfolio for electric products and strengthens the development of automated and upsizes products for large port machineries, thereby expanding its market share. The Group has 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.

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 2022 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 2022 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 2022 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

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 Articles, each of Mr. Fu Weizhong, Mr. Xiang Wenbo, and Mr. Ng Yuk Keung 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 2022 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 2022, 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.

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 Articles 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.

The permitted indemnity provision was in force during the year ended 31 December 2022 and remained in force as at the date of this report for the benefit of the Directors.

Remuneration of Senior Management

Pursuant to the then applicable code provision E.1.5 of the Corporate Governance Code (the "CG Code") contained in Part 2 of the 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 (HK$)	Number of individuals
0 to 1,000,000	2
2,000,001 to 2,500,000	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 2022. 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 24 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.

Directors' 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 2022 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 2022, 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 2022	Percentage of the issued voting Shares as at 31 December 2022
Mr. Qi Jian[(1)]	Beneficial owner	6,746,706	0.21%
Mr. Fu Weizhong[(2)]	Beneficial owner	3,961,596	0.13%
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 6,746,706 Shares in which Mr. Qi Jian is interested or deemed to be interested represent (i) 5,290,000 Shares which may be issued to him upon the exercise of the share options granted to him on 29 December 2021 under the share option scheme adopted by the Company on 16 February 2013 (the "Share Option Scheme"); (ii) 550,615 Shares awarded to him on 18 December 2020, 315,352 Shares awarded to him on 2 September 2021 and 590,379 Shares awarded to him on 8 June 2022 under the restricted share award scheme adopted by the Company on 3 December 2019 (the "Share Award Scheme")

(2) The 3,961,596 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 and 3,160,000 Shares which may be issued to him upon the exercise of the share options granted to him on 29 December 2021 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 and 108,885 Shares awarded to him on 8 June 2022 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 Directors	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 2022, 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 2022, so far as the Directors and chief executive of the Company were aware, the following persons and corporations (excluding the Directors and chief executive of the Company) had interests or short positions in 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	81.51%
Sany BVI (Note 2)	Interest of a controlled corporation	2,578,228,722	81.51%
Mr. Liang Wengen (Note 3)	Interest of a controlled corporation/Beneficial owner	2,589,098,722	81.86%

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.*

As at 31 December 2022, the Company has 3,162,987,143 ordinary shares in issue.

Save as disclosed above, as at 31 December 2022, 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 2022. 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 2022.

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 2022 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 2022, the Group's total contributions to the retirement schemes charged in the income statement amounted to RMB60.2 million (2021: RMB38.2 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 for the year ended 31 December 2022. The Group's principal corporate governance practices are set out on pages 64 to 78 of the annual report.

Connected Transactions

During the year ended 31 December 2022, 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 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) Administrative Services Agreement

On 16 December 2022, the Company entered into an administrative services agreement (the "Administrative Services Agreement") with Sany Group for a fixed term of three years ending 31 December 2025, pursuant to which, Sany Group Companies agreed to provide certain services (the "Administrative Services") to the Group.

The service fees payable for the Administrative Services will be determined based on arm's length negotiation and such service fees payable by the Group to Sany Group Companies shall not be higher than the service fees paid to independent third parties for similar services.

The annual caps under the Administrative Services Agreement for each of the financial years ended 31 December 2025 will not exceed RMB15,976,400, RMB21,179,600 and RMB28,334,500 respectively.

(2) Automated Machinery Sales Agreement and 2023 Automated Machinery Sales Agreement

On 18 December 2019, the Company and Sany Group entered into the automated machinery and other products sales agreement (the "Automated Machinery Sales Agreement") (as supplemented and revised on 21 May and 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.

The annual cap under the Automated Machinery Sales Agreement (as amended on 21 May and 22 June 2021) for the year ended 31 December 2022 was RMB1,024,520,000.

During the year ended 31 December 2022, the actual transactions under the Automated Machinery Sales Agreement amounted to RMB701,069,000, which was within the annual cap. Details of the Automated Machinery Sales Agreement were set out in the announcements of the Company dated 18 December 2019, 21 May and 22 June 2021 and the circulars of the Company dated 7 February 2020 and 25 June 2021.

In view of the expiry of the Automated Machinery Sales Agreement on 31 December 2022, on 16 December 2022, the Company and Sany Group entered into a new Master Sales Agency Agreement ("2023 Automated Machinery Sales Agreement") for a term of three years commencing from 1 January 2023 to 31 December 2025. The charging basis under the 2023 Automated Machinery Sales Agreement was changed to costs involved (research and development costs, raw material costs, labour costs and manufacturing expenses) plus the gross profit margin ranging from 15% to 35%, which shall be determined with reference to the gross margin charged for similar products sold by other suppliers who are independent third parties, and in any event no less favorable to the Group than terms available to independent third parties.

The annual caps under the 2023 Automated Machinery Sales Agreement for each of the financial years ended 31 December 2025 will not exceed RMB495,080,000, RMB465,080,000 and RMB414,690,000 respectively.

Details on the 2023 Automated Machinery Sales Agreement were set out in the Company's announcement dated 16 December 2022 and the Company's circular dated 18 January 2023.

(3) 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 cap for the daily balance of deposit of the Group under the Deposit Services Framework Agreement (as supplemented on 14 April 2022) for each of the three years ending 31 December 2023 was RMB800 million, and the proposed maximum annual interest income for each of the three years ending 31 December 2023 was RMB40 million.

The interest rates offered by Sanxiang Bank to the Group shall not be lower than (i) the interest rates in respect of deposit service of the same type quoted by the People's Bank of China for the same period; and (ii) the interest rates in respect of deposit service of the same type 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, the maximum daily balance of deposit and the interest income earned in the actual transactions under the Deposit Services Framework Agreement amounted to approximately RMB570,000,000 and approximately RMB17,717,000, respectively, which were within the respective aforementioned annual caps amount. Details of the Deposit Services Framework Agreement and the annual caps revision are set out in the Company's announcements dated 12 January 2021 and 14 April 2022.

(4) Equipment Sales and Leasing Framework Agreement and 2023 Equipment Sales and Leasing Framework Agreement

On 21 May 2021, the Company and Sany Group entered into an equipment sales and leasing framework agreement (the "Equipment Sales 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 outstanding lease 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:

The annual cap for the sales of the Parts and Equipment under the sale and purchase agreements (the "Sale and Purchase Agreements") (as amended on 11 November 2022) for the year ended 31 December 2022 was RMB1,478,419,000.

(ii) Financial Lease and Guarantee Agreements:

The annual cap for the financial guarantee and the repurchase of the Parts and Equipment (as amended on 11 November 2022) in case of default by the lessees was RMB1,299,559,000 for the year ended 31 December 2022.

During the year ended 31 December 2022, the actual transaction amount of sales of equipment under Sale and Purchase Agreements was RMB1,393,625,000, which was within the annual cap. 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 RMB1,120,999,000, which was within the annual cap. Details of the Equipment Sales and Leasing Framework Agreement and the amended annual cap were set out in the announcements of the Company dated 21 May 2021 and 11 November 2022 and the circulars of the Company dated 25 June 2021 and 22 November 2022.

In view of the expiry of the Equipment Sales and Leasing Framework Agreement on 31 December 2022, on 16 December 2022, the Company and Sany Group entered into a new equipment sales and leasing framework agreement ("2023 Equipment Sales and Leasing Framework Agreement") for a term of three years commencing from 1 January 2023 to 31 December 2025 with the same pricing terms.

Proposed annual caps:

(i) *2023 Sale and Purchase Agreement:*

The annual cap amounts for the sale of Parts and Equipment under the sale and purchase agreement (the "2023 Sale and Purchase Agreement") for the three years ending 31 December 2025 are RMB1,802,000,000, RMB1,850,000,000 and RMB1,900,000,000 respectively.

(ii) *2023 Finance Lease and Guarantee Agreement:*

The annual cap amounts for financing guarantee and repurchase of Parts and Equipment for the three years ended 31 December 2025 are RMB1,621,800,000, RMB1,665,000,000 and RMB1,710,000,000, respectively, in the event of default by the lessees.

Details of the 2023 Equipment Sales and Leasing Framework Agreement were set out in the Company's announcement dated 16 December 2022 and the Company's circular of 18 January 2023.

(5) Logistics Services Agency Agreement

On 16 December 2022, the Company entered into a logistics services agency agreement (the "Logistics Services Agency Agreement") with Sany Logistics for a fixed term of three years ending 31 December 2025, pursuant to which Sany Logistics agreed to provide the logistics agency services to the Group.

The agency fees payable for the logistics agency services will be determined based on arm's length negotiation and such agency fees payable by the Group to Sany Logistics shall not be higher than the service fees paid to independent third parties for similar services.

The annual caps under the Logistics Services Agency Agreement for each of the financial years ended 31 December 2025 will not exceed RMB25,860,000, RMB35,160,000 and RMB48,100,000 respectively.

(6) Master Lease Agreement and 2023 Master Lease Agreement

On 18 December 2019, the Company and Sany Group entered into a master lease agreement (the "Master Lease Agreement") 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 charges because the Group agreed to pay electricity and water charges incurred by it under the Master Lease Agreement 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 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.

The annual cap for the right-of-use assets under the Master Lease Agreement for the year ended 31 December 2022 was RMBNil. The annual cap for the utility charges under the Master Lease Agreement for the year ended 31 December 2022 was RMB12,202,253.

During the year ended 31 December 2022, there were no right-of-use assets being acquired by the Group and the actual utility charges were RMB2,456,000, which were within the respective annual caps as disclosed above. Details of the Master Lease Agreement were set out in the announcements of the Company dated 18 December 2019 and 15 January 2020.

For the year ended 31 December 2022, the total rental payments made under the Master Lease Agreement were RMB8,100,000.

In view of the expiry of the Master Lease Agreement on 31 December 2022, on 16 December 2022, the Company and Sany Group entered into a new Master Lease Agreement ("2023 Master Lease Agreement") for a term of three years commencing from 1 January 2023 to 31 December 2025.

Properties

Sale Outlets Networking Property: (i) certain working areas and dormitories owned by Sany Auto Manufacturing with a total gross floor area of up to approximately 1,000 sq.m. located in Ningxia Hui Autonomous Region, Xi'an City, Shaanxi Province, Chengdu City, Sichuan Province, the PRC; (ii) certain factories, working areas and dormitories owned by Sany Northwest Heavy Industry with a total area of up to approximately 4,000 sq.m. located in Sany Northwest Industry Zone, Urumqi City, Xinjiang Uygur Autonomous Region, the PRC; (iii) certain working areas and dormitories owned by Shanxi Sany Machinery with a total area of up to approximately 1,000 sq.m. located in Xianyang City, Shaanxi Province, the PRC; (iv) certain working areas and dormitories owned by Guangdong Sany Machinery Co., Ltd. with a total area of up to approximately 1,000 sq.m. located in Guangzhou City, Guangdong Province, the PRC; and (v) certain working areas and dormitories owned by Anhui Sany Machinery Co., Ltd. with a total area of up to approximately 1,200 sq.m. located in Hefei City, Anhui Province, the PRC;

Beijing Property: (i) certain premises of the factories owned by Sany Sun Valley with a gross floor area of up to approximately 40,000 sq.m. located in Sany Huilongguan Industry Zone, Changpin District, Beijing, the PRC;

Beijing R&D Property: up to approximately 1,000 working spaces owned by Sany Sun Valley located in Sany Huilongguan Industry Zone, Changpin District, Beijing, the PRC; and

Shanghai Property: certain dormitories owned by Shanghai Sany Technology Co., Ltd. with area up to approximately 1,000 sq.m. located in Chuansha Town, Shanghai City, PRC.

Fees

The rental payments will be determined based on market price of similar areas and locations.

Sale Outlets Networking Property: (i) up to RMB23.2 per square meter per month; (ii) up to RMB26 per square meter per month; (iii) up to RMB28 per square meter per month; (iv) up to RMB28 per square meter per month; (v) up to RMB20 per square meter per month, which is determined based on arm's length negotiation between the parties and by reference to market rates of similar locations and areas, payable monthly within the first week of each month.

Beijing Property: up to RMB48 per square meter per month, which is determined based on arm's length negotiation between the parties and by reference to market rates of similar locations and areas, payable monthly within the first week of each month.

Beijing R&D Property: up to RMB1,000 per working space per month, which is determined based on arm's length negotiation between the parties and by reference to market rates of similar locations and areas, payable monthly within the first week of each month.

Shanghai Property: up to RMB100 per square meter per month, which is determined based on arm's length negotiation between the parties and by reference to market rates of similar locations and areas, payable monthly within the first week of each month.

As all the actual lease agreements will be entered into in the year of 2023, the value of such right-of-use asset to be recognised by the Company is expected to be approximately RMB73,620,000 for the year ending 31 December 2023.

Details on the 2023 Master Lease Agreement were set out in the Company's announcement dated 16 December 2022.

(7) Master Purchase Agreement and 2023 Master Purchase Agreement

On 18 December 2019, the Company and Sany Group entered into a master purchase agreement (the "Master Purchase Agreement") 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.

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 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.

The annual cap under the Master Purchase Agreement (as amended on 11 November 2022) for the year ended 31 December 2022 was RMB908,001,000.

During the year ended 31 December 2022, the actual transactions under the Master Purchase Agreement amounted to RMB878,581,000, which was within the aforementioned annual cap.

Further details of the Master Purchase Agreement and the amended annual cap were set out in the announcements of the Company dated 18 December 2019 and 11 November 2022 and the circulars of the Company dated 7 February 2020 and 22 November 2022.

In view of the expiry of the Master Purchase Agreement on 31 December 2022, on 16 December 2022, the Company and Sany Group entered into a new master purchase agreement ("2023 Master Purchase Agreement") for a term of three years commencing from 1 January 2023 to 31 December 2025 with the same pricing terms.

The annual caps of the 2023 Master Purchase Agreement for each of the three financial years ended 31 December 2025 will not exceed RMB1,214,218,070, RMB1,696,940,810 and RMB2,284,841,210 respectively.

Details on the 2023 Master Purchase Agreement were set out in the Company's announcement dated 16 December 2022 and the Company's circular dated 18 January 2023.

(8) Master Sales Agency Agreement and 2023 Master Sales Agency Agreement

On 18 December 2019, the Company and Sany Group entered into a master sales agency agreement (the "Master Sales Agency Agreement") 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%.

The annual cap under the Master Sales Agency Agreement (as amended on 11 November 2022) for the year ended 31 December 2022 was RMB9,982,000.

During the year ended 31 December 2022, the actual transactions under the Master Sales Agency Agreement amounted to RMB9,950,000, which was within the annual cap. Details of the Master Sales Agency Agreement were set out in the announcement of the Company dated 18 December 2019 and 11 November 2022.

In view of the expiry of the Master Sales Agency Agreement on 31 December 2022, on 16 December 2022, the Company and Sany Group entered into a new master sales agency agreement ("2023 Master Sales Agency Agreement") for a term of three years commencing from 1 January 2023 to 31 December 2025 with the same pricing terms.

The annual caps under the 2023 Master Sales Agency Agreement for each of the financial years ended 31 December 2025 will not exceed RMB15,000,000, RMB20,000,000 and RMB30,000,000 respectively.

Details of the 2023 Master Sales Agency Agreement were set out in the Company's announcement dated 16 December 2022.

(9) Master Sales Agreement and 2023 Master Sales Agreement

On 18 December 2019, the Company and Sany Group entered into a master sales agreement (the "Master Sales Agreement") 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 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 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.

The annual cap under the Master Sales Agreement for the year ended 31 December 2022 was RMB89,136,176.

During the year ended 31 December 2022, the actual transactions under the Master Sales Agreement amounted to RMB50,609,000, which was within the annual cap. Details of the Master Sales Agreement were set out in the announcement of the Company dated 18 December 2019.

In view of the expiry of the Master Sales Agreement on 31 December 2022, on 16 December 2022, the Company and Sany Group entered into a new Master Sales Agreement ("2023 Master Sales Agreement") for a term of three years commencing from 1 January 2023 to 31 December 2025 with the same pricing terms.

The annual caps under the 2023 Master Sales Agreement for each of the financial years ended 31 December 2025 will not exceed RMB83,382,050, RMB111,237,520 and RMB150,575,610 respectively.

Details of the 2023 Master Sales Agreement were set out in the Company's announcement dated 16 December 2022.

(10) Master Transportation Agreement

On 18 December 2019, the Company and Sany Logistics entered into a master transportation agreement (the "Master Transportation Agreement") 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.

The annual cap under the Master Transportation Agreement (as amended on 11 November 2022) for the year ended 31 December 2022 was RMB616,174,000. During the year ended 31 December 2022, the actual transactions under the Master Transportation Agreement amounted to RMB538,237,000, which was within the annual cap.

Details of the Master Transportation Agreement and the amended annual cap were set out in the announcements of the Company dated 18 December 2019 and 11 November 2022 and the circulars of the Company dated 7 February 2020 and 22 November 2022.

(11) Products Sales Agreement and 2023 Products Sales Agreement

On 21 May 2021, the Company and Sany Group entered into the supplemental products sales agreement (the "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 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 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.

The annual cap under the Products Sales Agreement (as amended on 11 November 2022) for the year ended 31 December 2022 was RMB2,178,490,000.

During the year ended 31 December 2022, the actual transactions under the Products Sales Agreement amounted to RMB1,971,048,000, which was within the annual cap. Details of the Products Sales Agreement were set out in the announcement of the Company dated 21 May 2021 and 11 November 2022.

In view of the expiry of the Products Sales Agreement on 31 December 2022, on 16 December 2022, the Company and Sany Group entered into a new products sales agreement ("2023 Product Sales Agreement") for a term of three years commencing from 1 January 2023 to 31 December 2025 with the same pricing terms.

Pursuant to the 2023 Products Sales Agreement, the annual cap amounts for the three years ending 31 December 2025 are expected not to exceed RMB2,210,370,000, RMB2,300,000,000 and RMB2,358,580,000 respectively.

Details of the 2023 Products Sales Agreement were set out in the Company's announcement dated 16 December 2022 and the Company's circular of 18 January 2023.

(12) Technical Service Framework Agreement and 2023 Technical Service Framework Agreement

On 21 May 2021, the Company and Sany Group entered into the supplemental technical service framework agreement (the "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 annual cap under the Technical Service Framework Agreement (as amended on 11 November 2022) for the year ended 31 December 2022 was RMB134,380,000.

During the year ended 31 December 2022, the actual transactions under the Technical Service Framework Agreement amounted to RMB113,022,000, which was within the annual cap. Details of the Products Sales Agreement were set out in the announcement of the Company dated 21 May 2021 and 11 November 2022.

In view of the expiry of the Technical Service Framework Agreement on 31 December 2022, on 16 December 2022, the Company and Sany Group entered into a new technical service framework agreement ("2023 Technical Service Framework Agreement") for a term of three years commencing from 1 January 2023 to 31 December 2025 with the same pricing terms.

The annual caps for each of the three years ended 31 December 2025 are RMB87,660,000, RMB81,110,000 and RMB74,500,000 respectively.

Details of the 2023 Technical Service Framework Agreement were set out in the Company's announcement dated 16 December 2022 and the Company's circular dated 18 January 2023.

Review by the independent non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions conducted under the Automated Machinery Sales Agreement, Deposit Services Framework Agreement, Equipment Sales and Leasing Framework Agreement, Master Lease Agreement, Master Purchase Agreement, Master Sales Agency Agreement, Master Sales Agreement, Master Transportation Agreement, Products Sales Agreement, Administrative Services Agreement, Logistics Services Agency Agreement and Technical Service Framework Agreement and confirmed that these transactions have been entered into:

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

(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 continuing connected transactions conducted under the Automated Machinery Sales Agreement, Deposit Services Framework Agreement, Equipment Sales and Leasing Framework Agreement, Master Lease Agreement, Master Purchase Agreement, Master Sales Agency Agreement, Master Sales Agreement, Master Transportation Agreement, Products Sales Agreement, Administrative Services Agreement, Logistics Services Agency Agreement and Technical Service Framework Agreement. 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 Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, Ernst & Young has issued its unmodified letter containing its 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) these continuing connected transactions have been approved by the Board;

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

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

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

One-off Connected Transactions

(1) The Equity Transfer Agreement

On 7 July 2022, Sany Heavy Equipment (a wholly-owned subsidiary of the Company), Sany Construction Technology (50.4% held by Mr. Liang Wengen) and Sany Machinery (65% and 35% held by the Company and Sany Group respectively) entered into the equity transfer agreement, pursuant to which Sany Machinery has agreed to purchase 70% equity interests in Sany Robot Equipment (Xi'an) Co., Ltd. ("Sany Robot") from Sany Heavy Equipment at a consideration of RMB21,421,400 and 30% equity interests in the Sany Robot from Sany Construction Technology at a consideration of RMB9,180,600.

Sany Robot is principally engaged in the research and development, manufacture and sales of robots and automation equipment. Since its establishment, the Sany Robot has been engaging in research and development of robots and automation equipment robots which could be applied to the processes of smart production lines, such as coating and three-dimensional warehouses, and precast concrete production lines and construction sites.

The acquisition and disposal are conducted to reorganize the business line of the Group which will consolidate the research and development, manufacture and sales of robots and automation equipment businesses of the Target Company in the business of Sany Machinery so as to facilitate the internal management and the resources sharing in respect of research and development, manufacturing and marketing channels within the Group, avoid repeated allocation of resources and provide synergy to further enhance the core competitive advantage of robotic products of the Group.

Details of the acquisition agreement were set out in the Company's announcement dated 7 July 2022.

(2) Capital Contributions

On 30 November 2022, Sany Heavy Equipment (a direct wholly-owned subsidiary of the Company), Sany Group, Changsha Zhiding Enterprise Management Partnership (Limited Partnership)* ("Changsha Zhiding") and Changsha Zhiqiang Enterprise Management Partnership (Limited Partnership)* ("Changsha Zhiqiang") have agreed to be bound by the amended articles of Sany Machinery (the "Amended Articles") to increase the registered capital of Sany Machinery from RMB50 million to RMB100 million and make capital contributions in cash to Sany Machinery.

Pursuant to the Amended Articles, Sany Heavy Equipment will contribute RMB13 million, Sany Group will contribute RMB7 million, Changsha Zhiding (where Sany Heavy Equipment acts as a general partner and has 99.9% equity interests) will contribute RMB15 million and Changsha Zhiqiang (where Sany Heavy Equipment acts as a general partner and has approximately 82.13% equity interests) will contribute a total of RMB15 million, to Sany Machinery as the capital contributions.

Before the capital contributions, Sany Heavy Equipment and Sany Group each held 65% and 35% of the equity interest in Sany Machinery, respectively. Upon completion of the capital contributions, Sany Heavy Equipment, Sany Group, Changsha Zhiding and Changsha Zhiqiang will hold 45.5%, 24.5%, 15% and 15% of the equity interest in Sany Machinery, respectively. Changsha Zhiding and Changsha Zhiqiang are both directly controlled by Sany Heavy Equipment. As a result of the capital contributions, Sany Heavy Equipment will have an effective interest in aggregate (both directly and indirectly) of approximately 72.80% in Sany Machinery.

The capital contributions will be used for the business operation and development of Sany Machinery. The Board believes that Sany Machinery can benefit from the capital contributions with additional capital to fund its development and production of intelligent products. Meanwhile, Changsha Zhiding and Changsha Zhiqiang are both held by core employees of Sany Machinery. The introduction of the above two employee shareholding platforms by Sany Machinery will help to fully motivate the core employees and enhance the business competitiveness of Sany Machinery, thereby facilitating the Group's sustainable development in the long term.

Details of the capital contributions were set out in the Company's announcement dated 30 November 2022.

(3) Acquisition of the Equity Interests in Certain Target Companies

On 30 December 2022, Sany Heavy Equipment (a wholly-owned subsidiary of the Company) and Sany Group entered into three acquisition agreements, pursuant to which Sany Heavy Equipment has conditionally agreed to purchase and Sany Group has conditionally agreed to sell the 70% equity interests in Sany Technology Equipment, the 99.99% partnership interests in Changsha Laite Enterprise Management Partnership (Limited Partnership)* and the 66.7533% partnership interests in Changsha Feiling Enterprise Management Partnership (Limited Partnership)*, all of which are held by Sany Group for an aggregate cash consideration of RMB0.95. The acquisition was completed on 9 February 2023.

Sany Technology Equipment is primarily engaged in the research and development, manufacturing and sales of new energy battery equipment. In particular, Sany Technology Equipment has currently completed the first production line for 3GwH lithium battery ("3GwH Battery"). Sany Technology Equipment is well-equipped with, and mastered, the core technology to manufacture 3GwH Battery. All 34 types of equipment of the production line are independently developed and manufactured. It is also capable of providing overall solutions for lithium battery production lines.

The Group has extensive experience in terms of electric products and has been continuously conducting research and development to carry out electrification upgrade on its products such as developing battery-replaceable widebodied vehicles and a complete series of electric logistic equipment products. Focusing on the core requirements of efficiency and reliability, the Group has developed multiple key technologies relating to energy saving, battery charging and replacing. Therefore, the Board considers that the business of Sany Technology Equipment has a high level of consistency and compatibility to the existing business of the Group, which helps the Group to speed up the implementation of its electrification strategy and develop the new energy equipment business.

Details of the acquisition of equity interests in certain target companies were set out in the Company's announcement dated 30 December 2022.

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 under 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 2022.

Subsequent Events

No significant events which affected the Group occurred subsequent to 31 December 2022.

Annual General Meeting

The annual general meeting of the Company will be convened and held on Wednesday, 31 May 2023. 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, 25 May 2023 to Wednesday, 31 May 2023, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to attend and vote at the annual general meeting is Wednesday, 31 May 2023. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 31 May 2023, 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, 24 May 2023.

Closure of Register of Members — Final Dividend Payment

The register of members of the Company will also be closed from Wednesday, 7 June 2023 to Friday, 9 June 2023, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to the proposed dividends is Friday, 9 June 2023. 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, 6 June 2023.

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 2022.

Auditors

The consolidated financial statements for the year ended 31 December 2022 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, 20 March 2023

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 from 1 January 2022 to 31 December 2022.

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 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:

Name of Company Secretary	Accounting/Financial/ Management or Updates on Rules and Regulations: Read materials	Accounting/Financial/ Management or Updates on Rules and Regulations: Attend Seminars Briefings/(Times)	Corporate Governance/Laws, Other Professional Skills: Read materials	Corporate Governance/Laws, Other Professional Skills: 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. Pursuant to Article 84(1) of the Articles, 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, 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, race, 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. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. 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.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. As a measurable objective for the implementation of the Board Diversity Policy, all Board appointments shall be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board without focusing on a single diversity aspect.

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. As at 31 December 2022, the Board has male members only. In order to ensure gender diversity at the Board level, the Nomination Committee of the Company is in the process of identifying suitable female candidates who have necessary skills and experience to the Board. The Board targets to appoint at least one suitable female Board member by 31 December 2024. The Board targets to have at least one female Board member at all time, representing not less than 10% of the Board composition, and will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified. 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.

The Group is committed to establishing an inclusive corporate culture. The Group strives to strengthen the employee diversity and inclusiveness, including gender diversity. During our recruitment process, the Group strictly abides by various anti-discrimination laws and regulations, respects the diverse backgrounds of employees, and resolutely eliminates discrimination due to differences in religion, race, gender, nationality and age, etc. In terms of employee employment, performance benefits, etc., we adhere to the principle of fairness and openness to ensure that employees enjoy fair working conditions. The Group has been committed to promoting anti-discrimination and equal opportunities in its human resources policy to create a fair, respectful and diverse working environment, and it strictly implements relevant policies to regulate its day-to-day corporate behaviour, enhance employee diversity and avoid activities which may violate the principles of equal opportunities and anti-discrimination.

As at 31 December 2022, diversity of employees in terms of gender and age group is as follows: 95.1% are male employees and 4.9% are female employees. Meanwhile, 35.8% are below 30, 50.2% are age 31–40, 12.1% are age 41–50, and 1.9% are above 50.

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 Articles and other applicable rules and regulations.

As set out in the terms of reference of the Nomination Committee, the committee shall discharge the following duties:

(a) to review the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors;

(d) to submit recommendations to the Board on:

    (i) the role, responsibilities, capabilities, skills, knowledge and experience required from members of the Board;

    (ii) the policy on the terms of employment of non-executive Directors;

    (iii) the composition of the audit committee, remuneration committee and other board committees of the Company;

    (iv) proposed changes to the structure, size and composition of the Board;

    (v) candidates suitably qualified to become members of the Board;

    (vi) the selection of individuals nominated for directorship;

    (vii) the re-election by shareholders of the Company of any Directors who are to retire by rotation having regard to their performance and ability to continue to contribute to the Board;

    (viii) the continuation (or not) in service of any independent non-executive Director serving more than nine years and to provide recommendation to the shareholders of the Company as to how to vote in the resolution approving the re-election of such independent non-executive Director;

    (ix) relevant matters relating to the appointment, re-appointment of Directors; and

    (x) succession planning for Directors in particular the chairman and the chief executive officer.

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 2022, the Audit Committee held four meetings. The Group's unaudited interim results for the six months ended 30 June 2022 and the audited annual results for the year ended 31 December 2022 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 2022, the Remuneration Committee held three meetings to review the remuneration packages of the Directors and the senior management and assess the performance of executive Directors.

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 2022, the Nomination Committee held one meeting to review and recommend the re-election of Mr. Liang Zaizhong, Mr. Tang Xiuguo, Mr. Hu Jiquan 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 2022, 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 A.2.1 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 2022, 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 2022 is set out below:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Strategic Investment Committee	General Meeting
Executive Directors						
Mr. Liang Zaizhong *(Chairman)*	16/16	N/A	N/A	1/1	0/0	2/2
Mr. Qi Jian *(Vice Chairman)*	16/16	N/A	N/A	N/A	0/0	2/2
Mr. Fu Weizhong	16/16	N/A	N/A	N/A	0/0	2/2
Non-executive Directors						
Mr. Tang Xiuguo	16/16	N/A	N/A	N/A	N/A	2/2
Mr. Xiang Wenbo	16/16	N/A	N/A	N/A	N/A	2/2
Independent non-executive Directors						
Mr. Ng Yuk Keung	16/16	4/4	3/3	N/A	0/0	2/2
Mr. Poon Chiu Kwok	16/16	4/4	3/3	1/1	0/0	2/2
Mr. Hu Jiquan	16/16	4/4	3/3	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, 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 C.1.4 of the CG Code regarding continuous professional development. For the year ended 31 December 2022, 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 C.1.4 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 2022:

Name of Directors	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills		Anti-corruption Training	
	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 year 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 2022 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 nonaudit service (the non-audit service mainly included tax compliance service) provided by the auditors to the Group for the year ended 31 December 2022 amounted to RMB2.95 million, details of which are as follows:

Types of service	**RMB'000**
Audit service	2,555
Non-audit service	395

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 80 to 84 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 2022 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 2022.

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, 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 2022, 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.

Shareholders are encouraged to participate in general meetings of the Company. Sufficient notice of general meetings will be given to the Shareholders in accordance with the Articles and applicable rules and regulations. The chairman of the Board, chairman of each Board committee, management of the Company and, if appropriate, the external auditors, will attend the general meetings and answer questions raised by Shareholders.

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.

Shareholders may at any time make enquiries to the Board in writing or by call to the Investor Relations Department or directly by raising questions at general meetings. Please refer to the Corporate Information of this report for contact details of the Investor Relations Department.

During the year ended 31 December 2022, two general meetings were held at which all the Directors attended to communicate with the Shareholders. All corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner. The Board considers that the shareholders communication policy was effective during the year ended 31 December 2022.

Independence Mechanisms

The Company has in place mechanisms to ensure independent views and input are available to the Board. The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgement. Each independent non-executive Director is required to provide an annual confirmation of his/her independence to the Company and the Nomination Committee of the Company is responsible to assess the independence and time commitment of each independent non-executive Director at least annually.

All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. To facilitate proper discharge of their duties, all the Directors are entitled to seek advice from the company secretary of the Company or, upon reasonable request, seek independent professional advice at the Company's expense. The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns.

Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting.

The Board has reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the year ended 31 December 2022.

CORPORATE INFORMATION

Directors

Executive Directors
Mr. Liang Zaizhong *(Chairman)*
Mr. Qi Jian *(Vice Chairman)*
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

Company Secretary
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. Ng Yuk Keung
Mr. Poon Chiu Kwok

ESG Committee (Established on 20 February 2023)
Mr. Qi Jian *(Chairman)*
Mr. Fu Weizhong
Mr. Ng Yuk Keung
Mr. Poon Chiu Kwok
Mr. Hu Jiquan

Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong
Room 2010
Landmark North
No. 39 of Lung Sum Avenue
Sheung Shui
New Territories
Hong Kong

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 Services Limited
Shops 1711–16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Company Website
www.sanyhe.com

Investor Relations
Direct Line : +86 14 89318111
Fax : +86 14 89318111
E-mail : lvwb@sany.com.cn
Address : No. 25, 16 Kaifa Road
Shenyang Economic and
Technological Development Zone
Shenyang, Liaoning Province
PRC

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌
英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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 85 to 199, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment provision for trade receivables	
At 31 December 2022, the Group had trade receivables of RMB7,304,650,000, net of a provision for impairment of RMB424,480,000. The balance of trade receivables accounted for approximately 27% 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 2022, 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 in 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 assessing 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 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.

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

(continued)

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.

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

(continued)

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

20 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**15,536,716**	10,194,616
Cost of sales		**(11,908,372)**	(7,804,976)
Gross profit		**3,628,344**	2,389,640
Other income and gains	5	**646,942**	790,923
Selling and distribution expenses		**(932,879)**	(566,567)
Administrative expenses		**(1,177,331)**	(1,053,151)
Impairment losses on financial and contract assets, net	6	**(87,194)**	(2,434)
Other expenses		**(24,982)**	(694)
Finance costs	7	**(131,967)**	(119,666)
PROFIT BEFORE TAX	6	**1,920,933**	1,438,051
Income tax expense	10	**(251,859)**	(128,893)
PROFIT FOR THE YEAR		**1,669,074**	1,309,158
Attributable to:			
Owners of the parent		**1,664,911**	1,259,071
Non-controlling interests		**4,163**	50,087
		1,669,074	1,309,158
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic (RMB Yuan)		**0.53**	0.40
Diluted (RMB Yuan)		**0.46**	0.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR	**1,669,074**	1,309,158
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(6,378)**	7,796
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(6,378)**	7,796
OTHER COMPREHENSIVE INCOME, NET OF TAX	**(6,378)**	7,796
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**1,662,696**	1,316,954
Attributable to:		
Owners of the parent	**1,658,533**	1,266,867
Non-controlling interests	**4,163**	50,087
	1,662,696	1,316,954

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,065,888**	3,314,006
Right-of-use assets	14(a)	**1,273,397**	1,113,534
Goodwill	15	**1,129,520**	1,129,520
Intangible assets	16	**17,387**	19,295
Trade receivables	19	**888,356**	640,575
Non-current prepayments	21	**24,384**	9,650
Contract assets	20	**65,845**	54,614
Deferred tax assets	31	**297,805**	286,852
Total non-current assets		**7,762,582**	6,568,046
CURRENT ASSETS			
Inventories	17	**3,282,540**	2,528,509
Properties for sale	18	**883,911**	1,039,637
Trade receivables	19	**6,416,294**	4,271,700
Bills receivable	19	**1,011,765**	700,270
Contract assets	20	**68,164**	41,850
Prepayments, other receivables and other assets	21	**700,258**	584,658
Financial assets at fair value through profit or loss	22	**2,087,646**	3,680,123
Pledged deposits	23	**50,286**	20,997
Cash and cash equivalents	23	**2,689,823**	1,349,332
Total current assets		**17,190,687**	14,217,076
CURRENT LIABILITIES			
Trade and bills payables	24	**6,646,310**	4,422,304
Other payables and accruals	26	**2,791,041**	2,659,400
Dividend payable	11	**83,284**	70,226
Interest-bearing bank and other borrowings	27	**954,215**	1,687,346
Tax payable		**155,113**	185,221
Provision for warranties	28	**40,053**	24,053
Government grants	29	**164,656**	112,700
Derivative financial instruments	30	**1,106**	8,561
Total current liabilities		**10,835,778**	9,169,811
NET CURRENT ASSETS		**6,354,909**	5,047,265
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,117,491**	11,615,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	**2022 RMB'000**	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**2,691,178**	1,766,768
Government grants	29	**1,185,182**	967,460
Deferred tax liabilities	31	**137,357**	97,935
Total non-current liabilities		**4,013,717**	2,832,163
Net assets		**10,103,774**	8,783,148
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**312,789**	312,060
Reserves	35	**9,727,190**	8,388,996
		10,039,979	8,701,056
Non-controlling interests		**63,795**	82,092
Total equity		**10,103,774**	8,783,148

Qi Jian
Director

Fu Weizhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	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	Contributed surplus RMB'000	Share option reserve RMB'000	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	—	—	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	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	Contributed surplus RMB'000	Share option reserve RMB'000	Reserve funds RMB'000	Other reserve 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 2022	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
Profit for the year	—	—	—	—	—	—	—	—	—	1,664,911	1,664,911	4,163	1,669,074
Other comprehensive income for the year:													
Exchange differences related to foreign operations	—	—	—	—	—	—	—	(6,378)	—	—	(6,378)	—	(6,378)
Total comprehensive income for the year	—	—	—	—	—	—	—	(6,378)	—	1,664,911	1,658,533	4,163	1,662,696
Capital injection from a non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	—	13,300	13,300
Dividend to a non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	—	(6,555)	(6,555)
Acquisition of non-controlling interests	—	—	20,023	—	—	—	—	—	—	—	20,023	(29,205)	(9,182)
Issue of shares (note 32)	729	—	7,592	—	—	—	—	—	—	—	8,321	—	8,321
Share-based payments (notes 33 and 34)	—	—	—	—	117,620	—	618	—	—	—	118,238	—	118,238
Release of share-based compensation reserve to share premium upon exercise of share options (note 32)	—	—	1,437	—	(1,437)	—	—	—	—	—	—	—	—
Provision for safe production expense	—	—	—	—	—	—	10,207	—	—	(10,207)	—	—	—
Final 2021 dividend	—	—	—	—	—	—	—	—	—	(466,192)	(466,192)	—	(466,192)
Transfer from retained profits	—	—	—	—	—	229,965	—	—	—	(229,965)	—	—	—
At 31 December 2022	274,941	37,848	1,594,160#	1,344,319#	157,852#	1,006,040#	10,825#	(2,784)#	2,620#	5,614,158#	10,039,979	63,795	10,103,774

These reserve accounts comprise the consolidated reserves of RMB9,727,190,000 (2021: RMB8,388,996,000) 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 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,920,933**	1,438,051
Adjustments for:			
Finance costs	7	**131,967**	119,666
Interest income	5	**(59,148)**	(50,647)
Gain on disposal of items of property, plant and equipment	5	**(3,741)**	694
Fair value gain on financial assets at fair value through profit or loss and derivative instruments, net	5	**(137,789)**	(176,572)
Depreciation of property, plant and equipment	6	**261,380**	221,815
Depreciation of right-of-use assets	6	**29,255**	26,086
Amortisation of intangible assets	6	**1,908**	954
Government grants	5	**(340,562)**	(302,846)
Impairment of property, plant and equipment	6	**21,393**	—
Impairment/(reversal of impairment) of trade receivables	6	**85,643**	(2,658)
Impairment of contract assets	6	**1,694**	453
(Reversal of impairment)/impairment of other receivables	6	**(143)**	4,638
Provision/(Write-back of provision) against slow-moving and obsolete inventories	6	**13,373**	(24,342)
Gain on disposal of a subsidiary classified as held for sale	37	**—**	(172,405)
Share-based payments expense	6	**118,238**	26,139
Remeasurement of financial guarantee contracts	6	**3,589**	—
		2,047,990	1,109,026
Increase in inventories		**(767,404)**	(683,365)
Decrease/(increase) in properties for sale		**35,530**	(155,785)
Increase in trade receivables		**(2,478,018)**	(1,338,225)
Increase in bills receivable		**(311,495)**	(105,154)
Increase in contract assets		**(39,239)**	(56,128)
Increase in prepayments, other receivables and other assets		**(139,974)**	(156,850)
Increase in trade and bills payables		**2,224,006**	1,526,531
Increase in other payables and accruals		**14,579**	831,336
Increase/(decrease) in provision for product warranties		**16,000**	(7,956)
Receipt of government grants		**599,223**	140,265
Cash generated from operations		**1,201,197**	1,103,695
Interest received		**45,821**	20,741
Interest paid		**(17,755)**	(17,056)
PRC tax paid		**(144,826)**	(184,582)
Net cash flows from operating activities		**1,084,438**	922,798

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Net cash flows from operating activities		**1,084,438**	922,798
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**16,784**	7,203
Purchases of items of property, plant and equipment		**(1,129,242)**	(939,226)
Payment for prepaid land lease payments		**(189,118)**	—
Payment for consideration of an acquired subsidiary	36	**—**	(17,815)
Disposal of a subsidiary classified as held for sale		**—**	(3)
Proceeds from disposal of items of property, plant and equipment		**239,844**	54,253
Proceeds from disposal of financial assets at fair value through profit or loss		**5,484,328**	9,061,970
Purchases of financial assets at fair value through profit or loss		**(3,754,062)**	(8,541,851)
Loans to the related companies		**—**	(300,000)
Repayment of loans from the related companies		**—**	400,000
Increase in pledged deposits		**(29,289)**	(20,542)
Net cash flows from/(used in) investing activities		**639,245**	(296,011)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	32	**8,321**	26,474
Proceeds from (redemption)/issue of bonds	38(b)	**—**	(500,000)
Payment for share awards		**—**	(6,071)
New bank loans	38(b)	**3,827,846**	3,811,969
Repayment of bank loans	38(b)	**(3,638,644)**	(2,995,691)
Settlement of derivative financial instruments	38(b)	**(8,561)**	(5,407)
Dividends paid		**(466,192)**	(450,715)
Capital injection from a non-controlling shareholder		**13,300**	4,200
Interest paid	38(b)	**(112,884)**	(111,461)
Net cash flows used in financing activities		**(376,814)**	(226,702)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,346,869**	400,085
Cash and cash equivalents at beginning of year		**1,349,332**	941,451
Effect of foreign exchange rate changes, net		**(6,378)**	7,796
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,689,823**	1,349,332

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 mined products and spare parts and the provision of related services in Mainland China.

In the opinion of the directors of the Company (the "Directors"), the immediate holding company and the ultimate holding company of the Company are Sany Hongkong Group Limited ("Sany HK"), a company incorporated in Hong Kong, and Sany Heavy Equipment Investments Company Limited ("Sany BVI"), a company incorporated in the British Virgin Islands, respectively.

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		Principal activities
			Direct	Indirect	
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

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		Principal activities
			Direct	Indirect	
Sany (Zhuhai) Asset Co., Ltd. ("Sany Asset") (三一置業有限公司)*^	PRC/Mainland China	RMB53,180,000	—	100	Property development
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	RMB100,000,000	—	72.8	Research, development, manufacture and sale of automation equipment
Sany Robotic Equipment (Xian) Co., Ltd. ("Sany Robot") (三一機器人裝備(西安)有限公司)*^	PRC/Mainland China	RMB100,000,000	—	72.8	Research, development, manufacture and sale of automation equipment
Sany Intelligence Equipment Co., Ltd. ("Sany Intelligence Equipment") (三一智能裝備有限公司)*^	PRC/Mainland China	RMB1,000,000,000	—	100	Manufacture and sale of coal mining equipment

* Companies established as limited liability companies under PRC law.

^ The registered share capital of Sany Asset, Sany Machinery, Sany Robot and Sany Intelligence Equipment amounted to RMB53,180,000, RMB100,000,000 ,RMB100,000,000 and RMB1,000,000,000, respectively, among which RMB53,180,000, RMB50,000,000, RMB50,000,000 and RMB800,000,000 were unpaid as at 31 December 2022.

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. 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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 as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) *Annual Improvements to IFRSs 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS17 and IFRS9 — Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.
5 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
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

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

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 IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, 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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 in IAS 12 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 (provided that sufficient taxable profit is available) 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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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).

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. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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.

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. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(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.

(d) *Sale of properties*

Revenue from the sale of properties is recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property.

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 in exchange 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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 2022 was RMB1,129,520,000 (2021: 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)

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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, deferred tax liabilities, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022	Mining equipment RMB'000	Logistics equipment RMB'000	Total RMB'000
Segment revenue			
Sales to customers (note 5)	10,942,517	4,594,199	15,536,716
Intersegment sales	37,746	13,205	50,951
Other revenue	397,019	190,775	587,794
	11,377,282	4,798,179	16,175,461
Reconciliation:			
Elimination of intersegment sales			(50,951)
Revenue from operations			16,124,510
Segment results	1,552,198	441,554	1,993,752
Reconciliation:			
Interest income			59,148
Finance costs			(131,967)
Profit before tax			1,920,933
Income tax expense			(251,859)
Profit for the year			1,669,074
Segment assets	15,604,625	9,010,948	24,615,573
Reconciliation:			
Elimination of intersegment receivables			(2,700,218)
Corporate and other unallocated assets			3,037,914
Total assets			24,953,269
Segment liabilities	7,973,971	5,637,879	13,611,850
Reconciliation:			
Elimination of intersegment payables			(2,700,218)
Corporate and other unallocated liabilities			3,937,863
Total liabilities			14,849,495
Other segment information			
Loss/(gain) on disposal of items of property, plant and equipment	1	(3,742)	(3,741)
Impairment of property, plant and equipment	—	21,393	21,393
Impairment of trade receivables, net	66,282	19,361	85,643
(Reversal of impairment)/impairment of other receivables, net	(3,569)	3,426	(143)
Impairment of contract assets, net	1,649	45	1,694
Provision against slow-moving and obsolete inventories	8,662	4,711	13,373
Depreciation and amortisation	153,239	139,304	292,543
Other non-cash expenses	83,763	34,475	118,238
Capital expenditure*	780,650	753,916	1,534,566

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
Reconciliation:			
Interest income			50,647
Finance costs			(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

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2022 **RMB'000**	2021 RMB'000
Mainland China	**11,314,467**	8,099,167
Asia (excluding Mainland China)	**2,490,272**	1,048,098
European Union	**478,577**	268,654
United States of America	**548,575**	337,506
Other countries/regions	**704,825**	441,191
Total revenue from contracts with customers	**15,536,716**	10,194,616

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 RMB2,672,117,000 (2021: RMB2,098,797,000) 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:

	2022 **RMB'000**	2021 RMB'000
Revenue from contracts with customers	**15,536,716**	10,194,616

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Mining equipment RMB'000	Logistics equipment RMB'000	Total RMB'000
Types of goods or services			
Sale of industrial products	10,673,925	4,149,837	14,823,762
Installation services	56,040	114,041	170,081
Sale of properties	—	320,854	320,854
Maintenance and other services	212,552	9,467	222,019
Total revenue from contracts with customers	10,942,517	4,594,199	15,536,716
Geographical markets			
Mainland China	8,826,634	2,487,833	11,314,467
Asia (excluding Mainland China)	1,358,830	1,131,442	2,490,272
European Union	31,372	447,205	478,577
United States of America	173,937	374,638	548,575
Other countries/regions	551,744	153,081	704,825
Total revenue from contracts with customers	10,942,517	4,594,199	15,536,716
Timing of revenue recognition			
Goods transferred at a point in time	10,729,965	4,584,732	15,314,697
Services transferred over time	212,552	9,467	222,019
Total revenue from contracts with customers	10,942,517	4,594,199	15,536,716

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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)

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:

	2022 **RMB'000**	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**1,644,891**	842,231

(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.

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.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Sale of properties

The performance obligation is satisfied at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property. Payment in advance is normally required.

	Notes	**2022 RMB'000**	2021 RMB'000
Other income			
Bank interest income		**42,362**	43,444
Other interest income		**16,786**	7,203
Government grants	29	**340,562**	302,846
Rental income	14	**10,467**	13,218
Profit from sale of scrap materials		**56,543**	29,399
Foreign exchange differences, net		**2,621**	5,225
Others		**36,071**	40,611
		505,412	441,946
Gains			
Fair value gain, net:			
Financial assets at fair value through profit or loss — mandatorily classified as such		**136,347**	178,135
Derivative instruments — transactions not qualifying as hedges		**1,442**	(1,563)
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		**3,741**	—
		141,530	348,977
		646,942	790,923

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**11,753,827**	7,714,306
Cost of services provided		**141,172**	115,012
Depreciation of property, plant and equipment	13	**261,380**	221,815
Depreciation of right-of-use assets	14(a)	**29,255**	26,086
Amortisation of patents and licences	16	**1,908**	954
Auditors' remuneration		**2,555**	2,555
Provision of warranties*	28	**28,292**	7,875
Research and development costs**		**859,973**	751,274
Lease payments not included in the measurement of lease liabilities	14(b)	**28,332**	21,180
Employee benefit expenses (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**1,958,561**	1,103,493
Share option and share award expenses		**118,238**	26,139
Employee retirement benefits******		**60,175**	38,165
Other staff welfare		**43,777**	26,697
		2,180,751	1,194,494
Foreign exchange differences, net***		**(2,621)**	(5,225)
Impairment of property, plant and equipment, net***	13	**21,393**	—
Impairment on financial assets and contract assets, net****:			
Impairment/(reversal of impairment) of trade receivables, net	19	**85,643**	(2,658)
Impairment of contract assets, net	20	**1,694**	453
(Reversal of impairment)/impairment of other receivables, net		**(143)**	4,639
		87,194	2,434
Provision/(write-back of provision) against slow-moving and obsolete inventories*****	17	**13,373**	(24,342)
(Gain)/loss on disposal of items of property, plant and equipment, net***		**(3,741)**	694
Gains from sales of scrap materials***		**(56,543)**	(29,399)
Gain on disposal of a subsidiary classified as held for sale***		**—**	(172,405)
Remeasurement of financial guarantee contracts***	26	**3,589**	—
Fair value (gains)/losses, net***:			
Financial assets at fair value through profit or loss — mandatorily classified as such		**(136,347)**	(178,135)
Derivative instruments — transactions not qualifying as hedges	30	**(1,442)**	1,563
		(137,789)	(176,572)

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 "Impairment losses 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 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil)

7. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on interest-bearing bank and other borrowings	**121,848**	94,887
Interest on bonds	**—**	7,723
Interest on discounted bills	**17,755**	17,056
	139,603	119,666
Less : Interest capitalised	**(7,636)**	—
	131,967	119,666

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:

	2022 RMB'000	2021 RMB'000
Fees	**596**	596
Other emoluments:		
Salaries, allowances and benefits in kind	**21,553**	10,658
Share option and share award expenses	**10,840**	3,507
Employee retirement benefits and other staff welfare	**166**	10
	32,559	14,175
	33,155	14,771

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
2022			
Mr. Poon Chiu Kwok	**215**	—	**215**
Mr. Ng Yuk Keung	**215**	—	**215**
Mr. Hu Jiquan	**166**	—	**166**
	596	—	**596**
2021			
Mr. Poon Chiu Kwok	215	6	221
Mr. Ng Yuk Keung	215	6	221
Mr. Hu Jiquan	166	6	172
	596	18	614

There were no other emoluments payable to the independent non-executive directors during the year (2021: 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	Equity-settled share option expense RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
2022					
Executive directors:					
Mr. Qi Jian (Chief executive)	—	17,043	7,442	10	24,495
Mr. Fu Weizhong	—	900	—	—	900
Mr. Liang Zaizhong	—	3,610	3,398	156	7,164
	—	21,553	10,840	166	32,559
Non-executive director:					
Mr. Tang Xiuguo	—	—	—	—	—
Mr. Xiang Wenbo	—	—	—	—	—
	—	—	—	—	—

	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 director:					
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 (2021: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors of the Company (2021: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries and allowances	**3,082**	1,293
Bonuses	**4,285**	6,197
Share option and share award expenses	**2,643**	668
Employee retirement benefits and other staff welfare	**209**	66
	10,219	8,224

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	
	2022	2021
HK$1,500,001 to HK$2,000,000	**—**	1
HK$2,000,001 to HK$2,500,000	**—**	1
HK$3,500,001 to HK$4,000,000	**2**	—
HK$4,000,001 to HK$4,500,000	**1**	—
HK$4,500,001 to HK$5,000,000	**—**	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.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of the Company are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

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 2022.

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 Robot, were subject to CIT at a rate of 15% in 2022 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.

	2022	2021
	RMB'000	RMB'000
Current — Hong Kong		
Charge for the year	**79,369**	—
Current — Mainland China		
Charge for the year	**129,214**	77,418
Underprovision in prior years	**14,807**	18,465
Deferred (note 31)	**28,469**	33,010
Total tax charge for the year	**251,859**	128,893

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:

	2022		2021	
	RMB'000	%	RMB'000	%
Profit before tax	**1,920,933**		1,438,051	
Tax at the statutory tax rate	**480,351**	**25.0**	359,512	25.0
Entities subject to lower statutory income tax rates	**(172,449)**	**(9.0)**	(139,454)	(9.7)
Expenses not deductible for tax	**2,108**	**0.1**	1,458	0.1
Tax losses utilised from previous periods	**(6,263)**	**(0.3)**	(9,700)	(0.7)
Different tax rate when temporary difference is realized	**(8,676)**	**(0.5)**	3,820	0.3
Super-deduction of research and development costs	**(128,800)**	**(6.7)**	(108,464)	(7.5)
Super-deduction of equipment and machinery costs	**(11,753)**	**(0.6)**	—	—
Adjustments in respect of current tax of previous periods	**14,807**	**0.8**	18,465	1.3
Income not subject to tax	**(19,610)**	**(1.0)**	(14,892)	(1.0)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**17,501**	**0.9**	14,717	1.0
Withholding tax for the profits of the Group's PRC subsidiaries distributed during the year	**74,750**	**3.9**	—	—
Tax losses not recognised	**9,893**	**0.5**	3,431	0.2
Tax charge at the Group's effective tax rate	**251,859**	**13.1**	128,893	9.0

11. DIVIDENDS

	2022 **HK$'000**	2021 HK$'000
Proposed final dividend — HK$0.19 (2021: HK$0.15) per ordinary share	**602,850**	473,124
Proposed final dividend — HK$0.19 (2021: HK$0.15) per preference share	**91,158**	71,967
	694,008	545,091
Equivalent to RMB'000	**619,937**	441,153

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 RMB76,729,000 as at 31 December 2022 and RMB70,226,000 as at 31 December 2021) was recorded in "dividend payable" in the consolidated statement of financial position as at 31 December 2022 and 2021.

The dividend payable to a non-controlling shareholder of RMB6,555,000 was recorded in "dividend payable" in the consolidated statement of financial position as at 31 December 2022.

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 2022 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,141,714,465 (2021: 3,140,679,026) 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 2022 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)

	2022 RMB'000	2021 RMB'000
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,664,911**	1,259,071
Preferred distribution to the convertible preference shares	**83**	80
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**1,664,994**	1,259,151

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,141,714,465**	3,140,679,026
Effect of dilution — convertible preference shares	**479,781,034**	479,781,034
Effect of dilution — share options and share awards	**28,588,836**	16,674,921
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,650,084,335**	3,637,134,981

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 2022							
At 1 January 2022							
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
At 1 January 2022, net of accumulated depreciation and impairment	1,817,992	2,440	621,754	145,666	29,056	697,098	3,314,006
Additions	142,642	2,091	87,080	42,675	71,180	925,090	1,270,758
Disposals	(211,691)	—	(7,962)	(16,119)	(331)	—	(236,103)
Depreciation provided during the year (note 6)	(96,664)	(820)	(108,815)	(41,231)	(13,850)	—	(261,380)
Impairment	—	—	(21,393)	—	—	—	(21,393)
Transfers	349,352	—	258,593	8,246	59,558	(675,749)	—
At 31 December 2022, net of accumulated depreciation and impairment	2,001,631	3,711	829,257	139,237	145,613	946,439	4,065,888
At 31 December 2022							
Cost	2,561,961	4,659	1,706,749	330,363	202,735	946,439	5,752,906
Accumulated depreciation and impairment	(560,330)	(948)	(877,492)	(191,126)	(57,122)	—	(1,687,018)
Net carrying amount	2,001,631	3,711	829,257	139,237	145,613	946,439	4,065,888

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	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 and impairment	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 (note 6)	(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 and impairment	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

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
As at 1 January 2021	1,139,620
Depreciation charge	(26,086)
As at 31 December 2021 and 1 January 2022	**1,113,534**
Additions	**189,118**
Depreciation charge (note 6)	**(29,255)**
As at 31 December 2022	**1,273,397**

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

	2022 **RMB'000**	2021 RMB'000
Depreciation charge of right-of-use assets	**29,255**	26,086
Expense relating to short-term leases (note 6)	**28,332**	21,180
Total amount recognised in profit or loss	**57,587**	47,266

(c) 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 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 RMB10,467,000 (2021: RMB13,218,000), details of which are included in note 5 to the consolidated financial statements.

14. LEASES (continued)

The Group as a lessor (continued)

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022	2021
	RMB'000	RMB'000
Within 1 year	**12,615**	7,742
After 1 year but within 2 years	**7,911**	1,731
After 2 years but within 3 years	**6,921**	1,162
	27,447	10,635

The net carrying amounts of the Group's assets held under operating leases included in the total amounts of office buildings and machinery as at 31 December 2022 were RMB17,123,000 and RMB59,488,000, respectively (2021: RMB17,123,000 and RMB26,041,000).

15. GOODWILL

	RMB'000
At 31 December 2021 and 31 December 2022:	
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:

	2022
	RMB'000
Carrying amount of goodwill	**1,129,520**

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

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 17% (2021: 18%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2021: 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 2022. 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

	2022 RMB'000	2021 RMB'000
31 December		
Cost at 1 January, net of accumulated amortisation	**19,295**	—
Acquisition of a subsidiary (note 36)	**—**	20,249
Amortisation provided during the year	**(1,908)**	(954)
At 31 December	**17,387**	19,295
At 31 December		
Cost	**20,249**	20,249
Accumulated amortisation (note 6)	**(2,862)**	(954)
Net carrying amount	**17,387**	19,295

17. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**811,996**	469,372
Work in progress	**852,089**	827,667
Finished goods	**1,689,838**	1,296,485
	3,353,923	2,593,524
Less: Provision against slow-moving and obsolete inventories	**(71,383)**	(65,015)
	3,282,540	2,528,509

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

	2022 RMB'000	2021 RMB'000
At 1 January	**65,015**	105,859
Charged for the year (note 6)	**25,057**	31,397
Write-back for the year (note 6)	**(11,684)**	(55,739)
Write-off for the year	**(7,005)**	(16,502)
At 31 December	**71,383**	65,015

18. PROPERTIES FOR SALE

	2022 RMB'000	2021 RMB'000
Properties under development	**—**	1,039,637
Properties held for sale	**883,911**	—
Carrying amount as at 31 December	**883,911**	1,039,637

No impairment/reversal of impairment was recognised in the consolidated statement of profit or loss for the year ended 31 December 2022.

All properties for sale are situated in Mainland China.

19. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**7,729,130**	5,260,679
Impairment	**(424,480)**	(348,404)
	7,304,650	4,912,275
Less: Trade receivables due after one year	**(888,356)**	(640,575)
	6,416,294	4,271,700
Bills receivable	**1,011,765**	700,270

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 3% (2021: 5%) 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 RMB1,010,987,000 as at 31 December 2022 (2021: RMB742,104,000) for sales of products by the Group, which accounted for 13% (2021: 14%) 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:

	2022 RMB'000	2021 RMB'000
Within 180 days	**4,904,030**	3,262,566
181 to 365 days	**1,760,223**	1,112,214
1 to 2 years	**537,571**	412,296
2 to 3 years	**89,400**	114,855
Over 3 years	**13,426**	10,344
	7,304,650	4,912,275

19. TRADE AND BILLS RECEIVABLES (continued)

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**348,404**	424,209
Impairment/(reversal of impairment), net (note 6)	**85,643**	(2,658)
Amount written off as uncollectible	**(9,567)**	(73,147)
At end of year	**424,480**	348,404

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.

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

	Ageing				
At 31 December 2022:	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**2.19%**	**12.13%**	**28.39%**	**92.51%**	**5.49%**
Gross carrying amount (RMB'000)	**6,813,163**	**611,772**	**124,846**	**179,349**	**7,729,130**
Expected credit losses (RMB'000)	**148,910**	**74,201**	**35,446**	**165,923**	**424,480**

	Ageing				
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

19. TRADE AND BILLS RECEIVABLES (continued)

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

	2022 RMB'000	2021 RMB'000
Within six months	**824,136**	534,249
Over six months	**187,629**	166,021
	1,011,765	700,270

Included in the bills receivable was an amount of RMB156,180,000 as at 31 December 2022 (2021: RMB96,940,000) which was pledged for the issuance of a letter of guarantee.

None of the bill receivable as at 31 December 2022 (2021: Nil) was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2022, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB380,140,000 (2021: RMB194,840,000) 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 RMB380,140,000 (2021: RMB194,840,000) as at 31 December 2022.

19. TRADE AND BILLS RECEIVABLES (continued)

Transferred financial assets that are derecognised in their entirety

At 31 December 2022, 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 RMB1,082,302,000 (2021: RMB744,178,000). 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 2022 RMB'000	31 December 2021 RMB'000
Contract assets arising from:		
Sale of industrial products	**136,911**	97,672
Impairment	**(2,902)**	(1,208)
	134,009	96,464

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 2022 was the result of the increase of sales contracts with payment terms relating to the guarantee deposits.

During the year ended 31 December 2022, RMB1,694,000 (2021: RMB453,000) 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.

20. CONTRACT ASSETS (continued)

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

	2022 RMB'000	2021 RMB'000
Within one year	**68,164**	41,850
After one year	**65,845**	54,614
Total contract assets	**134,009**	96,464

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**1,208**	755
Impairment losses, net (note 6)	**1,694**	453
At end of year	**2,902**	1,208

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:

	2022 RMB'000	2021 RMB'000
Expected credit loss rate	**2.12%**	1.24%
Gross carrying amount (RMB'000)	**136,911**	97,672
Expected credit losses (RMB'000)	**2,902**	1,208

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 **RMB'000**	2021 RMB'000
Non-current prepayments	**24,384**	9,650
Current assets:		
Prepayments	**306,377**	255,707
Deposits and other receivables	**411,592**	339,332
Loans to third parties	**12,471**	20,676
Gross balance	**730,440**	615,715
Impairment allowance	**(30,182)**	(31,057)
	700,258	584,658

Non-current prepayments represent prepayments for the acquisition of land of RMB9,650,000 (2021: RMB9,650,000) and the long-term deferred expense of non-monetary staff welfare of RMB14,734,000 (2021: nil).

Included in the current prepayments, RMB51,393,000 was due from fellow subsidiaries as at 31 December 2022 (31 December 2021: 53,466,000) 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 2022 was 5.5% (2021: 3.2%).

As at 31 December 2022 and 2021, full expected credit loss allowance has been made for the loans to third parties.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **RMB'000**	2021 RMB'000
Unlisted investments		
Financial investments at fair value through profit or loss	**2,087,646**	3,680,123

The above unlisted investments were wealth management products and futures issued by banks and other financial institutions in Mainland China. They were 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

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**1,313,642**	710,329
Time deposits	**1,426,467**	660,000
	2,740,109	1,370,329
Less: Pledged time deposits for banking facilities	**(50,286)**	(20,997)
Cash and cash equivalents	**2,689,823**	1,349,332
Cash and cash equivalents, time deposits and pledged deposits denominated in		
— RMB	**1,586,091**	1,255,909
— Hong Kong dollar ("HK$")	**11,204**	7,480
— United States dollar ("US$")	**1,142,669**	106,726
— Euro ("EUR")	**116**	214
— Australian Dollar ("AUD")	**29**	—
	2,740,109	1,370,329

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 2022, bank balances of RMB370,104,000 (2021: RMB600,000,000) 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:

	2022 RMB'000	2021 RMB'000
Within 30 days	**2,421,538**	2,769,451
31 to 90 days	**2,025,989**	686,892
91 to 180 days	**1,673,386**	337,542
181 to 365 days	**485,468**	494,060
Over 1 year	**39,929**	134,359
	6,646,310	4,422,304

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 RMB1,770,073,000 as at 31 December 2022 (2021: RMB128,963,000) for purchasing raw materials by the Group.

25. BONDS PAYABLE

	2021 RMB'000
Bonds payable, unsecured	
Carrying amount at 1 January	499,655
Redemption	(500,000)
Interest expense	345
Carrying amount at 31 December	—

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 off by the Group.

26. OTHER PAYABLES AND ACCRUALS

	Notes	**2022 RMB'000**	2021 RMB'000
Contract liabilities	(a)	**1,586,880**	1,644,891
Other payables	(b)	**1,084,152**	933,207
Financial guarantee contracts	(c)	**3,589**	—
Accruals		**116,420**	81,302
		2,791,041	2,659,400

(a) Details of contract liabilities are as follows:

	2022 RMB'000	2021 RMB'000
Sales of industrial products	**1,586,880**	1,644,891

Contract liabilities include short-term advances received to deliver industrial products. The increase in contract liabilities in 2022 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 RMB124,289,000 as at 31 December 2022 (2021: RMB509,228,000) 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 RMB210,367,000 as at 31 December 2022 (2021: RMB329,308,000), which is non-interest-bearing and is repayable on demand.

(c) The financial guarantee contracts represent guarantees given to financial institutions/finance lease companies in connection with facilities granted to customers. The Group does not hold any collateral or other credit enhancements over the guarantees. All guarantees are approved by the Head of Credit Control and the Chief Executive.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor. The amount initially recognised representing the fair value at initial recognition of the financial guarantees was not significant. During the year ended 31 December 2022, additional ECL allowance of RMB3,589,000 was provided as a result of an additional amount in the balance of guarantees.

The credit exposure of the financial guarantee contracts is classified as stage 1. During the year, there were no transfers between stages.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	**1.40–3.50**	**2023**	**951,032**	Libor+ 0.15–3.55	2022	1,687,346
Interest payable	**—**	**2023**	**3,183**	—	—	—
			954,215			1,687,346
Non-current						
Bank loans — secured	**3.20**	**2030**	**400,000**	—	—	—
Bank loans — unsecured	**2.50–3.60**	**2024–2025**	**2,291,178**	2.92–4.10	2023–2024	1,766,768
			2,691,178			1,766,768

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**954,215**	1,687,346
In the second year	**1,848,970**	1,566,768
In the third to fifth years, inclusive	**842,208**	200,000
	3,645,393	3,454,114

(a) As at 31 December 2022, Sany Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB3,293,875,000 (2021: RMB2,650,172,000) as at the end of the reporting period.

(b) As at 31 December 2022, all borrowings were denominated in RMB. As at 31 December 2021, except for bank loan of RMB187,109,000 which was denominated in United States, all other borrowings were denominated in RMB.

(c) One of the Group's bank loans of RMB400,000,000 is secured by the Group's leasehold land, which had a net carrying value at the end of the reporting period of approximately RMB210,811,000 (2021: nil).

28. PROVISION FOR WARRANTIES

	2022 RMB'000	2021 RMB'000
At 1 January	**24,053**	32,009
Additional provision (note 6)	**44,464**	30,788
Amounts utilised during the year	**(12,292)**	(15,831)
Reversal of unutilised amounts (note 6)	**(16,172)**	(22,913)
At 31 December	**40,053**	24,053

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

	2022 RMB'000	2021 RMB'000
At 1 January	**1,080,160**	1,201,610
Received during the year	**599,223**	140,265
Accrued during the year	**11,017**	21,658
Acquisition of a subsidiary (note 36)	**—**	19,473
Released to the statement of profit or loss during the year (note 5)	**(340,562)**	(302,846)
At 31 December	**1,349,838**	1,080,160
Current portion	**(164,656)**	(112,700)
Non-current portion	**1,185,182**	967,460

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

	2022 Liabilities RMB'000	2021 Liabilities RMB'000
Forward currency contracts	**—**	2,552
Interest rate swaps	**1,106**	6,009
	1,106	8,561

The interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. No fair value loss of forward currency contracts (2021: 2,552,000) and fair value gain of non-hedging interest rate swaps amounting to RMB1,442,000 (2021: fair value gain of RMB989,000) were charged to the statement of profit or loss during the year.

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 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 and 1 January 2022	**271,025**	**15,827**	**286,852**
(Charged)/credited to the consolidated statement of profit or loss (note 10)	**(31,483)**	**42,436**	**10,953**
At 31 December 2022	**239,542**	**58,263**	**297,805**

The Group has tax losses arising in Mainland China of RMB55,426,000 (2021: RMB3,759,000) 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	Installment sales RMB'000	Total RMB'000
At 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 and 1 January 2022	**17,602**	**59,116**	**6,097**	**15,120**	**—**	**97,935**
(Credited)/charged to the consolidated statement of profit or loss (note 10)	**(6,149)**	**17,501**	**(507)**	**17,411**	**11,166**	**39,422**
At 31 December 2022	**11,453**	**76,617**	**5,590**	**32,531**	**11,166**	**137,357**

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 2022, the Group has not recognised deferred tax liabilities of RMB178,774,000 (2021: RMB137,466,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB3,575,470,000 (2021: RMB2,749,315,000), 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

	2022 HK$'000	2021 HK$'000
Authorised:		
4,461,067,880 (2021: 4,461,067,880) ordinary shares of HK$0.10 each	**446,107**	446,107
538,932,120 (2021: 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:		
3,162,987,143 (2021: 3,154,123,013) ordinary shares of HK$0.10 each	**316,299**	315,412
479,781,034 (2021: 479,781,034) convertible preference shares of HK$0.10 each	**47,978**	47,978
Total issued and fully paid capital	**364,277**	363,390
Equivalent to RMB'000	**312,789**	312,060

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 2021	479,781,034	3,125,981,250	360,576	309,707
Issue of shares (note)	—	28,141,763	2,814	2,353
At 31 December 2021	479,781,034	3,154,123,013	363,390	312,060

	Number of convertible shares	**Number of ordinary shares**	**Share capital HK$'000**	**Share capital Equivalent to RMB'000**
At 1 January 2022	**479,781,034**	**3,154,123,013**	**363,390**	**312,060**
Issue of shares (note)	**—**	**8,864,130**	**887**	**729**
At 31 December 2022	**479,781,034**	**3,162,987,143**	**364,277**	**312,789**

Note:

During the year ended 31 December 2022, 8,864,130 (2021: 28,141,763) new ordinary shares were issued for the share options exercised. Cash proceeds of HK$9,744,000 (equivalent to RMB8,321,000) (2021: HK$31,663,000, equivalent to RMB26,474,000) were received with no transaction costs borne by the Company, and the related share option reserve of RMB1,437,000 (2021: RMB12,191,000) was transferred to share premium accordingly.

33. SHARE OPTION SCHEME

(a) Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive directors and other employees of the Group. The share options were granted on 15 December 2017, 29 December 2017, 14 November 2018, and 29 December 2021 (the "Date of Grant"). All of the share options granted on 15 December 2017, 29 December 2017 and 14 November 2018 have been vested. The share options granted on 29 December 2021 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)

(a) Share Option Scheme (continued)

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

	Year ended 31 December 2022		Year ended 31 December 2021	
	Price HK$	**Number of options**	Price HK$	Number of options
At 1 January	**6.73**	**108,726,200**	1.32	38,487,500
Granted during the year	**—**	**—**	7.39	96,950,000
Exercised during the year	**4.62**	**(2,106,801)**	1.32	(24,028,800)
Forfeited during the year	**7.39**	**(16,870,218)**	1.42	(2,682,500)
31 December	**6.66**	**89,749,181**	6.73	108,726,200

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

31 December 2022

Number of options	**Exercise price* per share HK$**	**Exercise period**
10,216,300	**1.22**	**15–3–2019 to 15–12–2027**
380,000	**1.71**	**15–3–2019 to 29–12–2027**
130,000	**2.30**	**31–3–2020 to 14–11–2028**
79,022,881	**7.39**	**31–3–2022 to 29–12–2031**
89,749,181		

31 December 2021

Number of options	Exercise price* per share HK$	Exercise period
10,662,200	1.22	15–3–2019 to 15–12–2027
380,000	1.71	15–3–2019 to 29–12–2027
734,000	2.30	31–3–2020 to 14–11–2028
96,950,000	7.39	31–3–2022 to 29–12–2031
108,726,200		

33. SHARE OPTION SCHEME (continued)

(a) Share Option Scheme (continued)

There were 89,749,181 share options outstanding as at 31 December 2022.

The Group recognised a share option expense of RMB68,547,000 (31 December 2021: RMB1,849,000) during the year.

The fair value of equity-settled share options granted on 29 December 2021 was HK$128,668,000 (HK$1.33 each) (equivalent to RMB105,166,000), of which the Group recognised a share option expense of HK$79,895,000 (equivalent to RMB68,547,000) during the year ended 31 December 2022.

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 29 December 2021
Dividend yield (%)	3.00
Expected volatility (%)	45.60
Historical volatility (%)	45.60
Risk-free interest rate (%)	1.27
Expected life of options (year)	10.00
Weighted average share price (HK$ per share)	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 89,749,181 share options outstanding under the Schemes, which represented approximately 2.8% of the Company's ordinary shares in issue as at that date.

33. SHARE OPTION SCHEME (continued)

(b) Sany Machinery Scheme

Sany Machinery, a subsidiary of the Company, operates a share option scheme (the "Sany Machinery Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of operations of Sany Machinery. Eligible participants of the Sany Machinery Scheme include the executive directors and other employees of Sany Machinery. The share options were granted on 28 November 2022 (the "Date of Grant"). The share options granted shall vest in the proposed grantees in accordance with the timetable below (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 employee serves Sany Machinery for 36 months after Date of Grant[1]	100%

Note:

(1) If the condition is not achieved, then the 100% share options lapse when the employee left Sany Machinery.

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

	Year ended 31 December 2022	
	Price RMB	Number of options
At 1 January	—	—
Granted during the year	Fair value per share/10, NAV/10, or RMB3.00	26,800,000
31 December	Fair value per share/10, NAV/10, or RMB3.00	26,800,000

33. SHARE OPTION SCHEME (continued)

(b) Sany Machinery Scheme (continued)

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

31 December 2022

Number of options	Exercise price* per share RMB	Exercise period
26,800,000	**Fair value per share/10, NAV/10, or RMB3.00**	**28–11–2025 to 26–2–2026**

There were 26,800,000 share options outstanding as at 31 December 2022.

Sany Machinery recognised a share option expense of RMB618,000 (31 December 2021: nil) during the year.

The fair value of equity-settled share options granted on 28 November 2022 was RMB24,150,000 (RMB0.90 each), of which Sany Machinery recognised a share option expense of RMB618,000 during the year ended 31 December 2022.

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 28 November 2022
Dividend yield (%)	0.00
Expected volatility (%)	47.56
Historical volatility (%)	47.56
Risk-free interest rate (%)	2.40
Expected life of options (year)	3.09
Weighted average share price (RMB per share)	0.90

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, Sany Machinery had 26,800,000 share options outstanding under the Sany Machinery Schemes, which represented approximately 2.7% of Sany Machinery's 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 were granted on 18 December 2020, 2 September 2021, 8 June 2022, 16 November 2022 (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				Percentage of restricted shares to vest			
	Granted on 18 December 2020	Granted on 2 September 2021	Granted on 8 June 2022	Granted on 16 November 2022	Granted on 18 December 2020	Granted on 2 September 2021	Granted on 8 June 2022	Granted on 16 November 2022
18 March 2021	1,048,412	—	—	—	20%	—	—	—
18 March 2022	1,048,412	1,585,885	—	—	20%	20%	—	—
18/31 March 2023	1,048,412	1,585,885	2,303,771	46,266	20%	20%	20%	50%
18/31 March 2024	1,048,412	1,585,885	2,303,771	46,276	20%	20%	20%	50%
18/31 March 2025	1,048,551	1,585,885	2,303,771	—	20%	20%	20%	—
18/31 March 2026	—	1,587,206	2,303,771	—	—	20%	20%	—
18/31 March 2027	—	—	2,306,045	—	—	—	20%	—
	5,242,199	7,930,746	11,521,129	92,542	100%	100%	100%	100%

The following shares award were outstanding during the year:

	Year ended 31 December 2022 Number of share awards	Year ended 31 December 2021 Number of share awards
At 1 January	**12,010,789**	5,239,654
Granted during the period	**11,613,671**	7,930,746
Vested during the period	**(2,356,591)**	(1,041,605)
Lapsed during the period	**(2,101,264)**	(118,006)
31 December	**19,166,605**	12,010,789

There were 19,166,605 share awards outstanding and none of which were vested as at 31 December 2022.

The Group recognised a share award expense of RMB49,073,000 during the year.

34. SHARE AWARD SCHEME (continued)

The fair value of the share awards granted on 18 December 2020, 2 September 2021, 8 June 2022, and 16 November 2022 was HK$27,679,000 (HK$5.28 each) (equivalent to RMB23,321,000), HK$82,480,000 (HK$10.40 each) (equivalent to RMB67,414,000), HK$89,404,000 (HK$7.76 each) (equivalent to RMB76,706,000) and HK$723,000 (HK$7.92 each) (equivalent to RMB629,000) of which the Group recognised a share award expense of HK$5,446,000 (equivalent to RMB4,673,000), HK$29,232,000 (equivalent to RMB25,081,000), HK$22,384,000 (equivalent to RMB19,205,000) and HK$132,000 (equivalent to RMB114,000) respectively during the year.

The fair value of share awards granted on 18 December 2020, 2 September 2021, 8 June 2022, and 16 November 2022 during the year was estimated using the fair value of stock price as at the grant date, which was HK$5.28 each, HK$10.40 each, HK$7.76 each and HK$7.92 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 Robot from Sany Construction Technology Co., Ltd. ("Sany Construction"), a fellow subsidiary of the Company. Sany 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 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 of RMB17,822,000 was in the form of cash, and paid on 29 January 2021.

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

36. BUSINESS COMBINATION (continued)

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

	Fair value recognized on acquisition RMB'000
Property, plant and equipment (note 13)	873
Intangible assets (note 16)	20,249
Trade receivables	22,477
Prepayments, other receivables and other assets	70,492
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 Robot contributed RMB216,213,000 to the Group's revenue and RMB31,636,000 to the consolidated profit for the year ended 31 December 2022.

Had the combination taken place at the beginning of the year ended 31 December 2022, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2022 would have been RMB10,198,094,000 and RMB1,311,537,000, respectively.

On 7 July 2022, a subsidiary of the Group, Sany Machinery, acquired the remaining 30% equity interests in Sany Robot from Sany Construction at a cash consideration of RMB9,181,000, which was not yet paid as at 31 December 2022.

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 2021, 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 2022, the Group had non-cash additions to prepayments, other receivables and other assets of RMB11,017,000 (2021: RMB21,658,000), in respect of the accrual of government grant in relation to tax refund.

During the year ended 31 December 2022, the Group had non-cash additions to property, plant and equipment of RMB120,196,000, which were transferred from properties for sale due to change of use.

(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**	**Total RMB'000**
At 31 December 2021	**3,454,114**	**1,855**	**8,561**	**3,464,530**
Changes from financing cash flows	**189,202**	**—**	**(8,561)**	**180,641**
Interest paid	**(111,029)**	**(1,855)**	**—**	**(112,884)**
Interest rate swaps	**(1,106)**	**—**	**1,106**	**—**
Interest expense	**131,967**	**—**	**—**	**131,967**
Interest paid classified as operating cash flows	**(17,755)**	**—**	**—**	**(17,755)**
At 31 December 2022	**3,645,393**	**—**	**1,106**	**3,646,499**

	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

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:

	2022 RMB'000	2021 RMB'000
Within operating activities	**28,332**	21,180

39. COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Buildings	**317,988**	551,653
Plant and machinery	**370,644**	203,331
	688,632	754,984

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

	Note	2022 RMB'000	2021 RMB'000
Sales of products to:			
PT.SANY INDONESIA MACHINERY (印度尼西亞三一機械有限公司)	(i)&(vi)	**673,245**	302,382
Sany International Development Limited (三一國際發展有限公司)	(i)&(vi)	**298,425**	106,420
Sany America Inc. (三一美國)	(i)&(vi)	**201,282**	262,516
Sany South America Co., Ltd. (三一南美有限公司)	(i)&(vi)	**173,199**	50,581
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(i)&(vi)	**147,325**	119,071
Sany (Russia) Co., Ltd. (俄羅斯三一有限責任公司)	(i)&(vi)	**145,626**	18,517
Sany Heavy Industry India Pvt Ltd. (三一重工印度私人有限公司)	(i)&(vi)	**131,771**	100,852
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(vi)	**130,342**	337,200
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(vi)	**105,531**	131,683
SANY Europe GmbH (三一歐洲)	(i)&(vi)	**99,836**	62,418
PT SANY HEAVY INDUSTRY INDONESIA	(i)&(vi)	**87,338**	—
SANY SOUTHERN AFRICA (PTY) Ltd. (三一南非有限公司)	(i)&(vi)	**69,156**	4,507
Huzhou Sany Loader Co., Ltd. (湖州三一裝載機有限公司)	(i)&(vi)	**52,401**	—
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(i)&(vi)	**34,670**	4,096
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(vi)	**32,305**	82,787
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(vi)	**30,641**	235,030
Hunan Sany Zhongyang Machinery Co., Ltd. (湖南三一中陽機械有限公司)	(i)&(vi)	**27,996**	3,811
Sany Saudi Machinery Co., Ltd. (三一沙特機械有限公司)	(i)&(vi)	**26,510**	—
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(vi)	**24,916**	48,748
Hunan Sany Zhongyi Machinery Co., Ltd. (湖南三一中益機械有限公司)	(i)&(vi)	**21,251**	9,304
Sany Supply Chain Technology (Shanghai) Co., Ltd. (三一供應鏈科技(上海)有限公司)	(i)&(vi)	**18,239**	914
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(vi)	**17,776**	41,830
SANY GUINEA MACHINERY PUBLIC LIMITE	(i)&(vi)	**17,143**	—
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(vi)	**17,045**	—
Sany Technology Equipment Co., Ltd. (三一技術裝備有限公司)	(i)&(vi)	**12,418**	—
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(i)&(vi)	**11,692**	30,185
Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司)	(i)&(vi)	**11,557**	265
Sany Heavy Energy Equipment Co., Ltd. (三一重能有限公司)	(i)&(vi)	**7,749**	518
Hunan Sany Tower Lifting Machinery Co., Ltd. (湖南三一塔式起重機械有限公司)	(i)&(vi)	**7,725**	5,285
Tongyu Sany Wind Power Equipment Technology Co., Ltd. (通榆縣三一風電裝備技術有限責任公司)	(i)&(vi)	**6,372**	10
Sany Energy Equipment Co., Ltd. (三一能源装备有限公司)	(i)&(vi)	**5,769**	9,035
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(i)&(vi)	**5,449**	4,796
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(i)&(vi)	**4,103**	37,182
PT.SANY.PERKASA	(i)&(vi)	**4,000**	—
SANYMX EQUIPMENT&TECHNOLOGY SA DECV	(i)&(vi)	**3,493**	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(vi)	**3,438**	34,282
Hunan Sanyi Huayuan Machinery Co., Ltd. (湖南三一華源機械有限公司)	(i)&(vi)	**1,192**	1,081
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(vi)	**150**	28,234
Hunan Trinity Industrial Vocational and Technical College (湖南三一工業職業技術學院)	(i)&(vi)	**44**	9,690
Shengjing Intelligent Technology (Jiaxing) Co., Ltd. (盛景智能科技(嘉興)有限公司)	(i)&(vi)	**—**	6,393
Sany Auto Finance Co., Ltd. (三一汽車金融有限公司)	(i)&(vi)	**—**	4,248
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
Others	(i)&(vi)	**2,997**	1,325
		2,672,117	2,098,797

40. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Note	2022 RMB'000	2021 RMB'000
Sales of raw materials, parts and equipment to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(vi)	**24,167**	18,578
SANY Europe GmbH (三一歐洲)	(i)&(vi)	**4,969**	—
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(vi)	**3,952**	—
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(i)&(vi)	**2,324**	—
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(i)&(vi)	**2,276**	—
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(vi)	**1,971**	34
SANY SOUTHERN AFRICA (PTY) LTD (三一南非有限公司)	(i)&(vi)	**1,426**	—
Sany Heavy Industry India Pvt Ltd (三一重工印度私人有限公司)	(i)&(vi)	**1,283**	—
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(i)&(vi)	**1,074**	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(vi)	**957**	213
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(vi)	**537**	154
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(vi)	**493**	—
SANY KENYA COMPANY LIMITED	(i)&(vi)	**441**	—
PT.SANY INDONESIA MACHINERY (印度尼西亞三一機械有限公司)	(i)&(vi)	**339**	—
Sany International Development Limited. (三一國際發展有限公司)	(i)&(vi)	**338**	—
Sany Energy Equipment Co., Ltd. (三一能源裝備有限公司)	(i)&(vi)	**325**	195
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(i)&(vi)	**168**	489
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(vi)	**146**	—
Shengjing Intelligent Technology (Jiaxing) Co., Ltd. (盛景智能科技(嘉興)有限公司)	(i)&(vi)	**7**	19,656
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
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
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(i)&(vi)	**—**	58
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(i)&(vi)	**—**	12
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(vi)	**—**	2
Others	(i)&(vi)	**3,416**	439
		50,609	44,020

40. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Note	2022 RMB'000	2021 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)	**136,317**	181,212
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(ii)&(vi)	**115,344**	—
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(ii)&(vi)	**85,680**	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(vi)	**46,813**	—
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(ii)&(vi)	**46,557**	31,218
Changsha Dilian Industrial Control Technology Co., Ltd. (長沙帝聯工控科技有限公司)	(ii)&(vi)	**37,435**	—
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(ii)&(vi)	**29,766**	32,713
Shengjing Intelligent Technology (Jiaxing) Co., Ltd (盛景智能科技(嘉興)有限公司)	(ii)&(vi)	**24,521**	3,450
Guangzhou Ygp Industrial Trading Co., Ltd. (廣州市易工品貿易有限公司)	(ii)&(vi)	**23,310**	—
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司	(ii)&(vi)	**18,502**	—
Hunan Sany Hoisting Machinery Co., Ltd. (湖南三一汽車起重機械有限公司)	(ii)&(vi)	**15,163**	3,214
Hunan Deutz Power Co., Ltd. (湖南道依茨動力有限公司)	(ii)&(vi)	**14,302**	—
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(vi)	**10,857**	—
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(ii)&(vi)	**6,711**	5,268
Hunan Sany Culture Co. Ltd. (湖南三一文化產業有限公司)	(ii)&(vi)	**6,394**	6,412
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(ii)&(vi)	**6,006**	—
Shanghai Huaxing Digital Technology Co., Ltd. (上海華興數字科技有限公司)	(ii)&(vi)	**3,132**	—
Hunan SANY Medium Tonnage Hoisting Machinery Co., Ltd. (湖南三一中型起重機械有限公司)	(ii)&(vi)	**2,892**	—
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(ii)&(vi)	**2,454**	301
Huachu Petrochemical (Guangdong) Co., Ltd. (華儲石化(廣東)有限公司)	(ii)&(vi)	**2,103**	—
SANY Europe GmbH (三一歐洲)	(ii)&(vi)	**1,867**	254
Zhushengyuan Real Estate Co., Ltd. (上海竹勝園地產有限公司)	(ii)&(vi)	**1,049**	—
Sany Construction Industry Co., Ltd (三一築工科技有限公司)	(ii)&(vi)	**868**	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(ii)&(vi)	**669**	5,935
Hunan Xingbida Network Technology Co., Ltd (行必達網聯科技有限公司)	(ii)&(vi)	**7**	8
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
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
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(vi)	**—**	25,487
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(ii)&(vi)	**—**	24,770
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
Shanghai Huaxing Digital Technology Co., Ltd. (上海華興數字科技有限公司)	(ii)&(vi)	**—**	2,664
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)	**2,882**	509
		641,601	524,457

40. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Note	2022 RMB'000	2021 RMB'000
Purchases of equipment from:			
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(ii)&(vi)	129,743	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(vi)	58,427	—
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(ii)&(vi)	27,066	—
Shengjing Intelligent Technology (Jiaxing) Co., Ltd. (盛景智能科技(嘉興)有限公司)	(ii)&(vi)	7,064	—
Jiangsu Sany Environmental Technology Co., Ltd. (江蘇三一環境科技有限公司)	(ii)&(vi)	6,728	—
Rootcloud Technology Co., Ltd. (樹根互聯技術有限公司)	(ii)&(vi)	980	—
Sany Group Co., Ltd. (三一集團有限公司)	(ii)&(vi)	408	—
Hunan Sany Kuaierju Housing Industry Co., Ltd. (湖南三一快而居住宅工業有限公司)	(ii)&(vi)	347	—
Hunan Xingxiang Construction Supervision Consulting Co. Ltd (湖南興湘建設監理諮詢有限公司)	(ii)&(vi)	58	4,684
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(ii)&(vi)	8	37
Hunan Zizhuyuan Real Estate Co., Ltd. (湖南紫竹源房地產有限公司)	(ii)&(vi)	—	16,547
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
Sany Automobile Lifting Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(vi)	—	111
Others	(ii)&(vi)	6,151	—
		236,980	21,379
Rental fees paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(vi)	3,039	3,505
Hunan Zhushengyuan Property Service Co., Ltd. (湖南竹勝園物業服務有限公司)	(iii)&(vi)	1,932	—
Others	(iii)&(vi)	3,129	3,087
		8,100	6,592
Agency fees paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(vi)	9,950	7,269

40. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Note	2022 RMB'000	2021 RMB'000
Utility charges paid to:			
Sany Group Co., Ltd. (三一集團有限公司)	(iv)&(vi)	**1,890**	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(vi)	**349**	—
Others	(iv)&(vi)	**217**	181
		2,456	181
Service income from：			
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(iii)&(vi)	**27,507**	10,112
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(iii)&(vi)	**25,142**	1,453
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(iii)&(vi)	**19,574**	3,388
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(vi)	**17,466**	22,121
Sany Supply Chain Technology (Shanghai) Co., Ltd. (三一供應鏈科技(上海)有限公司)	(iii)&(vi)	**7,613**	—
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(iii)&(vi)	**5,598**	111
Sany Special Purpose Vehicle Co., Ltd.(三一專用汽車有限責任公司)	(iii)&(vi)	**4,504**	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(iii)&(vi)	**2,616**	1,394
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(iii)&(vi)	**1,416**	7,359
Hunan Sanyi Huayuan Machinery Co., Ltd. (湖南三一華源機械有限公司)	(iii)&(vi)	**524**	—
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(iii)&(vi)	**506**	2,950
Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司)	(iii)&(vi)	**462**	17
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(iii)&(vi)	**94**	—
Hunan Sany Medium Lifting Machinery Co., Ltd. (湖南三一中型起重機械有限公司)	(iii)&(vi)	**—**	2,077
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(iii)&(vi)	**—**	1,305
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(iii)&(vi)	**—**	495
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)		**—**	53
Hunan Sany Zhongyang Machinery Co., Ltd. (湖南三一中陽機械有限公司)		**—**	34
Hunan Sany Zhongyi Machinery Co., Ltd. (湖南三一中益機械有限公司)		**—**	6
Sany Construction Industry Co., Ltd. (三一築工科技有限公司)		**—**	5
		113,022	52,880
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(iv)&(vi)	**538,237**	287,375
Balance of deposits with:			
Sanxiang Bank (湖南三湘銀行股份有限公司)	(iv)&(vi)	**370,000**	600,000
Annual interests provided by:			
Sanxiang Bank (湖南三湘銀行股份有限公司)	(iv)&(vi)	**17,717**	24,497
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)	**1,393,625**	100,393
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)	**1,120,999**	88,163

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 2020 at an interest rate of 3.85% per annum with the deposit agreements due on 17 April 2023, and in 2021 the Group deposited RMB750,000,000 at the interest rates between 3.85% and 4.15% per annum, with the deposit agreements due on 5 March 2026 or 25 January 2026, among which RMB380,000,000 and RMB230,000,000 were early withdrawn in 2021 and 2022, and the remaining RMB370,000,000 is outstanding at 31 December 2022.

(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

	2022 RMB'000	2021 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)	1,672	—
Administrative service fee paid to:		
Sany Heavy Energy Equipment Co., Ltd. (三一重能有限公司)	4,443	—
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	3,118	—
Sany Group Co., Ltd. (三一集團有限公司)	1,794	683
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	173	—
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	90	69
Hunan Sany Culture Co. Ltd. (湖南三一文化產業有限公司)	86	—
Others	323	—
	10,027	752
Technical service fee paid to:		
SANY Europe GmbH (三一歐洲)	5,923	2,231
Sany America Inc. (三一美國)	1,987	89
Shengjing Intelligent Technology (Jiaxing) Co., Ltd (盛景智能科技 (嘉興) 有限公司)	532	—
	8,442	2,320
Other service fee paid to:		
Rootcloud Technology Co., Ltd. (樹根互聯技術有限公司)	2,623	—
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	2,603	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	2,043	1,284
Hunan Zhongtai Equipment Engineering Co., Ltd. (湖南中泰設備工程有限公司)	82	657
Hunan Sany Vocational and Technical College of Industry (湖南三一工業職業技術學院)	—	125
Others	2,788	507
	10,139	2,573
Rental income received from:		
Shenyang Sanyiyuan Construction Machinery Co., Ltd. (瀋陽三益源工程機械有限公司)	324	306
Hunan Zhushengyuan Property Service Co., Ltd. (湖南竹勝園物業服務有限公司)	69	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	63	50
Others	96	—
	552	356
Rental fees paid to：		
Sany Heavy Energy Equipment Co., Ltd. (三一重能有限公司)	5,232	—
Hunan Zhongtai Equipment Engineering Co., Ltd. (湖南中泰設備工程有限公司)	1,784	2,944
Others	306	2
	7,322	2,946

40. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions (continued)

	Notes	**2022 RMB'000**	2021 RMB'000
Loans to related parties:			
Hunan Zhonghong	(i)	—	300,000
Repayment of loans from related parties:			
Hunan Zhonghong	(i)	—	400,000
Interest from loans to related parties:			
Hunan Zhonghong	(i)	—	7,203

Note:

(i) A loan of RMB100,000,000 and RMB300,000,000 was made to Hunan Zhonghong in 2019 and 2020, at an interest rate of 3.85% and 4.15%, respectively, 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 prior 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

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**39,887**	12,684
Equity-settled share-based payment expenses	**20,433**	4,686
Employee retirement benefits and other staff welfare	**769**	9,543
Total compensation paid to key management personnel	**61,089**	26,913

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:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**1,417**	1,034
Equity-settled share-based payment expenses	**1,215**	43
Employee retirement benefits and other staff welfare	**61**	316
Total	**2,693**	1,393

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

Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**—**	1
HK$2,000,001 to HK$2,500,000	**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:

2022

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	—	—	7,304,650	7,304,650
Bills receivable	—	1,011,765	—	1,011,765
Financial assets included in prepayments, other receivables and other assets	—	—	252,401	252,401
Financial assets at fair value through profit or loss	2,087,646	—	—	2,087,646
Pledged deposits	—	—	50,286	50,286
Cash and cash equivalents	—	—	2,689,823	2,689,823
	2,087,646	1,011,765	10,297,160	13,396,571

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	—	6,646,310	6,646,310
Financial liabilities included in other payables and accruals	3,589	770,532	774,121
Interest-bearing bank and other borrowings	—	3,645,393	3,645,393
Derivative financial instruments	1,106	—	1,106
	4,695	11,062,235	11,066,930

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

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 values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Trade receivables, non-current portion	**888,356**	640,575	**888,356**	610,432
Bills receivable	**1,011,765**	700,270	**1,011,765**	700,270
Financial assets at fair value through profit or loss	**2,087,646**	3,680,123	**2,087,646**	3,680,123
	3,987,767	5,020,968	**3,987,767**	4,990,825
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	**2,691,178**	1,766,768	**2,571,504**	1,735,632
Derivative financial instruments	**1,106**	8,561	**1,106**	8,561
	2,692,284	1,775,329	**2,572,610**	1,744,193

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

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

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 2022 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:

	Fair value measurement using			
As at 31 December 2022	**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	—	**1,011,765**	—	**1,011,765**
Financial assets at fair value through profit or loss	—	**2,087,646**	—	**2,087,646**
	—	**3,099,411**	—	**3,099,411**

	Fair value measurement using			
As at 31 December 2021	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

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2022	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	—	1,106	—	1,106

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

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.

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

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at 31 December 2022	Fair value measurement using Quoted prices in active markets RMB'000	Significant observable inputs RMB'000	Significant unobservable inputs RMB'000	Total RMB'000
Trade receivables, non-current portion	—	888,356	—	888,356

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

Liabilities for which fair values are disclosed:

As at 31 December 2022	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, non-current portion	—	2,571,504	—	2,571,504

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed: (continued)

	Fair value measurement using			
As at 31 December 2021	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, non-current portion	—	1,735,632	—	1,735,632

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans 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 2022, 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 RMB1,504,000 on the profit before tax for the year (2021: RMB1,035,000).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 27.2% (2021: 20.5%) 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.

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 arising from HK$, US$, EUR, AUD, SEK and SGD denominated financial instruments.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000
31 December 2022		
If RMB weakens against HK$	**5**	**733**
If RMB strengthens against HK$	**(5)**	**(733)**
If RMB weakens against US$	**5**	**487,181**
If RMB strengthens against US$	**(5)**	**(487,181)**
If RMB weakens against EUR	**5**	**(16,488)**
If RMB strengthens against EUR	**(5)**	**16,488**
If RMB weakens against AUD	**5**	**230**
If RMB strengthens against AUD	**(5)**	**(230)**
If RMB weakens against SEK	**5**	**448**
If RMB strengthens against SEK	**(5)**	**(448)**
If RMB weakens against SGD	**5**	**47,916**
If RMB strengthens against SGD	**(5)**	**(47,916)**
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)

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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.

	12-month ECLs		Lifetime ECLs		
As at 31 December 2022	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	7,729,130	7,729,130
Bills receivable	1,011,765	—	—	—	1,011,765
Contract assets*	—	—	—	136,911	136,911
Financial assets included in prepayments, other receivables and other assets					
Normal**	270,112	—	—	—	270,112
Doubtful**	—	—	12,471	—	12,471
Pledged deposits					
— Not yet past due	50,286	—	—	—	50,286
Cash and cash equivalents					
— Not yet past due	2,689,823	—	—	—	2,689,823
Guarantees given to financial institutions/finance lease companies in connection with facilities granted to customers***					
— Not yet past due	1,746,808	—	—	—	1,746,808
	5,781,265	—	—	7,866,041	13,647,306

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

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

* 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 provided by the Group were as follows:

	Notes	**2022 RMB'000**	2021 RMB'000
Guarantees given to financial institutions in connection with loans granted to customers	(a)	**58,527**	25,665
Guarantees given to the finance lease companies in connection with the unsettled lease amounts due from customers	(b)/(c)	**1,688,281**	984,279
		1,746,808	1,009,944

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.

(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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2022			
	On demand RMB'000	**Less than 1 year RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Trade and bills payables	**—**	**6,646,310**	**—**	**6,646,310**
Financial liabilities included in other payables and accruals	**—**	**777,710**	**—**	**777,710**
Interest-bearing bank and other borrowings	**—**	**1,023,381**	**2,797,974**	**3,821,355**
Derivative financial instruments	**—**	**1,106**	**—**	**1,106**
	—	**8,448,507**	**2,797,974**	**11,246,481**

	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)

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 2022 and 2021.

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	**2022 RMB'000**	2021 RMB'000
Capital and net debt			
Interest-bearing bank and other borrowings	27	**3,645,393**	3,454,114
Trade and bills payables	24	**6,646,310**	4,422,304
Other payables and accruals	26	**2,791,041**	2,659,400
Less: Cash and cash equivalents	23	**(2,689,823)**	(1,349,332)
Net debt		**10,392,921**	9,186,486
Equity attributable to owners of the parent		**10,039,979**	8,701,056
Capital and net debt		**20,432,900**	17,887,542
Gearing ratio		**51%**	51%

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:

	2022 **RMB'000**	2021 RMB'000
NON-CURRENT ASSET		
Investments in subsidiaries	**3,619,903**	3,502,388
Total non-current asset	**3,619,903**	3,502,388
CURRENT ASSETS		
Trade receivables	**562,372**	331,188
Dividend receivable	**42,391**	67,391
Due from subsidiaries	**702,341**	703,018
Financial assets at fair value through profit or loss	**—**	9,505
Cash and cash equivalents	**971,944**	9,634
Total current assets	**2,279,048**	1,120,736
CURRENT LIABILITIES		
Due to subsidiaries	**502,704**	291,742
Other payables and accruals	**487,411**	502,222
Dividend payable	**76,729**	70,226
Interest-bearing bank and other borrowings	**—**	95,636
Tax payable	**33,710**	—
Total current liabilities	**1,100,554**	959,826
NET CURRENT ASSETS	**1,178,494**	160,910
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,798,397**	3,663,298
Net assets	**4,798,397**	3,663,298
EQUITY		
Issued capital	**312,789**	312,060
Reserves (note)	**4,485,608**	3,351,238
Total equity	**4,798,397**	3,663,298

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 RMB'000	Total RMB'000
As at 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)	—	—	—	—
At 31 December 2021 and 1 January 2022	**1,565,108**	**1,670,338**	**41,669**	**(15,829)**	**2,620**	**87,332**	**3,351,238**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**1,469,796**	**1,469,796**
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**5,554**	**—**	**—**	**5,554**
Total comprehensive income for the year	**—**	**—**	**—**	**5,554**	**—**	**1,469,796**	**1,475,350**
Issue of shares	**7,592**	**—**	**—**	**—**	**—**	**—**	**7,592**
Share-based payments	**—**	**—**	**117,620**	**—**	**—**	**—**	**117,620**
Dividends declared	**—**	**—**	**—**	**—**	**—**	**(466,192)**	**(466,192)**
Release of share-based compensation reserve to share premium upon exercise of share options (note 32)	**1,437**	**—**	**(1,437)**	**—**	**—**	**—**	**—**
At 31 December 2022	**1,574,137**	**1,670,338**	**157,852**	**(10,275)**	**2,620**	**1,090,936**	**4,485,608**

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

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 2.4 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 20 March 2023.

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				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**15,536,716**	10,194,616	7,363,859	5,656,064	4,416,944
Cost of sales	**(11,908,372)**	(7,804,976)	(5,403,087)	(3,987,034)	(3,119,322)
Gross profit	**3,628,344**	2,389,640	1,960,772	1,669,030	1,297,622
Other income and gains	**646,942**	790,923	456,307	488,827	301,197
Selling and distribution expenses	**(932,879)**	(566,567)	(430,465)	(387,756)	(329,462)
Administrative expenses	**(1,177,331)**	(1,053,151)	(706,904)	(642,739)	(492,128)
Reversal of impairment on financial and contract assets, net	**(87,194)**	(2,434)	74,205	32,083	—
Other expenses	**(24,982)**	(694)	(31,355)	(4,246)	(32,951)
Finance costs	**(131,967)**	(119,666)	(132,283)	(85,473)	(18,220)
PROFIT BEFORE TAX	**1,920,933**	1,438,051	1,190,277	1,069,726	726,058
Income tax expense	**(251,859)**	(128,893)	(138,728)	(147,819)	(122,584)
PROFIT/(LOSS) FOR THE YEAR	**1,669,074**	1,309,158	1,051,549	921,907	603,474
Attributable to:					
Owners of the parent	**1,664,911**	1,259,071	1,045,144	919,706	600,209
Non-controlling interests	**4,163**	50,087	6,405	2,201	3,265
	1,669,074	1,309,158	1,051,549	921,907	603,474

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**24,953,269**	20,785,122	17,464,161	15,546,436	11,914,694
TOTAL LIABILITIES	**(14,849,495)**	(12,001,974)	(9,605,260)	(8,400,871)	6,481,617
NON-CONTROLLING INTERESTS	**63,795**	82,092	20,167	13,762	11,561