SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631

2023 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, oil and gas equipment, and emerging industries covering lithium battery equipment, solar modules and hydrogen production equipment.

The Group's mining equipment segment covers coal mining machinery products, non-coal mining machinery products, mining transport equipment, robots and smart mines and spare parts and the provision of related services. 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 wide-bodied 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 smart mine products 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. The 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 logistics equipment segment of the Group is dedicated to developing electric, automatic and intelligent port and spare parts and the provision of related services. 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.

On 12 April 2023, the Company entered into a sale and purchase agreement with Sany Perpetual Enterprise Holdings Company Limited in relation to the acquisition of the entire issued share capital of Sany Oil Technology Hongkong Limited ("Sany Oil") at the consideration of RMB2,980 million. Completion of the acquisition took place on 10 June 2023, upon which, Sany Oil became a wholly-owned subsidiary of the Company, and the Company's business expanded to the oil and gas equipment, including frac spreads, drilling, workover and automated pipe handling equipment and oil and gas field technical services. The Group has attempted to expand its business to the fields of photovoltaic, hydrogen energy and lithium battery equipments in order to explore opportunities in the global energy transformation.

The Group will continuously increase its exploration in product digital intellectualization, low carbonization and globalization, 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)	**2023 (audited)**	2022 (audited)	Growth
Revenue	**20,277,944**	15,536,716	30.5%
Gross profit	**5,447,054**	3,628,344	50.1%
Profit before tax	**2,260,450**	1,920,933	17.7%
Net profit	**1,838,754**	1,669,074	10.2%
Profit attributable to owners of the parent	**1,928,992**	1,664,911	15.9%
Total assets	**34,963,011**	24,953,269	40.1%
Average total assets	**29,958,140**	22,869,196	31.0%
Total equity	**11,538,397**	10,103,774	14.2%
Cash flows of operating activities	**2,524,032**	1,084,438	132.8%
Cash flows of investing activities	**(4,965,140)**	639,245	(876.7%)
Cash flows of financing activities	**2,960,577**	(376,814)	885.7%
Earnings per share[1]			
— Basic (RMB Yuan)	**0.58**	0.53	9.4%
— Diluted (RMB Yuan)	**0.52**	0.46	13.0%

(Percentage)	**2023**	2022	Percentage points
Gross profit margin	**26.9%**	23.4%	3.5
Ratio of profit attributable to shareholders of the Company to revenue[2]	**9.5%**	10.7%	(1.2)
Assets turnover	**67.7%**	67.9%	(0.2)
Gearing ratio	**60.2%**	50.9%	9.3

1 The weighted average number of ordinary shares for the year ended 31 December 2023 was 3,181,501,339 shares, and the weighted average number of ordinary shares for the year ended 31 December 2022 was 3,141,714,465 shares, details of which are set out in note 12 to the financial statements.

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

IMPORTANT MILESTONES IN YEAR 2023

Xi'an "Lighthouse Factory" was rapidly constructed and went into service

Located in Fengxi New Town, Xixian New District, Xi'an, the smart manufacturing industry park of Sany Intelligence Equipment Co., Ltd. under the Company, which occupies an area of 867.8 mu, commenced construction on 31 July 2022 with the first set of equipment went into service on 30 March 2023. The whole project primarily produces mining wide-bodied vehicles and hydraulic support systems. The industrial park has been rated as a national industrial Internet demonstration factory and a key project in Shaanxi Province, which is of great significance to improving the productivity of wide-bodied dump truck of the PRC and accelerating the development of the mining industry.

Further upgrading of the intelligence of Zhuhai "Lighthouse Factory"

Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry") has been carrying out smart manufacturing and smart operation and maintenance transformation and vigorously advancing "Lighthouse Factory" construction in all levels since 2019. In 2023, the Lighthouse Factory achieved all-round upgrading in terms of full-process visualization in production and smart management of the entire life service of products. From the automatic baiting and production line forming, to the automatic welding line equipped with 20 automatic welding islands and 80 robots, further to the annular automatic coating line, 11 assembly areas and 5 assembly lines, high-quality and efficient production was achieved, which ensures the on-time delivery of customer orders and starts a new era of smart manufacturing. It has been rated as a key project in Guangdong Province and a provincial benchmark project for industrial Internet application.

The production of the hybrid energy-saving SET240S electric drive mining transport equipment was successfully completed

On 8 June 2023, Sany hybrid energy-saving SET240S electric drive mining transport equipment was officially completed and accepted at Shenyang industrial park of Sany Heavy Equipment Co., Ltd. ("Sany Heavy Equipment"). SET240S electric drive mining transport equipment belongs to the first three-engine hybrid off-highway mining truck in the industry, which was produced within a year from investing in the R&D workforce to whole vehicle offline. Compared to traditional electric drive mining transport equipment, it can save over 15% energy and reduce over 50% cost of maintenance and create more value for customers.

The first EBZ200S intelligent roadheader was officially launched

In October 2023, the first EBZ200S intelligent roadheader of Sany Heavy Equipment was officially launched. On the top of the visualization technology, over-the-horizon control, automatic cutting technology, UWB electronic fence technology and other technologies of the original intelligent roadheader, the S series intelligent roadheader EBZ200S was equipped with more advanced technologies such as precise positioning technology, intelligent perception technology, intelligent security technology, and intelligent control technology, which enrich the product feature of intelligent headroader, satisfy daily production need of customers and greatly improve the intelligence of excavators!

IMPORTANT MILESTONES IN YEAR 2023

The competitiveness of large port machinery reached new heights

The year 2023 marks a year for Sany Marine Industry's large port machinery business to carry forward the past and forge ahead into the future. The #6, #7 and #8 factories of large port machinery were officially put in use, which significantly improved the supply capacity. Centered on improvement in product competitiveness and trial capability, Sany Marine Industry invested in the construction of simulation O&M laboratory, electrical and automation laboratories and comprehensive test sites, which efficiently solve the pain points such as long project cycle, high cost and poor stability, and enable customers to improve quickly the level of intelligent operation and maintenance of terminals.

Electric products of Sany Marine Industry were far ahead of the market

Heavyweight new electric products continued to emerge in 2023. With the performance of low energy consumption, high comfort, high efficiency and high safety, Sany's electric front loaders, electric stacking machines, electric forklifts, electric trucks and other new energy products have a leading market share in China and overseas, achieving utilization by customers in 27 provinces in China, and comprehensive cooperation on electric products have been reached with global mainstream ports such as PSA, APMT, Hutchison, DPW, among others. Chinese products promote the green and low-carbon transformation of global port logistics.

Sany Energy and Schlumberger reach a strategic cooperation agreement

On September 4, 2023, Sany Energy and Schlumberger (SLB) North Asia signed a strategic cooperation agreement in Zhuzhou City, Hunan Province, aiming to deepen cooperation in equipment manufacturing and technology development, engineering technology services, digitalization, as well as enterprise management experience exchange and talent cultivation. By establishing a strategic partnership, both parties will use various flexible cooperation methods to create a more competitive product series and jointly explore new markets.

Sany Hydrogen Energy launched the largest mono-hydrogen electrolyzer in the world

On 8 December, Sany Hydrogen Energy Co., Ltd. ("Sany Hydrogen") launched the largest mono-hydrogen electrolyzer in the world, being S series 3000 standard cube square electrolyzer, as well as GW-grade overall solution for hydrogen production with green power. The product adopts an inlet and outlet flow field design validated by simulation analysis and introduces the double insurtech of automatic tightening and mechanical locking of double hydraulic cylinders, which greatly improves its adaptability and operational stability in diversified hydrogen production scenarios and extends product life.

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 2023, the Group recorded revenue of RMB20,277.9 million, representing an increase of 30.5% compared with that of the previous year; profit attributable to owners of the parent amounted to RMB1,929.0 million, representing an increase of 15.9% compared with that of the previous year. The Group's total assets and net assets as at 31 December 2023 were RMB34,963.0 million and RMB11,538.4 million, respectively.

In 2023, the global economy was recovering moderately while China's economy achieved a positive and steady growth. Sany International expanded its business into oil & gas equipment, lithium battery equipment, photovoltaic modules and hydrogen production equipment. All business segments continued to promote strategic transformation and have achieved remarkable results in globalization, digital intellectualization and low carbonization.

In 2023, revenues from the two major business segments of mining equipment and logistics equipment continued to grow. Overseas sales increased rapidly, with widebodied vehicles and large mining cars, small port machineries and large port machineries achieving rapid growth in overseas sales. As a result, the Group's revenue from overseas sales continued to grow rapidly, with a year-on-year increase of 50.7%,and the proportion of revenue from overseas sales increased by 4.2 percentage points. Product gross profit margin increased by 3.5 percentage points to 26.9%. The Group has reached a new level in intelligent manufacturing. Sany Intelligence Equipment (三一智裝) has become an industry benchmark in digital intellectualization, a national industrial Internet demonstration factory and a key project in Shaanxi Province. Sany Marine Industry has become a pioneer of intelligent manufacturing in the field of port, a key project in Guangdong Province and a provincial benchmark project for industrial Internet application.

By taking the vast opportunities brought about by digital intellectualization and low carbonization in the industry, the Group continued to increase investment in R&D. During the year ended 31 December 2023, R&D expenses amounted to approximately RMB1,681.6 million, representing a year-on-year increase of 95.5%. Products were comprehensively upgraded through digital intellectualization and low carbonization, layout of new products were accelerated, and product competitiveness and brand influence continuously increased. Excavator, front loaders, stacking machines and frac spreads maintained its leading position in the industry.

In the future, the Group will make every effort to win the "Six Major Battles" under the guidance of three major strategies of "globalization, digital intellectualization and low carbonization":

Battle 1: Win the battle of globalization. The Group will create popular widebodied vehicles and electric wheel products in mining equipment beyond the industry standards and customer expectations. Our goal is to establish a global business platform through comprehensive direct sales of logistics equipment and the establishment of subsidiaries and direct sales. We will work as a team to expand global R&D, manufacturing, marketing, finance, human resources, and more. In terms of oil and gas equipment, the Group will prioritize its core business products and break through the overseas mainstream market.

Battle 2: Win the battle in digital intellectualization products. For the mining equipment, the Group aims to achieve fruitful results in intelligent cutting, intelligent anchor protection and intelligent perception, leading the development of the industry with digital intelligence technology. For the mining equipment, the Group aims to achieve iterative upgrading in pure water, pure electricity/hybrid/multi-power, and excavate permanent magnet frequency conversion application to form an industrial background featuring green and low-carbon strategies. It will establish an absolute competitive advantage by developing three operating systems, namely unmanned tunneling, unmanned mining and unmanned driving, to stand out in the industry. For the logistics equipment, the Group aims to develop four types of intelligent products, including intelligent front loaders, unmanned stacking machines, automated gantry and remote-control quayside gantry crane, leading the industry. In terms of oil and gas equipment business, the Group will make breakthroughs in technologies such as remote fracturing scene, integrated power supply and generation, and distributed electric frac pumper.

Battle 3: Win the battle in intelligent manufacturing. For the mining equipment, the Group will focus on the automatic sorting, realize intelligent logistics, and achieve online material production to build a "Lighthouse Factory". For the logistics equipment, the Group will realize a doubled capacity, increase per capita production value and shorten its production cycle through automation upgrade, lean production and capacity construction of large port machinery.

Battle 4: Win the battle of production quality assurance. The Group will redefine the production quality standard of mining machine 1.0 by learning the quality management methods of automobile and household industry and reduce the quality failure rate by means of digital intellectualization. We will identify 10 major quality problems and formulate project objectives and action plans according to project management to realize "zero defect".

Battle 5: Win the post-market battle. For the mining equipment, with the post market as our main business, we will establish a stable foundation by signing long-term agreements with central enterprises and strategic cooperation with private enterprises. We will expand new business through overseas mining services and component consignment, and achieve weak area reversal through "one zone, one policy(一區一策)".

Battle 6: Win the battle in new business. With the vertical integration of the entire industrial chain and the advanced layout of third-generation technology, and relying on the development of global channels, the Group will buck the trend in the photovoltaic business. With safety, stability and low cost as our goal, we will promote three routes and collaborate with three vehicles to achieve scenario implementation and become the top player in the hydrogen production equipment industry within three years. In terms of lithium battery equipment, we will achieve sustained growth by consolidating our business foundation, and launching strategic alliances and internationalization.

CHAIRMAN'S STATEMENT

In 2024, the Board of the Group will continue to focus on compliance governance, ESG management and high-quality operation, and will enhance the Company's competitiveness and sustainable development capability and realize high-quality operation and development by strengthening corporate governance, promoting ESG enhancement and implementing the three-dimension strategy.

Liang Zaizhong
Chairman

Hong Kong, 27 March 2024

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the Group recorded revenue of approximately RMB20,277.9 million, representing an increase of approximately 30.5% as compared with approximately RMB15,536.7 million for the year ended 31 December 2022. The increase was mainly due to (1) a marked increase in the revenue for the Group's integrated mining equipment, mining trucks, widebodied vehicles, small port machinery and large port machinery products due to the continual market launch of new products with intelligentization and electrification; (2) a significant increase in the international sales revenue as a result of the successful expansion into international markets; and (3) the revenue arose from the oil & gas equipment segment and emerging industry equipment segment, which are newly acquired by the Group during the year ended 31 December 2023.

Other income and gains

For the year ended 31 December 2023, the Group's other income and gains were approximately RMB715.2 million, representing an increase of approximately 10.6% as compared with approximately RMB646.9 million for the year ended 31 December 2022. The change was mainly due to the increase in the government grant and interest income.

Cost of sales

For the year ended 31 December 2023, the Group's cost of sales was approximately RMB14,830.9 million, representing an increase of approximately 24.5% as compared with approximately RMB11,908.4 million for the year ended 31 December 2022. The change was mainly due to the increase in the Group's product sales revenue.

Gross profit margin

For the year ended 31 December 2023, the gross profit margin of the Group was approximately 26.9%, representing an increase of approximately 3.5 percentage points against approximately 23.4% for the year ended 31 December 2022. Such change was mainly due to (1) increase in the proportion of sales revenue of certain products which had higher gross profit margin; (2) implementation of cost reduction measures and decrease in the price of sea freight charges; and (3) change in product mix after the acquisitions of the oil & gas equipment segment as well as emerging industry equipment segment.

Selling and distribution expenses

For the year ended 31 December 2023, the selling and distribution expenses of the Group were approximately RMB1,262.2 million, representing an increase of approximately 35.3% as compared with approximately RMB932.9 million for the year ended 31 December 2022.

For the year ended 31 December 2023, the ratio of the Group's selling and distribution expenses to revenue was approximately 6.2%, representing an increase of approximately 0.2 percentage points as compared with approximately 6.0% for the year ended 31 December 2022. Such change was mainly due to (1) increase in international sales expenses of port machinery products; (2) a slightly higher sales expense ratio of oil and gas equipment products.

Research and development expenses

For the year ended 31 December 2023, the R&D expenses of the Group were approximately RMB1,681.6 million, representing an increase of approximately 95.5% as compared with approximately RMB860.0 million for the year ended 31 December 2022. For the year ended 31 December 2023, the ratio of R&D expenses against revenue was approximately 8.3%, representing an increase of approximately 2.8 percentage points as compared with approximately 5.5% for the year ended 31 December 2022. The increase of R&D expenses was due to the Group's significant increase in R&D investments in the fields of smart mines, smart ports, unmanned driving, robots, emerging industry equipment as well as oil and gas equipment.

Administrative expenses

For the year ended 31 December 2023, administrative expenses of the Group were approximately RMB2,213.4 million (for the year ended 31 December 2022: approximately RMB1,177.3 million). The administrative expenses excluding R&D expenses were approximately RMB531.7 million (for the year ended 31 December 2022: approximately RMB317.4 million), which accounted for approximately 2.6% of the revenue, representing an increase of approximately 0.6 percentage points as compared with that for the year ended 31 December 2022 (for the year ended 31 December 2022: approximately 2.0%). Such change was mainly due to (1) the expense ratio of oil and gas equipment segment and emerging industry segment is slightly higher; (2) the increase in the amortization expense for intangible assets as a result of acquisition of oil and gas equipment.

Finance costs

For the year ended 31 December 2023, finance costs of the Group were approximately RMB158.4 million (for the year ended 31 December 2022: approximately RMB132.0 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 2023 was approximately 11.1%, representing a decrease of approximately 1.3 percentage points as compared with approximately 12.4% for the year ended 31 December 2022. Such change was mainly attributable to the significant increase in the proportion of research and development expenses.

Taxation

For the year ended 31 December 2023, the Group's effective tax rate was 18.7% (for the year ended 31 December 2022: 13.1%). For details regarding income tax, please refer to note 10 on pages 140 to 141 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 2023 was approximately RMB1,929.0 million, representing an increase of approximately 15.9% as compared with approximately RMB1,664.9 million for the year ended 31 December 2022. For the main reasons of such change, please refer to the above paragraphs headed "Revenue", "Gross profit margin" and "Profit margin before tax".

Liquidity and financial resources

As at 31 December 2023, total current assets of the Group were approximately RMB20,778.3 million (31 December 2022: RMB17,190.7 million). As at 31 December 2023, total current liabilities of the Group were approximately RMB16,792.6 million (31 December 2022: RMB10,835.8 million).

As at 31 December 2023, total assets of the Group were approximately RMB34,963.0 million (31 December 2022: approximately RMB24,953.3 million), and total liabilities were approximately RMB23,424.6 million (31 December 2022: approximately RMB14,849.5 million). As at 31 December 2023, the gearing ratio (the net debt divided by the equity plus net debt) was approximately 60.2% (31 December 2022: 50.9%).

Trade and bills receivables

As at 31 December 2023, the Group's gross balance of trade and bills receivables recorded approximately RMB11,082.6 million, representing an increase of approximately 26.8% as compared with approximately RMB8,740.9 million as at 31 December 2022, among which trade receivables recorded approximately RMB10,016.4 million, representing an increase of approximately 29.6% as compared with approximately RMB7,729.1 million as at 31 December 2022. Such change was mainly attributable to the increase in sales revenue. Bills receivables recorded approximately RMB1,066.2 million, representing an increase of approximately 5.4% as compared with RMB1,011.8 million as at 31 December 2022. Such change was mainly due to the increase in receipt of bills.

For the year ended 31 December 2023, the net impairment of receivables of the Group was approximately RMB214.6 million, representing an increase of approximately 150.7% as compared with approximately RMB85.6 million for the year ended 31 December 2022. Such change was mainly due to the increase in receivables balance as a result of increase in income.

Interest-bearing bank and other borrowings

As at 31 December 2023, interest-bearing bank and other borrowings of the Group were approximately RMB7,901.4 million (31 December 2022: approximately RMB3,645.4 million). The main reason for the increase in the Group's borrowings was to meet the needs of the Group's acquisition of oil and gas equipment business during the year ended 31 December 2023 and to cater for the operational requirements of new business.

As at 31 December 2023, the Group's secured bank and other borrowings carried interests between 2.65% and 3.2% per annum (31 December 2022: 3.2%) and the unsecured bank and other borrowings carried interests between 2.2% and 4.35% per annum (31 December 2022: between 1.4% and 3.6% per annum).

Cash flow

As at 31 December 2023, the cash and cash equivalents and the term deposits with maturity of three months or more of the Group were approximately RMB3,241.1 million in total.

For the year ended 31 December 2023, the net cash inflow of the Group from operating activities was approximately RMB2,524.0 million (for the year ended 31 December 2022: approximately RMB1,084.4 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 2023, the net cash outflow of investing activities of the Group was approximately RMB4,965.1 million (for the year ended 31 December 2022: cash inflow of approximately RMB639.2 million). Such change was mainly due to the payment for the cash consideration for the acquisition of oil and gas equipment business and the purchase of assets.

For the year ended 31 December 2023, the net cash inflow of the Group from financing activities was approximately RMB2,960.6 million (for the year ended 31 December 2022: net cash outflow of approximately RMB376.8 million). Such change was mainly due to the increase in bank borrowing.

Turnover days

As at 31 December 2023, the Group's average turnover days of inventory were approximately 89.5 days, representing a decrease of approximately 4.5 days over approximately 94.0 days as at 31 December 2022, which was mainly because the Group enhanced its control on inventories and implemented direct settlement up-line and down-line, managing by categories and adopting "one product, one strategy".

The turnover days of trade and bills receivables increased by approximately 6.6 days from approximately 172.7 days as at 31 December 2022 to approximately 179.3 days as at 31 December 2023. Such change was mainly due to the increase in proportion of products with long payment cycles.

The turnover days of trade and bills payables increased by approximately 13.9 days from approximately 169.8 days as at 31 December 2022 to approximately 183.7 days as at 31 December 2023. Such change was mainly due to the extension of payment period resulting from the offline settlement.

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 RMB12.8 million (31 December 2022: RMB3.6 million) was provided for the unsettled loans and lease amounts of RMB5,112.2 million (31 December 2022: RMB1,746.8 million) as at 31 December 2023.

Capital commitment

As at 31 December 2023, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB1,562.4 million (31 December 2022: approximately RMB688.6 million).

Employees and remuneration policy

As at 31 December 2023, the Group had 9,324 (2022: 6,441) full-time employees. Such change was mainly due to the acquisition and merger of oil and gas equipment segment and emerging industry equipment segment during the year, pursuant to which employees of above-mentioned segment were added into the Group.

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

On 12 April 2023, the Company entered into a sale and purchase agreement with Sany Perpetual Enterprise Holdings Company Limited in respect of the acquisition of the entire issued share capital of Sany Oil and its subsidiaries at the consideration of RMB2,980 million. The acquisition was completed on 10 June 2023, upon which, Sany Oil became a wholly-owned subsidiary of the Company. Further details are set out in the Company's announcements dated 12 April 2023 and 19 July 2023 and the Company's circular dated 23 May 2023.

As at 31 December 2023, the Group subscribed certain assets management products from CITIC Securities Company Limited and its subsidiaries at an aggregated subscription amount of approximately RMB1,122.3 million. These products carried an estimated investment return rates ranging from 4.0% to 4.5% 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 its Shareholders (the "**Shareholders**") as a whole.

Save as disclosed above, there were no other significant investments held, and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023, nor was there any plan authorized by the Board for material investments or capital assets as at 31 December 2023.

Pledge on assets

As at 31 December 2023, the Group recorded pledged bank deposits of approximately RMB43.3 million (31 December 2022: approximately RMB50.3 million) for the purpose of issuing security deposit for bank acceptance bills. As at 31 December 2023, the Group's leasehold land of approximately RMB701.6 million (31 December 2022: RMB210.8 million) and the Group's right of electricity charge of RMB64.6 million were pledged for the Group's bank loans of RMB900.0 million and RMB11.3 million.

Foreign exchange risk

As at 31 December 2023, the Group's cash and bank balances denominated in foreign currencies such as US$ and EUR were equivalent to approximately RMB887.6 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 39, 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 Co., Ltd.* (樹根互聯股份有限公司) 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. He has been serving as a member of the Standing Committee of Hunan Federation of Industry and Commerce.

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 64, 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. Since 20 February 2023, he was appointed as the chairman of ESG Committee.

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. Since 3 February 2024, he was appointed as the director of Sany Group Co., Ltd..

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 50, 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. Since 20 February 2023, he was appointed as a member of ESG Committee. 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 61, 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 62, 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 59, was appointed as an independent non-executive Director of the Company on 5 November 2009. Since 20 February 2023, he was appointed as a member of ESG Committee. Mr. Ng is currently the executive director and chief financial officer of Kingsoft Corporation Limited (金山軟件有限公司), a company listed on the Hong Kong Stock Exchange.

Mr. Ng worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2001 to 2003, he was the chief financial officer of Beijing International School (北京國際學校), and was the accounting adviser of Australian Commercial Lawyers Agency in 2004. From November 2004 to August 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (彩虹集團電子股份有限公司). He was the independent non-executive director of Xinjiang Xinxin Mining Industry Company Limited (新疆新鑫礦業股份有限公司) from February 2007 to October 2011. He was the executive director, chief financial officer and company secretary of China NT Pharma Group Company Limited (中國泰凌醫藥集團有限公司) from March 2010 to 1 July 2012. He had also served as an independent non-executive director of Beijing Capital Land Limited (首創置業股份有限公司) and Zhongsheng Group Holdings Limited (中升集團控股有限公司), and is currently an independent non-executive director of E-Commodities Holdings Limited (易大宗控股有限公司).

Mr. Ng graduated from The University of Hong Kong with a bachelor's degree in Management Studies and Economics and a master's degree in Global Business Management and E-commerce. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

Mr. Poon Chiu Kwok (潘昭國), aged 62, was appointed as an independent non-executive Director of the Company 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. Since 20 February 2023, he was appointed as a member of ESG 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: China Isotope & Radiation Corportion (stock code: 1763), Sunac China Holdings Limited (融創中國控股有限公司) (stock code: 1918), 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) and Jinchuan Group International Resources Co. Ltd (金川集團國際資源有限公司) (stock code: 2362). He retired as an independent non-executive director of Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流股份有限公司) (stock code: 1292) and Yankuang Energy Group Company Limited (兗礦能源集團股份有限公司) (stock code: 1171) on 30 June 2023, and as an independent non-executive director of Yuanda China Holdings Limited (遠大中國控股有限公司) (stock code: 2789) on 9 September 2023.

Mr. Poon is a fellow of CPA Australia Ltd., the Hong Kong Securities and Investment Institute, the Chartered Governance Institute, the Hong Kong Chartered Governance Institute (and vice chairman of the Directors and Supervisors Committee and a member of the Mainland China and Hong Kong Technical Consultation Panel) and also a member of the Canadian Institute of Mining, Metallurgy and Petroleum respectively. He was awarded the postgraduate diploma in laws by the University of London (倫敦大學) and also held a bachelor's degree in laws, a bachelor's degree in business studies and a master's degree in international accounting.

Mr. Hu Jiquan (胡吉全), aged 66, 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. Since 20 February 2023, he was appointed as a member of ESG 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) of 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. 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 47, 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 authorized 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 authorized 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 The Sincere Company, Limited (先施有限公司) (stock code: 0244) since July 2021; the independent non-executive director of Timeless Resources Holdings Limited (天時軟件有限公司) (stock code: 8028) since March 2023; the independent non-executive director of Dowway Holdings Limited (天平道合控股有限公司) (stock code: 8403) from October 2019 to October 2023; 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 authorized 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; the company secretary of Century Ginwa Retail Holdings Limited (世紀金花商業控股有限公司) (stock code: 0162) from 3 September 2023 to 1 January 2024, all of which are listed companies in Hong Kong, except that Vale S.A. and China National Materials Company Limited were delisted from the Hong Kong Stock Exchange in July 2016 and April 2018, respectively.

DIRECTORS' REPORT

The Board is pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2023.

Principal Activities and Subsidiaries

The principal activity of the Company is investment holding. Details of the principal subsidiaries and their principal activities as well as the changes in the nature of the Group's principal activities during the year under review are set out in note 1 to the financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2023 are set out in the financial statements on pages 83 to 211 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 27 March 2024, the Board resolved the declaration and payment of the final dividend of HK$0.19 per ordinary share of the Company, amounting to HK$606,035,461.0 in total based on the total number of 3,189,660,321 shares of the Company as at 29 February 2024, to be payable to the Shareholders whose names appear on the Company's register of members at the close of business on Wednesday, 12 June 2024. Should there be any change in the Company's total number of shares between 29 February 2024 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 26 June 2024.

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 Shares 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 2023 to 31 December 2023, and (b) the final dividend of HK$0.19 per Convertible Preference Share, amounting to approximately HK$91,158,396.5. The Preferred Distribution and the dividend on the Convertible Preference Shares are proposed to be distributed on or around 26 June 2024, on the same distribution date as the final dividend on ordinary shares.

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 212 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 43 to the financial statements, respectively.

Borrowings

Details of borrowings (inclusive of interest-bearing bank and other borrowings) of the Group as at 31 December 2023 are set out in note 27 to the financial statements.

Distributable Reserves

As at 31 December 2023, 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 RMB6,155.3 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 2023 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.

2013 Share Option Scheme

The Company adopted the 2013 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 2013 Share Option Scheme expired on 15 February 2023. The number of share options available for grant under the 2013 Share Option Scheme as at 1 January 2023 was 79,803,575. As at 31 December 2023, as the 2013 Share Option Scheme had already expired, no more option was available for grant under the 2013 Share Option Scheme.

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 2013 Share Option Scheme during the year ended 31 December 2023 are as follows:

Category of participants	Date of grant(1), (2)	Exercise price per share (HK$)	Outstanding as at 31 December 2022	Granted during the year	Exercised during the year(4)	Forfeited/ lapsed during the year(5)	Cancelled during the year(5)	Outstanding as at 31 December 2023
Directors								
Mr. Qi Jian	29 December 2021	7.39	5,290,000	—	—	—	—	5,290,000
Mr. Fu Weizhong	15 December 2017	1.22	500,000	—	—	—	—	500,000
	29 December 2021	7.39	3,160,000	—	(412,520)	—	(483,480)	2,264,000
Mr. Poon Chiu Kwok	15 December 2017	1.22	1,000,000	—	—	—	—	1,000,000
Mr. Ng Yuk Keung	15 December 2017	1.22	1,000,000	—	—	—	—	1,000,000
Mr. Hu Jiquan	15 December 2017	1.22	1,000,000	—	—	—	—	1,000,000
Other connected persons who are employees of the Group								
Mr. Liang Zhenggen (supervisor of a Group's subsidiary)	29 December 2021	7.39	1,140,000	—	—	—	(102,600)	1,037,400
Employees	15 December 2017	1.22	6,716,300	—	(1,849,300)	—	—	4,867,000
Employees	29 December 2017	1.71	380,000	—	(50,000)	—	—	330,000
Employees	14 November 2018	2.3	130,000	—	—	—	—	130,000
Employees	29 December 2021	7.39	69,432,881	—	(14,693,398)	(5,385,581)	(8,258,630)	41,095,272
Total			89,749,181	—	(17,005,218)	(5,385,581)	(8,844,710)	58,513,672

Notes:

(1) Share options granted under the 2013 Share Option Scheme on 15 December 2017, 29 December 2017 and 14 November 2018 in accordance with the timetable below, each with an exercise period commencing from the relevant Vesting Date and ending 10 years after the date of the grant (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Option
If the audited net profit for the year ended 31 December 2018 represents an increase of 20% or more as compared to that of the year ended 31 December 2017, the Vesting Date will be the date when the annual results announcement for the year ended 31 December 2018 is published.	50% of the total number of share options granted
If the audited net profit for the year ended 31 December 2019 represents an increase of 40% or more as compared to that of the year ended 31 December 2017, the Vesting Date will be the date when the annual results announcement for the year ended 31 December 2019 is published.	25% of the total number of share options granted
If the audited net profit for the year ended 31 December 2020 represents an increase of 60% or more as compared to that of the year ended 31 December 2017, the Vesting Date will be the date when the annual results announcement for the year ended 31 December 2020 is published.	25% of the total number of share options granted

Exercise of the share options is conditional upon the achievement of certain performance targets as set out in the respective offer letters, during the relevant exercise period.

(2) *Share options granted under the 2013 Share Option Scheme on 29 December 2021 to 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 ended 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 ended 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 ended 31 December 2023 is published.	40% of the total number of share options granted

Exercise of the share options is conditional upon the achievement of certain performance targets as set out in the respective offer letters, during the relevant exercise period.

(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$10.69.*

(5) *During the year ended 31 December 2023, 14,230,291 share options were forfeited and cancelled for the following reasons: (1) certain employees' performance appraisal results for 2022 did not reach the performance target under the grant letters; (2) certain employees violated the Company's policies; and (3) certain employees were dismissed.*

2023 SHARE OPTION SCHEME

As the 2013 Share Option Scheme expired on 15 February 2023, the Company adopted a new share option scheme in substitution of the expired 2013 Share Option Scheme (the "2023 Share Option Scheme") after obtaining approval of the shareholders of the Company (the "Shareholders") on 11 August 2023.

Details of the 2023 Share Option Scheme are set out below.

Purpose

The purpose of the 2023 Share Option Scheme is to motivate Eligible Participants (as defined below) to optimize their future contributions to the Group and/or reward them for their past contributions, attract and retain or otherwise maintaining on-going relationships with such Eligible Participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

Eligible Participants

Eligible participants under the 2023 Share Option Scheme ("Eligible Participant") include any employee participant, related entity participants ("Related Entity Participants") (i.e. any director or employee (whether full time or part time but excludes any former employee unless such former employee otherwise qualifies as an Eligible Participant) of the holding companies, fellow subsidiaries or associated companies of the Company) and service providers ("Service Providers") (i.e. any person (whether a natural person, a corporate entity or otherwise) who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group (where the continuity and frequency of their services are akin to those of employees of the Group), who the Board considers, in their sole discretion, to have contributed or will contribute to the Group. Service Providers excluded placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions and professional service providers, such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity.

Overall Scheme Limit, Service Provider Sub-limit and Individual Limit

The total number of shares which may be allotted and issued in respect of all options and awards to be granted under the 2023 Share Option Scheme and any other share scheme(s) must not exceed 10% of the number of shares in issue as at the date of approval of this limit by the Shareholders at a general meeting (the "Overall Scheme Limit"). Within such limit, the total number of shares which may be allotted and issued in respect of all options and awards to be granted to the Service Providers under the 2023 Share Option Scheme and any other share scheme(s) must not exceed 1% of the number of shares in issue as at the date of approval of this sub-limit by the Shareholders at a general meeting (the "Service Provider Sub-limit"). Options lapsed in accordance with the terms of the 2023 Share Option Scheme will not be regarded as utilised for the purpose of calculating the aforesaid limits.

The Overall Scheme Limit and Service Provider Sub-limit approved by Shareholders were 318,860,946 (representing 9.99% of the total issued shares as at the date of this report) and 31,886,094 (representing 1.00% of the total issued shares as at the date of this report) respectively.

Where any offer of options to a grantee would result in the shares issued and to be issued in respect of all options and awards granted to such person under the 2023 Share Option Scheme and any other share scheme(s) (excluding any options or awards lapsed in accordance with the terms of the respective share schemes) in the 12-month period up to and including the date of such offer representing in aggregate over 1% of the relevant class of shares in issue (the "1% Individual Limit"), such offer must be separately approved by the Shareholders in a general meeting with such grantee and his/her close associates (or associates if the grantee is a connected person) abstaining from voting.

Scheme Life, Option Period and Vesting Period

The 2023 Share Option Scheme shall be valid and effective for 10 years from the adoption date (i.e. until 10 August 2033) unless early terminated as approved by Shareholders at a general meeting of the Company, after which period no further options may be issued or granted, but the provisions of the 2023 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior to such termination or otherwise as may be required in accordance with the provisions of the 2023 Share Option Scheme.

The option period of an option may not end later than ten years from the offer date of that option.

The vesting period for all options shall not be less than twelve (12) months, subject to a shorter vesting period at the discretion of the Board under the circumstances specified in the 2023 Share Option Scheme in relation to offers to the employee participants.

As at the date of this report, the remaining life of the 2023 Share Option Scheme is approximately 9 years and 4 months.

Consideration of Acceptance of the Grant and Subscription Price

Eligible Participants are required to pay consideration of HK$1.00 to the Company upon acceptance of the grant within 28 days after such grant or a longer period as determined by the Board.

The subscription price in respect of any option shall, subject to any applicable adjustments made pursuant to the terms under the 2023 Share Option Scheme, be at the discretion of the Board, provided that it must be at least the higher of:

(a) the closing price of the shares as shown in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day;

(b) the average of the closing prices of the shares as shown in the Stock Exchange's daily quotations sheets for the five (5) consecutive days on which the shares are traded on the Stock Exchange immediately preceding the offer date; and

(c) the nominal value of the share on the offer date.

For further details of the 2023 Share Option Scheme, please refer to the announcement of the Company dated 29 June 2023 and the circular of the Company dated 25 July 2023.

Since the adoption date of the 2023 Share Option Scheme to the date of this report, no share options have been granted under the 2023 Share Option Scheme.

2019 SHARE AWARD SCHEME

The Company adopted the 2019 Share Award Scheme on 3 December 2019 (the "Adoption Date"). The purpose of the 2019 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.

In light of the new requirements of Chapter 17 of the Listing Rules which came into effect on 1 January 2023, the Company sought approval from its Shareholders on 11 August 2023 to amend certain scheme rules to, among other things, bring it in line with the amended Listing Rules. The key amendments to the 2019 Share Award Scheme include, without limitation, the following:

(i) amendment of the definition of eligible participants to include only employee participants, Related Entity Participants and Service Providers;

(ii) inclusion of the Overall Scheme Limit and the Service Provider Sub-limit applicable to the shares which may be allotted and issued in respect of all options and award to be granted under the amended 2019 Share Award Scheme and all other share schemes;

(iii) requirement to seek Shareholders' approval for refreshment of the Overall Scheme Limit and the Service Provider Sub-limit within three (3) years from the date of the Shareholders' approval for such limits or for their last refreshment (as the case may be);

(iv) requirement to seek the Shareholders' approval for any grant which would result in exceeding the 1% Individual Limit (i.e. a limit on the total number of shares which may be allotted and issued in respect of all options and awards to be granted under all share scheme(s) to any eligible participant in the 12-month period up to and including the date of such grant);

(v) requirements to seek the independent non-executive Directors' approval for any grant to a Director, chief executive or substantial Shareholder of the Company, or any of their respective associates, and to seek Shareholders' approval for any grant to:

a. a Director (other than an independent non-executive Director) or chief executive of the Company, or any of his/her associates that would result in the shares issued and to be issued in respect of all awards granted to such person under the amended 2019 Share Award Scheme and all other share award schemes (excluding any awards lapsed in accordance with the terms of the respective share award schemes) in any 12-month period up to and including the date of such offer, representing in aggregate over 0.1% of the issued share capital of the Company; and

b. an independent non-executive Director or substantial Shareholder of the Company, or any of his/her associates that would result in the shares issued and to be issued in respect of all options and awards granted to such person under the amended 2019 Share Award Scheme and all other share schemes (excluding any awards lapsed in accordance with the terms of the respective share schemes) in any 12-month period up to and including the date of such offer, representing in aggregate over 0.1% of the issued share capital of the Company;

(vi) inclusion of a minimum vesting period of twelve (12) months, subject to a shorter vesting period in relation to the grant to employee participants at the discretion of the Board under specified circumstances;

(vii) clarification that the Board or the Remuneration Committee may set performance targets and/or clawback mechanism as part of the vesting conditions of the grant;

(viii) provision for equitable adjustment to the awards granted under the amended 2019 Share Award Scheme in the event of any alteration in the capital structure of the Company, such as capitalisation issue, rights issue, consolidation, sub-division and reduction of the share capital of the Company; and

(ix) requirement to seek Shareholders' approval for any alteration of the amended 2019 Share Award Scheme under certain circumstances.

The Board may, subject always to the scheme rules, from time to time determine the number of restricted shares (the "Restricted Shares") to be granted and at its absolute discretion select any employee participants, Related Entity Participants and Service Providers to be a Selected Participant under the amended 2019 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 matter which the Board considers relevant.

The Restricted Shares (where the Board has determined such number pursuant to the terms of the amended 2019 Share Award Scheme) shall be either (i) allotted and issued by the Company, by using the overall scheme mandate granted to the Board on 11 August 2023 in respect of all options and awards to be granted under the schemes adopted by the Company, i.e. 318,860,946 shares, representing 10% of the shares in issue as at the date of approval, 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.

Subject to any early termination of the 2019 Share Award Scheme and without prejudicing the subsisting rights of any Selected Participant, the 2019 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 2019 Share Award Scheme is approximately 6 years and 2 months.

For further details of the 2019 Share Award Scheme, please refer to the Company's announcement dated 3 December 2019. For further details of the amendments made to the 2019 Share Award Scheme, please refer to the announcement dated 29 June 2023 and the circular dated 25 July 2023.

The Company awarded 24,275,271 shares at nil consideration to selected employees on 20 September 2023, which all would be satisfied by new shares to be issued.

Details of the shares awarded pursuant to the 2019 Share Award Scheme are as follows:

Shares awarded under the 2019 Share Award Scheme prior to the amendments in August 2023

Category of participants	Date of grant(1), (3)	Unvested awarded shares as at 1 January 2023	Shares awarded during the year	Vested during the year(2)	Lapsed during the year	Unvested awarded shares as at 31 December 2023	Vesting period
Directors							
Mr. Qi Jian	18 December 2020	550,615	—	(183,538)	—	367,077	18 March 2021–18 March 2025
	2 September 2021	315,352	—	(78,838)	—	236,514	18 March 2022–18 March 2026
	8 June 2022	590,739	–	(118,147)	—	472,592	31 March 2023–31 March 2027
Mr. Fu Weizhong	18 December 2020	91,611	—	(30,536)	—	61,075	18 March 2021–18 March 2025
	2 September 2021	32,022	—	(8,006)	—	24,016	18 March 2022–18 March 2026
	8 June 2022	108,885	—	(21,777)	—	87,108	31 March 2023–31 March 2027
Associates of Directors							
Mr. Liang Zhenggen	18 December 2020	17,814	—	(5,937)	—	11,877	18 March 2021–18 March 2025
	2 September 2021	30,630	—	(7,658)	—	22,972	18 March 2022–18 March 2026
	8 June 2022	32,933	—	(6,586)	—	26,347	31 March 2023–31 March 2027
Employees	18 December 2020	2,069,394	—	(657,786)	(100,191)	1,311,417	18 March 2021–18 March 2025
	2 September 2021	5,405,870	—	(1,226,216)	(505,061)	3,674,593	18 March 2022–18 March 2026
	8 June 2022	9,828,198	—	(1,882,839)	(235,057)	7,710,302	31 March 2023–31 March 2027
	16 November 2022	92,542	—	(45,237)	(2,058)	45,247	31 March 2023–31 March 2024
Total		19,166,605	—	(4,273,101)	(842,367)	14,051,137	

Shares awarded under the 2019 Share Award Scheme subsequent to the amendments in August 2023

Category of participants	Date of grant[(1)]	Unvested awarded shares as at 1 January 2023	Shares awarded during the year[(4), (5)]	Vested during the year	Lapsed during the year	Unvested awarded shares as at 31 December 2023	Vesting period
Directors							
Mr. Qi Jian	20 September 2023	—	912,144	—	—	912,144	20 September 2024–31 March 2028
	20 September 2023	—	1,770,538	—	—	1,770,538	20 September 2024–31 March 2029
Mr. Fu Weizhong	20 September 2023	—	336,402	—	—	336,402	20 September 2024–31 March 2028
Associates of Directors							
Mr. Liang Zhenggen	20 September 2023	—	56,657	—	—	56,657	20 September 2024–31 March 2028
Employees	20 September 2023	—	3,658,198	—	—	3,658,198	20 September 2024–31 March 2025
	20 September 2023	—	16,113,393	—	—	16,113,393	20 September 2024–31 March 2028
	20 September 2023	—	1,427,939	—	—	1,427,939	20 September 2024–31 March 2029
Total		—	24,275,271	—	—	24,275,271	

(1) The closing prices of the shares immediately before the date of these shares awarded were HK$5.03 (for 18 December 2020 grant), HK$9.87 (for 2 September 2021 grant), HK$7.71 (for 8 June 2022 grant), HK$8.13 (for 16 November 2022 grant) and HK$11.88 (for 20 September 2023 grant), respectively.

(2) The weighted average closing price of the shares immediately before the date of the awards were vested during the year ended 31 December 2023 was HK$9.837.

(3) The shares awarded to the Company's connected persons were satisfied by existing shares purchased from the secondary market by the trustee.

(4) The fair value of the shares awarded during the year ended 31 December 2023 was HK$300,527,000.

(5) The performance targets of the Restricted Shares are individualised based on the job nature and job positions of each Eligible Participant and the projected market and business conditions each year.

Performance targets in connection with the Grant had been set for all Eligible Participants at the beginning of the Company's fiscal year in the form of a performance contract entered into between each Eligible Participant and the Company. Each performance contract contains some performance targets aligned to the strategic priorities of the Group.

The performance targets of the Restricted Shares granted include, among others, (i) revenue of the Group for the relevant financial year (or the corresponding annual growth rate comparing with that of the immediately preceding financial year); (ii) market share of the Group's relevant products or services for the relevant financial year (or the corresponding annual growth rate comparing with that of the immediately preceding financial year); (iii) net profit of the Group for the relevant financial year (or the corresponding annual growth rate comparing with that of the immediately preceding financial year); and (iv) other research and development achievements accomplished for the relevant financial year. Upon achieving the goals set in the respective performance contract at the end of the fiscal year, the number of Restricted Shares to be granted to each Eligible Participant shall be determined by the Board with reference to the Full Year Performance Evaluation, their positions, responsibilities, experience and the amount of cash incentives that they would have otherwise received in lieu of the Restricted Shares.

During the year ended 31 December 2023, the Company issued a total of 9,667,960 new shares to the trustee, and did not acquire 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 2019 Share Award Scheme during the year ended 31 December 2023 divided by the weighted average number of ordinary shares in issue was 0.76% (i.e. 24,275,271/3,181,501,339).

As at 1 January 2023, the number of Restricted Shares which were available for future grants under 2019 Share Award Scheme was 274,423,055.

As at 11 August 2023 and 31 December 2023, the aggregate number of options available for grant under the 2023 Share Option Scheme and awards available for grant under the 2019 Share Award Scheme were 318,860,946 and 294,585,675 respectively. The number of options and awards available for grant under the 2023 Share Option Scheme and the 2019 Share Award Scheme regarding the Service Provider Sublimit as at 11 August 2023 and 31 December 2023 was both 31,886,094 shares, representing 1% of the total issued shares as at the date of adoption of the 2023 Share Option Scheme (i.e. 11 August 2023).

Major Suppliers and Customers

During the year ended 31 December 2023, the aggregate sales attributable to the Group's five largest customers comprised approximately 10.1% of the Group's total sales and the sales attributable to the Group's largest customer was approximately 2.8% of the Group's total sales. The aggregate purchases during the year under review attributable to the Group's five largest suppliers was approximately 10.3% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 4.0% of the Group's total purchases.

So far as is known to the Directors, at no time during the year ended 31 December 2023 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 2023, the Group made no donation (2022: 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 2023.

Property, Plant and Equipment

During the year ended 31 December 2023, the Group held property, plant and equipment of approximately RMB7,275.8 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 2023, 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

The future economic situation is still full of uncertainty, but also with new opportunities. 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. Upholding the business principle of high-quality development, the Group will implement the globalization thoroughly, digital intellectualization, and low carbon strategy when opportunities and challenges arise.

With regard to the globalization strategy, adhering to the overall principle of "autonomy, outstandingness, localization and service first", the Group will make every effort to explore the global market, create popular widebodied vehicles and electric wheel products in mining equipment, and establish differentiated competitive advantages. 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 grasps the electrification and intelligent opportunities, thereby making pre-emptive moves in the market. In terms of oil and gas equipment, the Group prioritizes core business products, breaks through the overseas mainstream market, and establishes an international order response mechanism and key portfolio. The Group will increase investment in international resources, and establish subsidiaries and direct sales areas, as well as overseas manufacturing bases and R&D centers. It will also develop a global organization to provide "dual supreme services" beyond the industry standards and customer expectations, while enhancing international service team building and spare parts reserve, to fully meet customer needs.

Regarding digital intellectualization, the Group leads the development of the industry with digital intelligence technology and establishes an absolute competitive advantage through cross-generation products. With the continuous increase in talent investment and the development of new products and new technologies, it is expected to achieve comprehensive breakthroughs in intelligent products. For the mining equipment, the Group will achieve fruitful results in intelligent cutting, intelligent anchor protection and intelligent perception, leading the development of the industry. It will establish an absolute competitive advantage by developing three operating systems, namely unmanned tunneling, unmanned mining and unmanned driving. For the logistics equipment, the Group aims to develop four types of intelligent products, including intelligent front loaders, unmanned stacking machines, automated gantry and remote control quayside gantry crane, leading the industry. In terms of oil and gas equipment, the Group will make breakthroughs in the centralized remote fracturing scene of the unit, 5G remote fracturing, integrated control unit, as well as automatic adjustment scenarios for all unit operating conditions.

As for the low carbon strategy, the Group applies green and low-carbon strategies to form an industrial background. For the mining equipment, the Group aims to achieve iterative upgrading in pure water, pure electricity, hybrid, and multi-power, and excavate permanent magnet frequency conversion application to create green and low-carbon products. For the logistics equipment, the Group will continue technological innovation through the full coverage of electric product spectrum such as electric front loaders, electric stacking machines, electric forklift and electric trucks, to create the core competitiveness of low energy consumption and high safety. In terms of oil and gas equipment, the Group strives to make breakthroughs in technologies such as integrated power supply and generation, distributed electric frac pumper, and become a supplier of intelligent electrification solutions. The Group will consolidate the electric products supply chain industry and further cooperate with suppliers. Meanwhile, 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.

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 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 2023 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 2023 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 2023 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. Qi Jian, Mr. Tang Xiuguo, and Mr. Hu Jiquan will retire from the office of Director by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

Directors' Service Contracts

The executive Directors have entered into service agreements 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 2024 for Mr. Fu Weizhong, respectively. The non-executive Directors have entered into service agreements with the Company for an initial term of three years commencing from 28 September 2023 for Mr. Tang Xiuguo and 25 December 2021 for Mr. Xiang Wenbo, respectively. The independent non-executive Directors have entered into service agreements 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 with reference 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 2023 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 (which has been renumbered to Appendix C1 with effect from 31 December 2023) 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	1
1,500,001 to 2,000,000	1

Directors' Remuneration

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee of the Company to ensure that the levels of their remuneration and compensation are appropriate. None of the Directors waived any emoluments during the year ended 31 December 2023. 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 15 to 21 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 39 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 to, 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 39 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 2023 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 2023, 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 2023	Percentage of the issued voting shares as at 31 December 2023
Mr. Qi Jian[(1)]	Beneficial owner	9,048,865	0.28%
Mr. Fu Weizhong[(2)]	Beneficial owner	3,401,998	0.11%
Mr. Tang Xiuguo	Interest of spouse	5,357,000	0.17%
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 9,048,865 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", amended on 11 August 2023); (ii) 367,077 shares awarded to him on 18 December 2020, 236,514 shares awarded to him on 2 September 2021, 472,592 shares awarded to him on 8 June 2022 and 2,682,682 shares awarded to him on 20 September 2023 under the restricted share award scheme adopted by the Company on 3 December 2019 (the "Share Award Scheme")

(2) The 3,401,998 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 2,264,000 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, 108,885 shares awarded to him on 8 June 2022 and 336,402 shares awarded to him on 20 September 2023 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 2023, none of the Directors or chief executive of the Company or any of their spouse 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 2023, 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	2,568,818,722	80.54%
Sany BVI *(Note 2)*	Interest of a controlled corporation	2,568,818,722	80.54%
Mr. Liang Wengen *(Note 3)*	Interest of a controlled Corporation/ Beneficial owner	2,579,688,722	80.88%

Notes:

1. *The 2,568,818,722 shares and underlying shares consist of 2,089,037,688 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 2023, the Company has 3,189,660,321 ordinary shares in issue.

Save as disclosed above, as at 31 December 2023, 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 2023. 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 2023.

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 2023 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 2023, the Group's total contributions to the retirement schemes charged to the consolidated statement of profit or loss amounted to RMB101.2 million (2022: RMB60.2 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 2023. The Group's principal corporate governance practices are set out on pages 62 to 76 of the annual report.

Connected Transactions

During the year ended 31 December 2023, 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 the controlling shareholder of the Company (as defined under the Listing Rules). Given each of Sany Group and its subsidiaries ("Sany Group Companies"), Hunan Sanxiang Bank Co., Ltd. (湖南三湘銀行股份有限公司) ("Sanxiang Bank") 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 Sany Perpetual Enterprise holdings Company Limited is ultimately and beneficially owned as to 43.167% by Mr. Liang Wengen, they are therefore associates of Mr. Liang Wengen and connected persons of the Company under the Listing Rules. As such, the following transactions constitute connected transaction of the Group.

CONTINUING CONNECTED TRANSACTIONS

(1) Deposit Services Framework Agreement

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

The proposed annual caps for the daily balance of deposits placed by the Group with Sanxiang Bank and the proposed maximum annual interests under the Deposit Services Framework Agreement (amended on 14 April 2022) for the year ended 31 December 2023 were RMB800,000,000, and RMB40,000,000, respectively.

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

During the year under review, the maximum daily balance of deposits in actual transactions and the interest income earned under the Deposit Services Framework Agreement amounted to approximately RMB327,750,000 and approximately RMB6,966,000, respectively. The details of the Deposit Services Framework Agreement and the amended annual cap are set out in the Company's announcements dated 12 January 2021 and 14 April 2022.

(2) 2023 Automated Machinery Sales Agreement

On 16 December 2022, the Company entered into a new automated machinery sales agreement ("2023 Automated Machinery Sales Agreement") with Sany Group for a term of three years from 1 January 2023 to 31 December 2025, pursuant to which, the Group agreed to sell to Sany Group Companies automated and robot machinery and relevant ancillary parts which were developed and manufactured by the Group for Sany Group Companies to upgrade their intelligent equipment and intelligent manufacturing systems. The charging basis under the 2023 Automated Machinery Sales Agreement was determined according to the costs involved (i.e. research and development costs, raw material costs, labour costs and manufacturing expenses) plus the gross profit margin ranging from 15% to 35%, which will be determined with reference to the gross profit margin charged on similar products sold by other suppliers who are independent third parties. In any event, the prices offered to the Group shall be no less favorable to those provided to independent third parties.

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

For the year ended 31 December 2023, the actual transaction amount under the 2023 Automated Machinery Sales Agreement was RMB148,002,000. The details of the 2023 Automated Machinery Sales Agreement are set out in the Company's announcement dated 16 December 2022.

(3) Administrative Services Agreement

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

The service fees payable under the Administrative Services Agreement 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 cap amounts of the Administrative Services Agreement (amended on 30 October 2023) for each of the financial years ending 31 December 2025 shall not exceed RMB33,000,000, RMB35,000,000 and RMB38,000,000, respectively. The transaction amount under the Administrative Services Agreement for the year ended 31 December 2023 was RMB31,220,000.

The details and amended annual cap amounts of the Administrative Services Agreement are set out in the Company's announcements dated 16 December 2022 and 30 October 2023.

(4) 2023 Equipment Sales and Leasing Framework Agreement

On 16 December 2022, the Group entered into an equipment sales and leasing framework agreement (the "2023 Equipment Sales and Leasing Framework Agreement") with Sany Group, for a term of three years from 1 January 2023 to 31 December 2025, pursuant to which, the parts and equipment manufactured by the Group ("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 the seller of Parts and Equipment, will provide financing guarantee for the benefit of the lessee in respect of the Parts and Equipment to guarantee the performance of the obligations under their individual financial lease and guarantee agreements. If a lessee breaches the terms as set out in the financial lease and guarantee agreement, the Group shall settle the outstanding lease payment on behalf of the lessee or repurchase the Parts and Equipment pursuant to the financial lease and guarantee agreement.

Proposed annual caps:

(i) *2023 Sale and Purchase Agreement:*

The annual cap amounts of the Parts and Equipment sold for the three years ending 31 December 2025 under the sale and purchase agreement ("2023 Sale and Purchase Agreement", amended on 30 October 2023) are RMB2,730,000,000, RMB2,870,000,000 and RMB3,000,000,000, respectively.

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

For the three years ending 31 December 2025, the annual cap amounts in respect of the financial guarantee and repurchase of Parts and Equipment in the event of the breach of the financial lease and guarantee agreement (the "2023 Financial Lease and Guarantee Agreement") by lessees would be RMB2,450,000,000, RMB2,580,000,000 and RMB2,700,000,000, respectively.

For the year ended 31 December 2023, the actual transaction amount for the sale of equipment under the 2023 Sale and Purchase Agreement was RMB2,729,175,000. The actual amount of the financial guarantee and repurchase of the Parts and Equipment in case of default by the lessees under the 2023 Financial Lease and Guarantee Agreement was RMB2,266,356,000.

The details and amended annual cap of the 2023 Equipment Sales and Leasing Framework Agreement are set out in the Company's announcements dated 16 December 2022 and 30 October 2023 and the Company's circulars dated 18 January 2023 and 20 November 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 logistics agency services to the Group.

The agency fees payable under the Logistics Services Agency Agreement will be determined based on arm's length negotiation and such service 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 for each of the financial years ending 31 December 2025 under the Logistics Services Agency Agreement will not exceed RMB25,860,000, RMB35,160,000 and RMB48,100,000, respectively.

For the year ended 31 December 2023, the actual transactions under the Logistics Services Agency Agreement amounted to RMB7,508,000.

The details of the Logistics Services Agency Agreement are set out in the Company's announcement dated 16 December 2022.

(6) *2023 Master Lease Agreement*

On 16 December 2022, the Group entered into a master lease agreement (the "2023 Master Lease Agreement") with Sany Group, for a fixed term of three years ending 31 December 2025, pursuant to which, the Group agreed to lease from Sany Group Companies certain properties.

Properties

Sale Outlets Networking Property: (i) certain working areas and dormitories with a total floor area of up to approximately 1,000 sq.m. located in Ningxia Hui Autonomous Region, Xi'an City, Shanxi Province, Chengdu City, Sichuan Province, the PRC; (ii) certain factories working areas and dormitories with a total area of up to approximately 4,000 sq.m. located in Sany North west Industry Zone, Urumqi City, Xinjiang Uygur Autonomous Region, the PRC; (iii) certain working areas and dormitories 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 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 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 with a 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 located in Sany Huilongguan Industry Zone, Changpin District, Beijing, the PRC; and

Shanghai Property: certain dormitories 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 approximately RMB23.2 per square meter per month; (ii) up to approximately RMB26 per square meter per month; (iii) up to approximately RMB28 per square meter per month; (iv) up to approximately RMB28 per square meter per month; (v) up to approximately 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 location 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 location 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 location 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 location and areas, payable monthly within the first week of each month.

The annual cap of right-of-use assets under the 2023 Master Lease Agreement for the year ended 31 December 2023 (amended on 30 October 2023) was RMB80,627,300.

For the year ended 31 December 2023, the actual right-of-use assets recognised by the Group under the 2023 Master Lease Agreement was RMB21,515,000.

The details of the 2023 Master Lease Agreement are set out in the Company's announcements dated 16 December 2022 and 30 October 2023.

(7) 2023 Master Purchase Agreement

On 16 December 2022, the Company entered into a master purchase agreement ("2023 Master Purchase Agreement") with Sany Group with a fixed term of three years ending 31 December 2025, 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) 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 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 those offered by 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 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 terms offered by 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 caps of the 2023 Master Purchase Agreement (amended on 30 October 2023) for each of the three financial years ending 31 December 2025 will not exceed RMB1,600,000,000, RMB1,696,940,810 and RMB2,284,841,210, respectively.

For the year ended 31 December 2023, the actual transaction amount under the 2023 Master Purchase Agreement was RMB1,232,737,000.

The details and further amendments of the 2023 Master Purchase Agreement are set out in the Company's announcements dated 16 December 2022 and 30 October 2023 and the Company's circulars dated 18 January 2023 and 20 November 2023.

(8) 2023 Master Sales Agency Agreement

On 16 December 2022, the Company entered into a master sales agency agreement (the "2023 Master Sales Agency Agreement") with Sany Group for a fixed term of three years ending 31 December 2025, 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 sales agency fees payable will be determined based 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 in similar regions.

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

The annual caps of the 2023 Master Sales Agency Agreement (amended on 30 October 2023) for the three financial years ending 31 December 2025 will not exceed RMB73,600,000, RMB77,300,000 and RMB82,000,000, respectively.

For the year ended 31 December 2023, the actual transaction under the 2023 Master Sales Agency Agreement amounted to RMB73,360,000. The details and further amendments of the 2023 Master Sales Agency Agreement are set out in the Company's announcements dated 16 December 2022 and 30 October 2023.

(9) 2023 Master Sales Agreement

On 16 December 2022, the Company entered into a master sales agreement (the "2023 Master Sales Agreement") with Sany Group for a fixed term of three years ending 31 December 2025, 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 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 caps of the 2023 Master Sales Agreement for each financial year ending 31 December 2025 will not exceed RMB83,382,050, RMB111,237,520 and RMB150,575,610, respectively.

For the year ended 31 December 2023, the actual transaction under the 2023 Master Sales Agreement amounted to RMB25,781,000. The details of the 2023 Master Sales Agreement are set out in the Company's announcement dated 16 December 2022.

(10) 2023 Technical Service Framework Agreement

On 16 December 2022, the Company entered into a technical service framework agreement (the "2023 Technical Service Framework Agreement") with Sany Group for a fixed term of three years ending 31 December 2025. Pursuant to the 2023 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 15%, which is the expected gross margin required by the Group for providing similar services to independent third parties with reference to the gross profit margin charged by other service providers who are independent third parties for comparable transactions.

The proposed annual caps of the 2023 Technical Service Framework Agreement for the three financial years ending 31 December 2025 are RMB87,660,000, RMB81,110,000 and RMB74,500,000, respectively.

For the year ended 31 December 2023, the actual transaction amount under the 2023 Technical Service Framework Agreement was RMB30,806,000. The details of the 2023 Technical Service Framework Agreement are set out in the Company's announcement dated 16 December 2022 and the Company's circular dated 18 January 2023.

(11) 2023 Products Sales Agreement

On 16 December 2022, the Company entered into a supplement products sales agreement ("2023 Products Sales Agreement") with Sany Group for a fixed term of three years ending 31 December 2025, pursuant to which, the Company agreed to sell or procure its subsidiaries to sell its finished products to Sany Group Companies for sale to end-customers.

Since the Products Sales Agreement serves the purpose of enabling 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 sell the finished products to end-customers through Sany Group Companies' sales network, under such arrangement, Sany Group Companies did not actually receive any mark-up against the prices under the 2023 Products Sales Agreement. The prices of the finished products under 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 10%–40% for domestic sales and from 10%–35% for overseas sales (considering that 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 amounts of the 2023 Products Sales Agreement for the three years ending 31 December 2025 (amended on 30 October 2023) will be RMB3,980,000,000, RMB4,180,000,000 and RMB4,390,000,000, respectively. For the year ended 31 December 2023, the actual transaction amount under the 2023 Products Sales Agreement was RMB3,584,881,000.

The details and further amendments of the 2023 Products Sales Agreement are set out in the Company's announcements dated 16 December 2022 and 30 October 2023 and the Company's circulars dated 18 January 2023 and 20 November 2023.

(12) 2023 Master Transportation Agreement

On 17 January 2023, the Company entered into a master transportation agreement (as amended on 30 October 2023) (the "2023 Master Transportation Agreement") for a term of three years ending 31 December 2025, pursuant to which, Sany Logistics agreed to provide certain logistics services to the Group in connection with the transportation of mining equipment, logistics equipment and automated machinery.

The service fees payable for domestic transportation services under the 2023 Master Transportation Agreement will be determined with reference to (i) the weight of the goods transported (for mainframe) or number of transportation vehicles (for ancillary parts), (ii) transportation distance and (iii) means of transportation. For the service fees payable in connected with the international transportation services under the 2023 Master Transportation Agreement will be determined on the actual shipping cost of Sany Logistics plus a margin, which would make reference to the price of the Group's procurement of logistics services from independent third parties. The services fee charged under the 2023 Master Transportation Agreement should be in any event no less favourable to the Group than price offered by independent third parties.

The annual caps of the 2023 Master Transportation Agreement for the three years ending 31 December 2025 will be RMB129,000,000, RMB136,000,000 and RMB143,000,000, respectively. For the year ended 31 December 2023, the actual transaction under the Master Transportation Agreement amounted to RMB105,989,000.

The details of the 2023 Master Transportation Agreement are set out in the Company's announcements dated 17 January 2023 and 30 October 2023.

(13) 2023 Energy Sales Agreement

On 30 October 2023, the Company entered into an energy sales agreement (the "2023 Energy Sales Agreement") with Sany Group for a fixed term of three years ending 31 December 2025, pursuant to which, Sany Group Companies shall rent certain rooftops on their premises to the Group for the purposes of setting up the photovoltaic equipment and shall purchase from the Group photovoltaic energy to be generated by the photovoltaic equipment on the relevant rooftops of Sany Group's premises.

The rental fees in the form of a 15% discount rate to be offered by the Group to Sany Group for the set-up of the photovoltaic equipment shall be determined with reference to the applicable market rates of similar premises in the vicinity and quotations from independent third parties in the similar industry for similar premises in the vicinity.

Photovoltaic energy will be supplied at a price calculated by having the relevant volume of electricity usage multiplied by the relevant government real-time price per kWh (as adjusted from time to time), which is determined by the government authorities (including State Grid Corporation of China* (中國國家電網公司)) depending on the location of the premises with the rooftop installed, and with a discount rate which is a common practice in the PRC market that power stations offer discounts to customers in exchange for the set-up of photovoltaic equipment at their premises. The 15% discount rate as indicated in the 2023 Energy Sales Agreement was determined with reference to (i) the discount rates offered by other power stations to their customers that the fees for the overall consumption of the photovoltaic energy shall include a discount as rental fees for the use of the premises to setup the relevant photovoltaic equipment and (ii) market practice in the photovoltaic energy industry as at the date of the 2023 Energy Sales Agreement.

The annual caps of the rental fees payable by the Group to Sany Group for the rental of the rooftop based on the 15% discount rate for the three years ending 31 December 2025 under the 2023 Energy Sales Agreement will be RMB5,475,000, RMB7,500,000 and RMB10,500,000, respectively. The annual caps of fees payable by the Sany Group to the Group for the sales of photovoltaic energy for the three years ending 31 December 2025 under the 2023 Energy Sales Agreement will be RMB36,500,000, RMB50,000,000 and RMB70,000,000, respectively. For the year ended 31 December 2023, the actual transaction amount payable by the Group to Sany Group for the rental of the rooftop under the 2023 Energy Sales Agreement was RMB21,000, and the actual transaction amount payable by Sany Group to the Group for the sales of photovoltaic energy was RMB62,000. The details of the 2023 Energy Sales Agreement are set out in the Company's announcement dated 30 October 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 under the 2023 Automated Machinery Sales Agreement, the Deposit Services Framework Agreement, the 2023 Equipment Sales and Leasing Framework Agreement, the 2023 Master Lease Agreement, the 2023 Master Purchase Agreement, the 2023 Master Sales Agency Agreement, the 2023 Master Sales Agreement, the 2023 Master Transportation Agreement, the 2023 Products Sales Agreement, the Administrative Services Agreement, the Logistics Services Agency Agreement, the 2023 Technical Service Framework Agreement and the 2023 Energy Sales Agreement and confirmed that the transactions have been entered into:

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

(ii) on normal commercial terms or better; 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 under the 2023 Automated Machinery Sales Agreement, the Deposit Services Framework Agreement, the 2023 Equipment Sales and Leasing Framework Agreement, the 2023 Master Lease Agreement, the 2023 Master Purchase Agreement, the 2023 Master Sales Agency Agreement, the 2023 Master Sales Agreement, the 2023 Master Transportation Agreement, the 2023 Products Sales Agreement, the Administrative Services Agreement, the Logistics Services Agency Agreement, the 2023 Technical Service Framework Agreement and the 2023 Energy Sales 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 Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, Ernst & Young have issued their unmodified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group.

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 were, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

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

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

One-off Connected Transactions

(1) Acquisition of Equity Interests of Sany Oil

On 12 April 2023, the Company (as the purchaser) and Sany Perpetual Enterprise Holdings Company Limited (as the vendor) entered into the acquisition agreement pursuant to which, the Company has conditionally agreed to purchase and the vendor has conditionally agreed to sell the entire issued share capital of Sany Oil at the consideration of RMB2,980 million.

Sany Oil is a holding company, and the principal business of Sany Oil and its subsidiaries ("Sany Oil Group") is operated by Sany Petroleum Intelligent Equipment Company Ltd.* (三一石油智能裝備有限公司) and its subsidiaries. Sany Oil Group is principally engaged in the research and development, production and sales of frac Sany Oil Group spreads and spare parts for oil and gas field, as well as oil and gas field cementing and stimulation technical services. It is committed to protecting national energy security and providing customers with safe, efficient, intelligent and environmentally friendly complete sets of petroleum equipment as well as comprehensive solutions and integrated services.

The main business of Sany Oil Group could be classified to: 1) research and development, production and sales of frac spreads and spare parts, 2) research and development, production and sales of drilling, workover and automated pipe handling equipment, and 3) after-market business and oil & gas field technical services. Sany Oil Group has all series of frac spreads (mechanical transmission, hydraulic transmission and electric drive) and industry-leading drilling, workover and automated pipe handling equipment and possesses the relevant core technologies. A number of products of Sany Oil Group lead the Chinese market. In 2021 and 2022, Sany Oil Group's truck-mounted fracturing equipment maintained the first in the industry in terms of sales and market share for two consecutive years, and the sales of drilling, workover and automated pipe handling equipment, such as monkey board pipe handling manipulator, drill floor pipe handling manipulator and hydraulic station, also held leading positions in the industry.

The Board believes that this acquisition is strategically attractive and will bring the following benefits: (i) creation of synergies by continued diversification of industrial layout and expansion into various energy equipment business segments; (ii) resource integration to enhance intelligent manufacturing capabilities and to improve equipment manufacturing capacity; (iii) complementary technologies and R&D capabilities in electrification and intelligentisation to accelerate product commercialization and incubation; (iv) jointly promote internationalization strategy and integrate and expand sales channels; and (v) increase the revenue scale and profitability of the Group.

The details on acquisition of the equity interests of Sany Oil Group are set out in the Company's announcement dated 12 April 2023 and the Company's circular dated 23 May 2023.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 39 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 2023.

Subsequent Events

No significant events which affected the Group occurred subsequent to 31 December 2023.

Annual General Meeting

The annual general meeting of the Company will be convened and held on Friday, 31 May 2024. 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 Monday, 27 May 2024 to Friday, 31 May 2024, 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 Friday, 31 May 2024. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 31 May 2024, 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 Friday, 24 May 2024.

CLOSURE OF REGISTER OF MEMBERS — FINAL DIVIDEND PAYMENT

The register of members of the Company will also be closed from Friday, 7 June 2024 to Wednesday, 12 June 2024, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to the proposed dividends is Wednesday, 12 June 2024. 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 Thursday, 6 June 2024.

Audit Committee

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2023.

Auditor

The consolidated financial statements for the year ended 31 December 2023 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 an auditor of the Company.

There was no change in the external auditor 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, 27 March 2024

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 2023 to 31 December 2023.

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 is 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.

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 with reference to the factors set out in 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 been 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		14 (46 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 2023, 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. In terms of employee employment and performance benefits, we adhere to the principle of fairness and openness in all aspects (including but not limited to staff employment and performance benefits) 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 2023, diversity of employees in terms of gender and age group is as follows: 92.5% are male employees and 7.5% are female employees. Meanwhile, 39.1% are aged below 30, 47.6% are aged 31–40, 11.6% are aged 41–50, and 1.7% are above 51.

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-appointment 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 auditor 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 2023, the Audit Committee held four meetings. The Group's unaudited interim results for the six months ended 30 June 2023 and the audited annual results for the year ended 31 December 2023 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 auditor 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 2023, the Remuneration Committee held two meetings to (i) review and recommend to the Board on the Group's remuneration policy and strategy; (ii) review and recommend to the Board on the remuneration packages of the Directors and senior management of the Company; and (iii) review matters relating to share scheme under Chapter 17 of the Listing Rules. During the year ended 31 December 2023, the Remuneration Committee proposed to grant a total of 24,275,271 Restricted Shares to the 1,760 Eligible Participants under the 2019 Restricted Share Award Scheme with a minimum vesting period of 12 months, appropriate performance targets and clawback mechanism, in accordance with the terms of the 2019 Restricted Share Award Scheme and the Listing Rules. Details of the attendance of the members of the Remuneration Committee in the said meeting are set out under the sub-section headed "Number of Meetings and Directors' Attendance" below.

Nomination Committee

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

During the year ended 31 December 2023, the Nomination Committee held one meeting to review and recommend the re-election of Mr. Fu Weizhong, Mr. Xiang Wenbo, and Mr. Ng Yuk Keung 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 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 2023, no meeting was held by the Strategic Investment Committee.

ESG Committee

The ESG Committee was established on 20 February 2023. The ESG Committee is responsible for maintaining the effectiveness of the Group's ESG management practices. The Committee shall review and finalise ESG-related policies to enhance and ensure that the Group's ESG management practices are of a high standard. The chairman is Mr. Qi Jian and the other four members are Mr. Fu Weizhong, Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan.

The Board sought advice from the Committee on the Group's annual ESG report. As at 31 December 2023, the ESG Committee held one meeting.

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. In 2023, the Board reviewed 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 2023 is set out below:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Strategic Investment Committee	ESG Committee	General Meeting
Executive Directors							
Mr. Liang Zaizhong *(Chairman)*	9/9	N/A	N/A	1/1	0/0	1/1	4/4
Mr. Qi Jian *(Vice Chairman)*	9/9	N/A	N/A	N/A	0/0	1/1	4/4
Mr. Fu Weizhong	9/9	N/A	N/A	N/A	0/0	1/1	4/4
Non-executive Directors							
Mr. Tang Xiuguo	9/9	N/A	N/A	N/A	N/A	N/A	4/4
Mr. Xiang Wenbo	9/9	N/A	N/A	N/A	N/A	N/A	4/4
Independent non-executive Directors							
Mr. Ng Yuk Keung	9/9	4/4	2/2	N/A	0/0	1/1	4/4
Mr. Poon Chiu Kwok	9/9	4/4	2/2	1/1	0/0	1/1	4/4
Mr. Hu Jiquan	9/9	4/4	2/2	1/1	N/A	1/1	4/4

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 the 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 2023, 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 2023:

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 (renumbered as Appendix C3 since 31 December 2023) 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 2023 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 auditor of the Company about its 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 auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor. The Company has appointed Ernst & Young as the auditor of the Company. The fees for the audit services and non-audit service (mainly included HK tax resident identity service and ESG advisory service) provided by the auditor to the Group for the year ended 31 December 2023 amounted to RMB3,903 million, details of which are as follows:

Types of service	RMB'000
Audit service	3,050
Non-audit service	853

Tax Compliance Service

The statement of the auditor of the Company concerning its responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on pages 78 to 82 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 2023 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 2023.

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

On 31 May 2023, a special resolution was passed at the annual general meeting to approve the existing Memorandum and Articles of Association of the Company the amendments to (i) comply with Appendix 3 (renumbered as Appendix A1 since 31 December 2023) to the Listing Rules; (ii) provide flexibility to the Company in relation to the conduct of general meetings and (iii) incorporate certain housekeeping amendments, as detailed in Appendix III of the circular dated 27 April 2023.

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 and, if appropriate, the external auditor, 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 2023, four 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 2023.

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 2023.

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
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

Auditor
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 24 89318111
Fax:+86 24 89318111
E-mail:shezy@sany.com.cn
Address: No. 25, 16 Kaifa Road
Shenyang Economic and
Technological Development Zone
Shenyang, Liaoning Province
PRC

INDEPENDENT AUDITOR'S REPORT

EY安永

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

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

OPINION

We have audited the consolidated financial statements of Sany Heavy Equipment International Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 83 to 211, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 2023, the Group had trade receivables of RMB9,383,880,000, net of a provision for impairment of RMB632,554,000. 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 ECLs 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 2023, the carrying value of goodwill amounted to RMB2,537,138,000, which was material to the Group. Goodwill is allocated to the logistics equipment cash-generating unit, oil & Gas equipment cash-generating unit, li-ion battery manufacturing equipment cash-generating unit, solar modules cash-generating unit and electrolysis hydrogen production equipment cash-generating unit (the "CGUs") and is tested for impairment annually. The impairment test is based on the recoverable amounts of the CGUs. 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, 15 and 36 to the consolidated financial statements.	Our audit procedures included among others: • Reviewing the cash flow forecast for the CGUs to which the goodwill was allocated, and assessing the methodology and assumptions such as the growth rates, 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 CGUs; • With the assistance of our internal valuation specialists, reassessing the results of the valuation of the CGUs performed by management; and • Assessing the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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.

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**20,277,944**	15,536,716
Cost of sales		**(14,830,890)**	(11,908,372)
Gross profit		**5,447,054**	3,628,344
Other income and gains	5	**715,197**	646,942
Selling and distribution expenses		**(1,262,226)**	(932,879)
Administrative expenses		**(2,213,353)**	(1,177,331)
Impairment losses on financial and contract assets, net	6	**(225,347)**	(87,194)
Other expenses		**(42,464)**	(24,982)
Finance costs	7	**(158,411)**	(131,967)
PROFIT BEFORE TAX	6	**2,260,450**	1,920,933
Income tax expense	10	**(421,696)**	(251,859)
PROFIT FOR THE YEAR		**1,838,754**	1,669,074
Attributable to:			
Owners of the parent		**1,928,992**	1,664,911
Non-controlling interests		**(90,238)**	4,163
		1,838,754	1,669,074
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic (RMB Yuan)		**0.58**	0.53
Diluted (RMB Yuan)		**0.52**	0.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 **RMB'000**	2022 RMB'000
PROFIT FOR THE YEAR	**1,838,754**	1,669,074
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of the Company	**31,776**	(6,378)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**31,776**	(6,378)
OTHER COMPREHENSIVE INCOME, NET OF TAX	**31,776**	(6,378)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**1,870,530**	1,662,696
Attributable to:		
Owners of the parent	**1,960,768**	1,658,533
Non-controlling interests	**(90,238)**	4,163
	1,870,530	1,662,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**2023 RMB'000**	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**7,275,832**	4,065,888
Right-of-use assets	14(a)	**1,388,354**	1,273,397
Goodwill	15	**2,537,138**	1,129,520
Intangible assets	16	**1,407,913**	17,387
Investment in a joint venture	22	**28,535**	—
Financial assets at fair value through profit or loss	23	**37,500**	—
Trade receivables	19	**1,027,890**	888,356
Non-current prepayments	21	**27,745**	24,384
Contract assets	20	**117,746**	65,845
Deferred tax assets	31	**336,057**	297,805
Total non-current assets		**14,184,710**	7,762,582
CURRENT ASSETS			
Inventories	17	**3,432,210**	3,282,540
Properties for sale	18	**805,253**	883,911
Trade receivables	19	**8,355,990**	6,416,294
Bills receivable	19	**1,066,199**	1,011,765
Contract assets	20	**396,755**	68,164
Prepayments, other receivables and other assets	21	**1,261,432**	700,258
Derivative financial instruments	30	**15,668**	—
Financial assets at fair value through profit or loss	23	**2,160,426**	2,087,646
Pledged deposits	24	**43,300**	50,286
Cash and cash equivalents	24	**3,241,068**	2,689,823
Total current assets		**20,778,301**	17,190,687
CURRENT LIABILITIES			
Trade and bills payables	25	**8,098,198**	6,646,310
Other payables and accruals	26	**4,783,016**	2,791,041
Dividend payable	11	**101,288**	83,284
Interest-bearing bank and other borrowings	27	**2,652,576**	954,215
Lease liabilities	14(b)	**28,289**	—
Tax payable		**237,332**	155,113
Provision for warranties	28	**75,462**	40,053
Government grants	29	**196,444**	164,656
Derivative financial instruments	30	**—**	1,106
Total current liabilities		**16,172,605**	10,835,778
NET CURRENT ASSETS		**4,605,696**	6,354,909
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,790,406**	14,117,491

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2023

	Notes	**2023 RMB'000**	2022 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**5,248,801**	2,691,178
Lease liabilities	14(b)	**9,510**	—
Government grants	29	**1,720,221**	1,185,182
Deferred tax liabilities	31	**273,477**	137,357
Total non-current liabilities		**7,252,009**	4,013,717
Net assets		**11,538,397**	10,103,774
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**315,185**	312,789
Reserves	35	**11,274,274**	9,727,190
		11,589,459	10,039,979
Non-controlling interests		**(51,062)**	63,795
Total equity		**11,538,397**	10,103,774

Qi Jian
Director

Fu Weizhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	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 based compensation reserve RMB'000 (note 33)	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 on translation of financial statements of the Company	—	—	—	—	—	—	—	(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 interest	—	—	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 safety 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2023

	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 based compensation reserve RMB'000 (note 33)	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 2023	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
Profit for the year	—	—	—	—	—	—	—	—	—	1,928,992	1,928,992	(90,238)	1,838,754
Other comprehensive income for the year:													
Exchange differences on translation of financial statements of the Company	—	—	—	—	—	—	—	31,776	—	—	31,776	—	31,776
Total comprehensive income for the year	—	—	—	—	—	—	—	31,776	—	1,928,992	1,960,768	(90,238)	1,870,530
Capital injection from a non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	—	7,000	7,000
Dividend to a non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	—	(30,135)	(30,135)
Issue of shares (note 32)	2,396	—	101,552	—	—	—	—	—	—	—	103,948	—	103,948
Share-based payments (notes 33, 34)	—	—	—	—	96,577	—	6,611	—	—	—	103,188	—	103,188
Release of share-based compensation reserve to share premium upon exercise of share options (note 32)	—	—	15,681	—	(15,681)	—	—	—	—	—	—	—	—
Acquisition of subsidiaries (note 36)	—	—	—	—	—	—	—	—	—	—	—	(1,484)	(1,484)
Provision for safety production expense	—	—	—	—	—	—	17,575	—	—	(17,575)	—	—	—
Final 2022 dividend	—	—	—	—	—	—	—	—	—	(618,424)	(618,424)	—	(618,424)
Transfer from retained profits	—	—	—	—	—	277,844	—	—	—	(277,844)	—	—	—
At 31 December 2023	277,337	37,848	1,711,393#	1,344,319#	238,748#	1,283,884#	35,011#	28,992#	2,620#	6,629,307#	11,589,459	(51,062)	11,538,397

These reserve accounts comprise the consolidated reserves of RMB11,274,274,000 (2022: RMB9,727,190,000) in the consolidated statement of financial position.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,260,450**	1,920,933
Adjustments for:			
Finance costs	7	**158,411**	131,967
Interest income	5	**(193,263)**	(59,148)
Loss/(gain) on disposal of items of property, plant and equipment	5	**15,433**	(3,741)
Fair value gain on financial assets at fair value through profit or loss, net	5	**(81,363)**	(137,789)
Depreciation of property, plant and equipment	6	**396,463**	261,380
Depreciation of right-of-use assets	6	**44,113**	29,255
Amortisation of intangible assets	6	**84,739**	1,908
Government grants	5	**(374,237)**	(340,562)
Impairment of property, plant and equipment	6	**4,149**	21,393
Impairment of trade receivables	6	**214,626**	85,643
Impairment of contract assets	6	**8,199**	1,694
Impairment/(reversal of impairment) of other receivables	6	**2,522**	(143)
Provision against slow-moving and obsolete inventories	6	**54,969**	13,373
Realisation of profits arising from sales to a joint venture in previous years	6	**(8,535)**	—
Share-based payments expense	6	**103,188**	118,238
Remeasurement of financial guarantee contracts	6	**5,522**	3,589
		2,695,386	2,047,990
Decrease/(increase) in inventories		**487,082**	(767,404)
Decrease in properties for sale		**78,658**	35,530
Increase in trade receivables		**(1,214,343)**	(2,478,018)
Decrease/(increase) in bills receivable		**125,940**	(311,495)
Increase in contract assets		**(350,590)**	(39,239)
Decrease/(increase) in prepayments, other receivables and other assets		**30,927**	(139,974)
Increase in trade and bills payables		**466,816**	2,224,006
Increase in other payables and accruals		**(455,216)**	14,579
Increase in provision for product warranties		**25,914**	16,000
Receipt of government grants		**930,066**	599,223
Cash generated from operations		**2,820,640**	1,201,197
Interest received		**150,980**	45,821
Interest paid		**(17,085)**	(17,755)
PRC tax paid		**(430,503)**	(144,826)
Net cash flows from operating activities		**2,524,032**	1,084,438

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Net cash flows from operating activities		**2,524,032**	1,084,438
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**41,213**	16,784
Purchases of items of property, plant and equipment		**(2,319,924)**	(1,129,242)
Payment for prepaid land lease payments		**(123,744)**	(189,118)
Additions to intangible assets		**(43,572)**	—
Acquisition of subsidiaries	36	**(2,509,017)**	—
Proceeds from disposal of items of property, plant and equipment		**26,288**	239,844
Proceeds from disposal of financial assets at fair value through profit or loss		**2,449,745**	5,484,328
Purchases of financial assets at fair value through profit or loss		**(2,473,115)**	(3,754,062)
Decrease/(increase) in pledged deposits		**6,986**	(29,289)
Purchase of a shareholding in a joint venture		**(20,000)**	—
Net cash flows (used in)/from investing activities		**(4,965,140)**	639,245
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	32	**103,948**	8,321
New bank loans	37(b)	**7,070,634**	3,827,846
Repayment of bank loans	37(b)	**(3,350,244)**	(3,638,644)
Settlement of derivative financial instruments	37(b)	**(1,106)**	(8,561)
Dividends paid		**(728,792)**	(466,192)
Capital injection from a non-controlling shareholder		**—**	13,300
Payment for lease liabilities (including interest)	37(b)	**(7,580)**	—
Interest paid	37(b)	**(126,283)**	(112,884)
Net cash flows from/(used in) financing activities	37(b)	**2,960,577**	(376,814)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**519,469**	1,346,869
Cash and cash equivalents at beginning of year		**2,689,823**	1,349,332
Effect of foreign exchange rate changes, net		**31,776**	(6,378)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,241,068**	2,689,823

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, petroleum equipment, new energy manufacturing equipment, and spare parts and the provision of related services in Chinese Mainland.

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	Registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sany Heavy Equipment Co., Ltd. ("Sany Heavy Equipment") (三一重型裝備有限公司)*	PRC/Chinese Mainland	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/Chinese Mainland	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/Chinese Mainland	RMB713,180,000	—	100	Development, manufacture and sale of logistics equipment
Zhuhai Sany Port Machinery Co., Ltd. ("Zhuhai Sany") (珠海三一港口機械有限公司)*	PRC/Chinese Mainland	RMB63,180,000	—	100	Sale of 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	Registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") (湖南三一港口設備有限公司)*	PRC/Chinese Mainland	RMB13,180,000	—	100	Development, manufacture and sale of spare parts of logistics equipment
Sany (Zhuhai) Asset Co., Ltd. ("Sany Asset") (三一置業有限公司)*^	PRC/Chinese Mainland	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/Chinese Mainland	RMB100,000,000	—	99.97	Research, development and manufacture of automation equipment
Sany Robot Technology Co., Ltd. ("Sany Robot") (三一機器人科技有限公司)*^	PRC/Chinese Mainland	RMB100,000,000	—	72.8	Research, development, manufacture and sale of automation equipment
Sany Robot Equipment (Xian) Co., Ltd. ("Sany Robot Equipment") (三一機器人裝備(西安)有限公司)*^	PRC/Chinese Mainland	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/Chinese Mainland	RMB1,000,000,000	—	100	Manufacture and sale of coal mining equipment
Sany Oil Technology Hong Kong Limited ("Sany Oil") (三一石油科技香港有限公司)#	Hong Kong	RMB290,720,000	100	—	Investment holding
Hunan Sany Petroleum Equipment Co., Ltd. ("Hunan Sany Petroleum") (湖南三一石油裝備有限公司)*#	PRC/Chinese Mainland	RMB289,920,000	—	100	Investment holding
Sany Petroleum Intelligent Equipment Co., Ltd. ("Sany Petroleum") (三一石油智能裝備有限公司)*#	PRC/Chinese Mainland	RMB133,131,313	—	99	Manufacture and sale of petroleum equipment and spare parts and provision of oil field services
Sany Energy Equipment Co., Ltd. ("Sany Energy") (三一能源裝備有限公司)*#	PRC/Chinese Mainland	RMB50,000,000	—	99	Manufacture and sale of petroleum equipment and spare parts
Sany Technology Equipment Co., Ltd. ("Sany Technology Equipment") (三一技術裝備有限公司)*^#	PRC/Chinese Mainland	RMB100,000,000	—	95	Research, development, manufacture, and sale of new energy battery 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	Registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sany Hydrogen Energy Co., Ltd. ("Sany Hydrogen Energy") (三一氫能有限公司)*^#	PRC/Chinese Mainland	RMB100,000,000	—	85	Hydrogen production, storage, transportation, and refueling industry chain.
Sany Silicon Energy (Zhuzhou) Co., Ltd. ("Sany Silicon Energy") (三一硅能(株洲)有限公司)*^#	PRC/Chinese Mainland	RMB100,000,000	—	85	Research, development, manufacture, and sale of monocrystalline silicon materials, solar cells and modules
Zhuzhou Sany Silicon New Energy Co., Ltd. ("Zhuzhou Sany Silicon Energy") (株洲三一硅能新能源有限公司)*#	PRC/Chinese Mainland	RMB100,000,000	—	85	Research, development, manufacture, and sale of monocrystalline silicon materials, solar cells and modules
Zhuzhou Sany Silicon Technology Co., Ltd. ("Zhuzhou Sany Silicon Technology") (株洲三一硅能技術有限公司)*^@	PRC/Chinese Mainland	RMB100,000,000	—	95	Research, development, manufacture, and sale of monocrystalline silicon materials, solar cells and modules
Sany Silicon Energy (Suzhou) Co., Ltd. (三一硅能(朔州)有限公司)@	PRC/Chinese Mainland	RMB100,000,000	—	85	Research, development, manufacture, and sale of monocrystalline silicon materials, solar cells and modules
Sany Robotic Equipment (Changsha) Co., Ltd. ("Sany Robot (Changsha)") (三一機器人(長沙)有限公司)*^@	PRC/Chinese Mainland	RMB30,000,000	—	72.8	Research, development, manufacture and sale of automation equipment
Sany International (Hong Kong) Industry Co., Ltd. ("Sany (Hong Kong) Industry") (三一國際(香港)實業有限公司)@	Hong Kong	HK$10,000,000	100	—	Sale of integrated excavation machinery, integrated coal mining equipment and coal mine transportation equipment
Sany Indonesia Heavy Equipment Co., Ltd. (三一印尼重型裝備有限公司)@	Indonesia	IDR15,080,000,000	1	99	Sale of integrated excavation machinery, integrated coal mining equipment and coal mine transportation 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	Registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sany Logistics Equipment America Co., Ltd. (三一物流裝備美國有限公司)@	America	US$1,000,000	—	100	Sale of logistics equipment
Sany Logistics Equipment German Co., Ltd. (三一物流裝備德國有限公司)@	German	€1,000,000	—	100	Sale of logistics equipment

* Companies established as limited liability companies under PRC law

^ The registered share capital of Sany Asset, Sany Intelligent Mining, Sany Robot, Sany Robot Equipment, Sany Technology Equipment, Sany Hydrogen Energy, Sany Silicon Energy, Zhuzhou Sany Silicon Technology and Sany Robot (Changsha) amounted to RMB53,180,000, RMB100,000,000, RMB100,000,000, RMB100,000,000, RMB100,000,000, RMB100,000,000, RMB100,000,000, RMB100,000,000 and RMB30,000,000, respectively, among which RMB53,180,000, RMB50,000,000, RMB30,000,000, RMB50,000,000, RMB100,000,000, RMB100,000,000, RMB30,000,000, RMB100,000,000 and RMB30,000,000 were unpaid as at 31 December 2023, respectively.

During the year, the Group acquired these companies from fellow subsidiaries of the Company. Further details of the acquisition are included in note 36 to the financial statements.

@ Companies newly established during the year

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. ACCOUNTING POLICIES

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. 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 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.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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 had no significant impact on the Group's financial statements.

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect.

The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

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*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

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 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. 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.

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

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application 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.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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 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.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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

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.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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.

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);

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties (continued)

(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.

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.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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	3–10 years	3%	9.7%–32.3%
Office and other equipment	3–8 years	3%	12.1%–32.3%
Motor vehicles	8 years	3%	12.1%

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 is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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.

Technical know-how and customer relationship

Technical know-how and customer relationship acquired in a business combination are recognised at fair value at the acquisition date. The technical know-how and customer relationship have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of ten years from the acquisition date for technical know-how and customer relationship.

2.4 MATERIAL 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 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
Plant and machinery	3 to 5 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 MATERIAL 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.

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 MATERIAL 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.

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

2.4 MATERIAL 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 are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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 MATERIAL 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.

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.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

2.4 MATERIAL 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 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing 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 MATERIAL 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

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks and short-term deposits as defined above less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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 initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

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, except that deferred tax is not recognised for the Pillar Two income taxes.

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 does not give rise to equal taxable and deductible temporary differences; 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.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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 does not give rise to equal taxable and deductible temporary differences; 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.

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 a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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.

(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 over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of the labour hours and material costs expended relative to the total expected costs to complete the service.

(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.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

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.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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. 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"). The cost of equity-settled transactions with employees for grants 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.

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

2.4 MATERIAL 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. 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.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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 Chinese Mainland, 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.

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, except to the extent that the differences are attributable to non-controlling interests.

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 2023 was RMB2,537,138,000 (2022: 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, 14 and 16 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for product warranties

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

Write-down of inventories to net realisable value

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services. During the year ended 31 December 2023, the Group completed several business combinations and the reportable operating segments increased from two to four to reflect the enlarged business structure. The four reportable operating segments are set out 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;

(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;

(c) Oil & Gas equipment segment

The oil & gas equipment segment engages in the production and sale of fracturing units and spare parts for oil & gas fields, and the provision of oil & gas field cementing and stimulation technical services; and

(d) Emerging industry equipment segment

The emerging industry equipment segment mainly engages in the production and sales of li-ion battery manufacturing equipment, solar modules and electrolysis hydrogen production equipment, 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 2023	Mining equipment RMB'000	Logistics equipment RMB'000	Oil & Gas equipment segment RMB'000	Emerging industry equipment segment RMB'000	Total RMB'000
Segment revenue					
Sales to customers (note 5)	12,501,388	5,783,233	1,502,419	490,904	20,277,944
Intersegment sales	102,379	37,371	51	6,033	145,834
Other revenue	348,475	190,217	14,306	(31,064)	521,934
	12,952,242	6,010,821	1,516,776	465,873	20,945,712
Reconciliation:					
Elimination of intersegment sales					(145,834)
Revenue from operations					20,799,878
Segment results	1,591,265	810,955	116,611	(294,791)	2,224,040
Reconciliation:					
Interest income	146,893	35,649	9,127	1,594	193,263
Finance costs (other than interest on lease liabilities)	(87,008)	(53,882)	(5,554)	(10,409)	(156,853)
Profit before tax					2,260,450
Income tax expense					(421,696)
Profit for the year					1,838,754
Segment assets	16,224,807	10,284,328	4,660,233	2,440,859	33,610,227
Reconciliation:					
Elimination of intersegment receivables					(2,267,641)
Corporate and other unallocated assets					3,620,425
Total assets					34,963,011
Segment liabilities	7,479,275	5,480,373	1,736,983	2,583,440	17,280,071
Reconciliation:					
Elimination of intersegment payables					(2,267,641)
Corporate and other unallocated liabilities					8,412,184
Total liabilities					23,424,614
Other segment information					
Loss/(gain) on disposal of items of property, plant and equipment	3,379	11,762	343	(51)	15,433
Impairment of property, plant and equipment	—	4,149	—	—	4,149
Impairment of trade receivables, net	122,748	75,077	16,439	362	214,626
Impairment/(reversal of impairment) of other receivables, net	4,055	1,113	(3,426)	780	2,522
Impairment of contract assets, net	92	7,300	807	—	8,199
Provision against slow-moving and obsolete inventories	7,195	8,673	15,748	23,353	54,969
Depreciation and amortisation	213,937	194,186	72,126	45,066	525,315
Other non-cash expenses	72,983	23,463	—	6,742	103,188
Capital expenditure*	1,164,787	535,542	70,225	1,507,622	3,278,176

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

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and intangible assets.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2023 **RMB'000**	2022 RMB'000
Chinese Mainland	**13,916,244**	11,314,467
Asia (excluding Chinese Mainland)	**2,824,144**	2,490,272
Russia	**1,511,938**	548,677
Africa	**543,660**	339,089
United States of America	**478,071**	548,575
European Union	**270,733**	185,548
Other countries/regions	**733,154**	110,088
Total revenue	**20,277,944**	15,536,716

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 Chinese Mainland.

Information about major customers

Revenue of approximately RMB3,708,754,000 (2022: RMB2,672,117,000) 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

An analysis of revenue is as follows:

	2023 **RMB'000**	2022 RMB'000
Revenue from contracts with customers	**20,277,944**	15,536,716

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Mining equipment RMB'000	Logistics equipment RMB'000	Oil & Gas equipment RMB'000	Emerging industry equipment RMB'000	Total RMB'000
Types of goods or services					
Sale of industrial products	12,265,810	5,616,206	1,146,956	490,904	19,519,876
Installation services	33,592	57,470	—	—	91,062
Oil field Service	—	—	342,240	—	342,240
Maintenance services and others	201,986	109,557	13,223	—	324,766
	12,501,388	5,783,233	1,502,419	490,904	20,277,944
Geographical markets					
Chinese Mainland	9,694,077	2,228,844	1,502,419	490,904	13,916,244
Asia (excluding Chinese Mainland)	1,548,023	1,276,121	—	—	2,824,144
Russia	555,969	955,969	—	—	1,511,938
Africa	332,377	211,283	—	—	543,660
United States of America	—	478,071	—	—	478,071
European Union	—	270,733	—	—	270,733
Other countries/regions	370,942	362,212	—	—	733,154
	12,501,388	5,783,233	1,502,419	490,904	20,277,944
Timing of revenue recognition					
Goods transferred at a point in time	12,265,810	5,694,997	1,146,956	490,904	19,598,667
Services transferred over time	235,578	88,236	355,463	—	679,277
	12,501,388	5,783,233	1,502,419	490,904	20,277,944

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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
Maintenance services and others	212,552	330,321	542,873
	10,942,517	4,594,199	15,536,716
Geographical markets			
Chinese Mainland	8,826,634	2,487,833	11,314,467
Asia (excluding Chinese Mainland)	1,358,830	1,131,442	2,490,272
Russia	287,020	261,657	548,677
Africa	202,165	136,924	339,089
United States of America	173,937	374,638	548,575
European Union	—	185,548	185,548
Other countries/regions	93,931	16,157	110,088
	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
	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)

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

	2023 **RMB'000**	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**1,586,880**	1,644,891

(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 over time as services are rendered and payment is generally due upon completion of installation and customer acceptance, except for new customers, where payment in advance is normally required.

Oil field service

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Maintenance and other services

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

	Notes	2023 RMB'000	2022 RMB'000
Other income			
Bank interest income		**152,050**	42,362
Other interest income		**41,213**	16,786
Government grants	29	**374,237**	340,562
Rental income	14	**13,626**	10,467
Profit from sale of scrap materials		**4,001**	56,543
Foreign exchange differences, net		**—**	2,621
Others		**48,707**	36,071
		633,834	505,412
Gains			
Fair value gain, net:			
Financial assets at fair value through profit or loss — mandatorily classified as such		**86,910**	136,347
Derivative instruments — transactions not qualifying as hedges		**(5,547)**	1,442
Gain on disposal of items of property, plant and equipment, net		**—**	3,741
		81,363	141,530
		715,197	646,942

6. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**14,312,687**	11,753,827
Cost of services provided		**463,234**	141,172
Depreciation of property, plant and equipment	13	**396,463**	261,380
Depreciation of right-of-use assets	14(a)	**44,113**	29,255
Amortisation of intangible assets	16	**84,739**	1,908
Auditors' remuneration		**3,050**	2,555
Provision of warranties*	28	**56,971**	28,292
Research and development costs**		**1,681,623**	859,973
Lease payments not included in the measurement of lease liabilities	14(b)	**49,677**	28,332
Employee benefit expenses (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**2,209,858**	1,958,561
Share option and share award expenses		**103,188**	118,238
Employee retirement benefits******		**101,152**	60,175
Other staff welfare		**70,221**	43,777
		2,484,419	2,180,751
Foreign exchange differences, net***		**17,360**	(2,621)
Impairment of property, plant and equipment, net***	13	**4,149**	21,393
Impairment on financial assets and contract assets, net****:			
Impairment of trade receivables, net	19	**214,626**	85,643
Impairment of contract assets, net	20	**8,199**	1,694
Impairment/(reversal of impairment) of other receivables, net		**2,522**	(143)
		225,347	87,194
Provision against slow-moving and obsolete inventories*****	17	**54,969**	13,373
Loss/(gain) on disposal of items of property, plant and equipment, net***		**15,433**	(3,741)
Gains from sales of scrap materials***		**(4,001)**	(56,543)
Remeasurement of financial guarantee contracts***	26	**5,522**	3,589
Fair value (gains)/losses, net***:			
Financial assets at fair value through profit or loss — mandatorily classified as such		**(86,910)**	(136,347)
Derivative instruments — transactions not qualifying as hedges		**5,547**	(1,442)
		(81,363)	(137,789)

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 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil)

7. FINANCE COSTS

	2023	2022
	RMB'000	RMB'000
Interest on interest-bearing bank and other borrowings	**160,872**	121,848
Interest on discounted bills	**17,085**	17,755
Interest on lease liabilities	**1,558**	—
	179,515	139,603
Less : Interest capitalised	**(21,104)**	(7,636)
	158,411	131,967

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:

	2023 **RMB'000**	2022 RMB'000
Fees	**653**	596
Other emoluments:		
Salaries, allowances and benefits in kind	**9,646**	21,553
Share option and share award expenses	**8,609**	10,840
Employee retirement benefits and other staff welfare	**171**	166
	18,426	32,559
	19,079	33,155

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 paid to independent non-executive directors during the year were as follows:

	2023 **RMB'000**	2022 RMB'000
Mr. Poon Chiu Kwok	**236**	215
Mr. Ng Yuk Keung	**236**	215
Mr. Hu Jiquan	**181**	166
	653	596

There were no other emoluments payable to the independent non-executive directors during the year (2022: 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
2023					
Executive directors:					
Mr. Qi Jian (Chief executive)	—	5,572	6,802	—	12,374
Mr. Fu Weizhong	—	3,174	1,807	171	5,152
Mr. Liang Zaizhong	—	900	—	—	900
	—	9,646	8,609	171	18,426
Non-executive director:					
Mr. Tang Xiuguo	—	—	—	—	—
Mr. Xiang Wenbo	—	—	—	—	—
	—	—	—	—	—

	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	—	3,610	3,398	156	7,164
Mr. Liang Zaizhong	—	900	—	—	900
	—	21,553	10,840	166	32,559
Non-executive director:					
Mr. Tang Xiuguo	—	—	—	—	—
Mr. Xiang Wenbo	—	—	—	—	—
	—	—	—	—	—

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors of the Company (2022: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and allowances	**3,054**	3,082
Bonuses	**3,988**	4,285
Share option and share award expenses	**1,930**	2,643
Employee retirement benefits and other staff welfare	**268**	209
	9,240	10,219

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	
	2023	2022
HK$2,500,001 to HK$3,000,000	**1**	—
HK$3,000,001 to HK$3,500,000	**1**	—
HK$3,500,001 to HK$4,000,000	**—**	2
HK$4,000,001 to HK$4,500,000	**1**	1
	3	3

During the year, share award were granted to three 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 notes 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% (2022: 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 (2022: HK$2,000,000) of assessable profits of the Company are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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 Chinese Mainland, the companies of the Group which operate in Chinese Mainland were subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the year ended 31 December 2023.

Eleven of the Group's principal operating companies, Sany Heavy Equipment, Hunan Sany Port Equipment, Sany Marine Heavy Industry, Sany Intelligent Mining, Sany Robot Equipment, Sany Robot, Sany Petroleum, Sany Energy, Sany Technology Equipment, Sany Silicon Energy, and Zhuzhou Sany Silicon Technology, were subject to CIT at a rate of 15% in 2023 as they have been recognised as High and New Technology Enterprises, and Zhuhai Sany was entitled to the preferential income tax rate of 15% as a qualified enterprise registered in Hengqin District of Zhuhai, a pilot free trade zone in the PRC.

	2023 **RMB'000**	2022 RMB'000
Current — Hong Kong		
Charge for the year	**142,690**	79,369
Current — Chinese Mainland		
Charge for the year	**338,787**	129,214
Underprovision in prior years	**12,096**	14,807
Deferred (note 31)	**(71,877)**	28,469
Total tax charge for the year	**421,696**	251,859

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:

	2023		2022	
	RMB'000	**%**	RMB'000	%
Profit before tax	**2,260,450**		1,920,933	
Tax at the statutory tax rate	**565,113**	**25.0**	480,351	25.0
Entities subject to lower statutory income tax rates	**(195,176)**	**(8.6)**	(172,449)	(9.0)
Expenses not deductible for tax	**7,349**	**0.3**	2,108	0.1
Tax losses utilised from previous periods	**—**	**—**	(6,263)	(0.3)
Different tax rate when temporary difference is realised	**(12,760)**	**(0.6)**	(8,676)	(0.5)
Super-deduction of research and development costs	**(208,069)**	**(9.2)**	(128,800)	(6.7)
Super-deduction of equipment and machinery costs	**—**	**—**	(11,753)	(0.6)
Adjustments in respect of current tax of previous periods	**12,096**	**0.5**	14,807	0.8
Income not subject to tax	**(147)**	**—**	(19,610)	(1.0)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**4,560**	**0.2**	17,501	0.9
Withholding tax for the profits of the Group's PRC subsidiaries distributed during the year	**116,739**	**5.2**	74,750	3.9
Tax losses not recognised	**131,991**	**5.8**	9,893	0.5
Tax charge at the Group's effective tax rate	**421,696**	**18.6**	251,859	13.1

11. DIVIDENDS

	2023 HK$'000	2022 HK$'000
Proposed final dividend — HK$0.19 (2022: HK$0.19) per ordinary share	**606,036**	602,850
Proposed final dividend — HK$0.19 (2022: HK$0.19) per preference share	**91,158**	91,158
	697,194	694,008
Equivalent to RMB'000	**632,570**	619,937

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

Dividend payable

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 RMB78,153,000 as at 31 December 2023 and RMB76,729,000 as at 31 December 2022) was recorded in "dividend payable" in the consolidated statement of financial position as at 31 December 2023 and 2022.

A dividend payable to a non-controlling shareholder of RMB23,135,000 was recorded in "dividend payable" in the consolidated statement of financial position as at 31 December 2023.

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

(a) Basic earnings per share

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB1,928,992,000 (2022: RMB1,664,911,000), adjusted to reflect the distribution to convertible preference shares, and the weighted average number of ordinary shares of 3,181,501,339 (2022: 3,141,714,465) in issue during the year.

(b) Diluted earnings per share

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB1,928,992,000 (2022: RMB1,664,911,000). 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 plus the weighted average number of ordinary shares, totaling 516,583,944 (2022: 508,369,870), assumed to have been issued at no consideration on the deemed exercise of share options or conversion of convertible preference shares and share awards into ordinary shares.

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 2023							
At 1 January 2023							
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
At 1 January 2023, net of accumulated depreciation and impairment	2,001,631	3,711	829,257	139,237	145,613	946,439	4,065,888
Additions	52,679	3,960	376,067	51,664	41,343	2,563,632*	3,089,345
Acquisition of subsidiaries (note 36)	19,164	1,873	512,669	20,716	3,452	44,433	602,307
Reclassification (note 16)	—	—	—	(39,375)	—	—	(39,375)
Disposals	(5,777)	—	(31,626)	(3,100)	(1,218)	—	(41,721)
Depreciation provided during the year (note 6)	(125,871)	(1,063)	(203,413)	(44,148)	(21,968)	—	(396,463)
Impairment	—	—	—	—	(4,149)	—	(4,149)
Transfers	675,101	—	567,850	13,385	19,627	(1,275,963)	—
At 31 December 2023, net of accumulated depreciation and impairment	2,616,927	8,481	2,050,804	138,379	182,700	2,278,541	7,275,832
At 31 December 2023							
Cost	3,302,545	10,492	3,098,545	364,905	265,444	2,278,541	9,320,472
Accumulated depreciation and impairment	(685,618)	(2,011)	(1,047,741)	(226,526)	(82,744)	—	(2,044,640)
Net carrying amount	2,616,927	8,481	2,050,804	138,379	182,700	2,278,541	7,275,832

* Additions of construction in progress during the year ended 31 December 2023 mainly comprise RMB1,270,547 for the newly acquired emerging industry equipment segment and RMB921,826 for the mining equipment segment for new production plants.

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 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

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	**Plant and machinery** RMB'000	**Total** RMB'000
As at 1 January 2022	1,113,534	—	1,113,534
Additions	189,118	—	189,118
Depreciation charge (note 6)	(29,255)	—	(29,255)
As at 31 December 2022 and 1 January 2023	**1,273,397**	**—**	**1,273,397**
Additions	**123,744**	**21,515**	**145,259**
Acquisition of subsidiaries (note 36)	**—**	**13,811**	**13,811**
Depreciation charge (note 6)	**(33,300)**	**(10,813)**	**(44,113)**
As at 31 December 2023	**1,363,841**	**24,513**	**1,388,354**

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2023 RMB'000
Carrying amount at 1 January	—
New leases	21,515
Acquisition of subsidiaries (note 36)	22,306
Accretion of interest recognised during the year (note 6)	1,558
Payments	(7,580)
Carrying amount at 31 December	37,799
Analysed into:	
Current portion	28,289
Non-current portion	9,510

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets (note 6)	44,113	29,255
Interest on lease liabilities (note 7)	1,558	—
Expense relating to short-term leases (note 6)	49,677	28,332
Total amount recognised in profit or loss	95,348	57,587

(d) The total cash outflow for leases is disclosed in note 37(c) to the consolidated financial statements.

14. LEASES (continued)

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 RMB13,626,000 (2022: RMB10,467,000), details of which are included in note 5 to the consolidated financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 year	**22,761**	12,615
After 1 year but within 2 years	**18,536**	7,911
After 2 years but within 8 years	**47,914**	6,921
	89,211	27,447

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 2023 were RMB14,671,000 and RMB75,457,000, respectively (2022: RMB17,123,000 and RMB59,488,000).

15. GOODWILL

	2023 **RMB'000**	2022 RMB'000
Cost at 1 January	**1,129,520**	1,129,520
Acquisition of subsidiaries (note 36)	**1,407,618**	—
Cost and net carrying amount at 31 December	**2,537,138**	1,129,520
At 31 December		
Cost	**2,537,138**	1,129,520
Accumulated impairment	**—**	—
Net carrying amount	**2,537,138**	1,129,520

15. GOODWILL (continued)

Impairment testing of goodwill

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

- Logistics equipment cash-generating unit;
- Oil & Gas equipment cash-generating unit;
- Li-ion battery manufacturing equipment cash-generating unit;
- Solar modules cash-generating unit; and
- Electrolysis hydrogen production equipment cash-generating unit.

The carrying amounts of goodwill allocated to the cash-generating units are as follows:

	2023 **RMB'000**	2022 RMB'000
Logistics equipment cash-generating unit	**1,129,520**	1,129,520
Oil & Gas equipment cash-generating unit	**1,259,697**	—
Li-ion battery manufacturing equipment cash-generating unit	**72,112**	—
Solar modules cash-generating unit	**60,573**	—
Electrolysis hydrogen production equipment cash-generating unit	**15,236**	—
Carrying amount of goodwill	**2,537,138**	1,129,520

Logistics equipment cash-generating unit

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 16%. The growth rate used to extrapolate the cash flows beyond the five-year period is 2%, 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.

Oil & Gas equipment cash-generating unit

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 16%. The growth rate used to extrapolate the cash flows beyond the five-year period is 2%, 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.

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

Li-ion battery manufacturing equipment cash-generating unit

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 21%. The growth rate used to extrapolate the cash flows beyond the five-year period is 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.

Solar modules cash-generating unit

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%. The growth rate used to extrapolate the cash flows beyond the five-year period is 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.

Electrolysis hydrogen production equipment cash-generating unit

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 20%. The growth rate used to extrapolate the cash flows beyond the five-year period is 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 2023. 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

	Patents and licences RMB'000	Software RMB'000	Technical know-how and customer relationship RMB'000	Deferred development costs RMB'000	Total RMB'000
31 December 2023					
Cost at 1 January 2023, net of accumulated amortisation	**17,387**	**—**	**—**	**—**	**17,387**
Additions	**3,390**	**19,233**	**—**	**20,949**	**43,572**
Acquisition of subsidiaries (note 36)	**87,141**	**24,810**	**1,236,000**	**44,367**	**1,392,318**
Reclassification (note 13)	**—**	**39,375**	**—**	**—**	**39,375**
Amortisation provided during the year (note 6)	**(7,414)**	**(9,978)**	**(67,347)**	**—**	**(84,739)**
At 31 December 2023	**100,504**	**73,440**	**1,168,653**	**65,316**	**1,407,913**
At 31 December 2023					
Cost	**110,780**	**83,418**	**1,236,000**	**65,316**	**1,495,514**
Accumulated amortisation	**(10,276)**	**(9,978)**	**(67,347)**	**—**	**(87,601)**
Net carrying amount	**100,504**	**73,440**	**1,168,653**	**65,316**	**1,407,913**
31 December 2022					
Cost at 1 January 2022, net of accumulated amortisation	19,295	—	—	—	19,295
Additions	—	—	—	—	—
Amortisation provided during the year	(1,908)	—	—	—	(1,908)
At 31 December 2022	17,387	—	—	—	17,387
At 31 December 2022 and at 1 January 2023:					
Cost	20,249	—	—	—	20,249
Accumulated amortisation	(2,862)	—	—	—	(2,862)
Net carrying amount	17,387	—	—	—	17,387

17. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**689,257**	811,996
Work in progress	**936,515**	852,089
Finished goods	**1,924,973**	1,689,838
	3.550,745	3,353,923
Less: Provision against slow-moving and obsolete inventories	**(118,535)**	(71,383)
	3,432,210	3,282,540

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

	2023 RMB'000	2022 RMB'000
At 1 January	**71,383**	65,015
Charged for the year (note 6)	**66,337**	25,057
Write-back for the year (note 6)	**(11,368)**	(11,684)
Write-off for the year	**(7,817)**	(7,005)
At 31 December	**118,535**	71,383

18. PROPERTIES FOR SALE

	2023 RMB'000	2022 RMB'000
Properties held for sale	**805,253**	883,911
Carrying amount as at 31 December	**805,253**	883,911

No impairment/reversal of impairment was recognised in the consolidated statement of profit or loss for the year ended 31 December 2023.

All properties for sale are situated in Chinese Mainland.

19. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**10,016,434**	7,729,130
Impairment	**(632,554)**	(424,480)
	9,383,880	7,304,650
Less: Trade receivables due after one year	**(1,027,890)**	(888,356)
	8,355,990	6,416,294
Bills receivable	**1,066,199**	1,011,765

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 1% (2022: 3%) 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 were amounts due from fellow subsidiaries of RMB2,477,305,000 (2022: RMB1,010,987,000) and the Group's joint venture of RMB22,270,000 (2022: Nil) as at 31 December 2023 for sales of products by the Group, which accounted for 25% (2022: 13%) 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:

	2023 RMB'000	2022 RMB'000
Within 180 days	**5,952,064**	4,904,030
181 to 365 days	**2,430,609**	1,760,223
1 to 2 years	**885,403**	537,571
2 to 3 years	**104,020**	89,400
Over 3 years	**11,784**	13,426
	9,383,880	7,304,650

19. TRADE AND BILLS RECEIVABLES (continued)

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

	2023 RMB'000	2022 RMB'000
At beginning of year	424,480	348,404
Impairment, net (note 6)	214,626	85,643
Amount written off as uncollectible	(6,552)	(9,567)
At end of year	632,554	424,480

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:

		Past due				
As at 31 December 2023	**Current**	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**1.98%**	**9.94%**	**31.11%**	**80.07%**	**99.28%**	**6.32%**
Gross carrying amount (RMB'000)	**7,664,034**	**1,821,532**	**300,573**	**115,986**	**114,309**	**10,016,434**
Expected credit losses (RMB'000)	**151,681**	**181,017**	**93,505**	**92,865**	**113,486**	**632,554**

		Past due				
As at 31 December 2022	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.72%	9.20%	39.14%	68.40%	99.58%	5.49%
Gross carrying amount (RMB'000)	6,446,248	950,736	142,879	58,918	130,349	7,729,130
Expected credit losses (RMB'000)	110,996	87,468	55,916	40,300	129,800	424,480

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:

	2023 **RMB'000**	2022 RMB'000
Within six months	**1,059,931**	824,136
Over six months	**6,268**	187,629
	1,066,199	1,011,765

Included in the bills receivable was an amount of RMB58,952,000 as at 31 December 2023 (2022: RMB156,180,000) which was pledged for the issuance of a letter of guarantee.

None of the bills receivable as at 31 December 2023 (2022: 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 2023, the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (the "Endorsed Bills") with a carrying amount of RMB520,505,000 (2022: RMB380,140,000) 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 RMB520,505,000 (2022: RMB380,140,000) as at 31 December 2023.

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (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 RMB1,295,808,000 (2022: RMB1,082,302,000). 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 2023 RMB'000	31 December 2022 RMB'000
Contract assets arising from:		
Sale of industrial products	**525,800**	136,911
Impairment	**(11,299)**	(2,902)
	514,501	134,009

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 2023 was the result of the increase of sales contracts with payment terms relating to the guarantee deposits.

During the year ended 31 December 2023, RMB8,199,000 (2022: RMB1,694,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 19 to the financial statements.

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

	2023 RMB'000	2022 RMB'000
Within one year	**396,755**	68,164
After one year	**117,746**	65,845
Total contract assets	**514,501**	134,009

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**2,902**	1,208
Acquisition of subsidiaries	**198**	—
Impairment losses, net (note 6)	**8,199**	1,694
At end of year	**11,299**	2,902

20. CONTRACT ASSETS (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

	2023 **RMB'000**	2022 RMB'000
Expected credit loss rate	**2.15%**	2.12%
Gross carrying amount (RMB'000)	**525,799**	136,911
Expected credit losses (RMB'000)	**11,299**	2,902

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 **RMB'000**	2022 RMB'000
Non-current prepayments	**27,745**	24,384
Current assets:		
Prepayments	**372,948**	306,377
Deposits and other receivables	**431,028**	270,112
Value added tax to be deducted and certified	**483,292**	141,480
Loans to third parties	**16,438**	12,471
Gross balance	**1,303,706**	730,440
Impairment allowance	**(42,274)**	(30,182)
	1,261,432	700,258

Non-current prepayments represent prepayments for the acquisition of land of RMB9,650,000 (2022: RMB9,650,000) and the long-term deferred expense of non-monetary staff welfare of RMB18,095,000 (2022: RMB14,734,000).

Included in the current prepayments, RMB22,944,000 was due from fellow subsidiaries as at 31 December 2023 (31 December 2022: RMB51,393,000) for purchasing raw materials by the Group.

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

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 2023 was 6.9% (2022: 6.6%).

As at 31 December 2023 and 2022, except for the defaulted receivables in loans to third parties of RMB12,471,000 (2022: RMB12,471,000), the Group assessed the expected loss rate for the rest to be minimal.

22. INVESTMENT IN A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Share of net assets	**28,535**	—

The Group's trade receivable balance due from the joint venture is disclosed in note 19 to the financial statements.

Particulars of the Group's material joint venture are as follows:

			Percentage of			
Name	**Registered capital**	**Place of registration and business**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
Sichuan Nengtou Jinshi Engineering Equipment Leasing Co., Ltd.	RMB1,000,000,000	PRC/Chinese Mainland	40	40	40	Lease of equipment

The above investment is directly held by Sany Petroleum.

The following table illustrates the financial information of the Group's joint venture:

	2023 RMB'000
Share of the joint venture's profit and total comprehensive income for the year	6,750
Aggregate carrying amount of the Group's investment in the joint venture	28,535

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 **RMB'000**	2022 RMB'000
Unlisted investments, at fair value		
Current	**2,160,426**	2,087,646
Non-current	**37,500**	—
Total	**2,197,926**	2,087,646

The current unlisted investments were wealth management products issued by banks and other financial institutions in Chinese Mainland. The non-current unlisted investment is a limited liability partnership in Chinese Mainland. 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.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 **RMB'000**	2022 RMB'000
Cash and bank balances	**2,956,618**	1,313,642
Time deposits	**327,750**	1,426,467
	3,284,368	2,740,109
Less: Pledged time deposits for banking facilities	**(43,300)**	(50,286)
Cash and cash equivalents	**3,241,068**	2,689,823
Cash and cash equivalents, time deposits and pledged deposits denominated in		
— RMB	**2,396,783**	1,586,091
— Hong Kong dollar ("HK$")	**17,713**	11,204
— United States dollar ("US$")	**768,226**	1,142,669
— Euro ("EUR")	**87,082**	116
— Indonesia Rupiah ("IDR")	**12,729**	—
— Singapore Dollar ("SGD")	**1,835**	—
— Australian Dollar ("AUD")	**—**	29
	3,284,368	2,740,109

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

At the end of the reporting period, the cash and bank balances of the Group were denominated in RMB, HK$, US$, EUR, IDR, SGD and AUD. The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and 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 2023, bank balances of RMB327,750,000 (2022: RMB370,104,000) are deposited in Sanxiang Bank, a related company of the Group.

25. 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:

	2023 **RMB'000**	2022 RMB'000
Within 30 days	**5,182,215**	2,421,538
31 to 90 days	**1,746,673**	2,025,989
91 to 180 days	**902,910**	1,673,386
181 to 365 days	**199,395**	485,468
Over 1 year	**67,005**	39,929
	8,098,198	6,646,310

The trade payables are non-interest-bearing and are normally with credit terms of 30 to 180 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 RMB322,533,000 as at 31 December 2023 (2022: RMB162,491,000) for purchasing raw materials by the Group.

26. OTHER PAYABLES AND ACCRUALS

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000
Contract liabilities	(a)	**1,511,625**	1,586,880
Tax payables		**157,322**	142,936
Staff remunerations		**597,502**	170,686
Other payables	(b)	**2,117,687**	770,530
Financial guarantee contracts	(c)	**12,844**	3,589
Accruals		**386,036**	116,420
		4,783,016	2,791,041

(a) Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Sales of industrial products	**1,511,625**	1,586,880

Contract liabilities include short-term advances received to deliver industrial products. The decrease in contract liabilities in 2023 was mainly due to the decrease 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 RMB61,989,000 as at 31 December 2023 (2022: RMB124,289,000) 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 were amounts due to fellow subsidiaries of RMB393,180,000 (2022: RMB210,367,000) and Sany Group Co., Ltd. of RMB630,000,000 (2022: RMB350,000,000) as at 31 December 2023, which are non-interest-bearing and 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 2023, additional ECL allowance of RMB5,522,000 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

	2023			2022		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	**3.20**	**2024/On demand**	**2,260,212**	1.40–3.50	2023	819,004
Bank loans — unsecured	**2.20–3.25**	**2024**	**7,784**	1.40–3.50	2023	132,028
Other borrowings — unsecured	**4.02–4.35**	**2024/On demand**	**346,808**	—	—	—
Interest payable		**2024**	**37,772**	—	2023	3,183
			2,652,576			954,215
Non-current						
Bank loans — secured	**2.65–3.20**	**2025–2038**	**4,510,388**	3.20	2024–2030	2,591,188
Bank loans — unsecured	**2.50–3.30**	**2025–2038**	**703,388**	2.50–3.60	2024–2025	99,990
Other borrowings — unsecured	**4.02–4.35**	**2025–2031**	**35,025**	—	—	—
			5,248,801			2,691,178

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**2,305,768**	954,215
In the second year	**3,267,482**	1,848,970
In the third to fifth years, inclusive	**1,056,559**	842,208
Beyond five years	**889,735**	—
Subtotal	**7,519,544**	3,645,393
Other borrowings repayable:		
Within one year	**346,808**	—
In the second year	**4,776**	—
In the third to fifth years, inclusive	**15,616**	—
Beyond five years	**14,633**	—
Subtotal	**381,833**	—
Total	**7,901,377**	3,645,393

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

(a) As at 31 December 2023, RMB900,000,000 and RMB11,250,000 of the Group's bank loans are secured by mortgages over the Group's leasehold land of RMB701,564,000 (31 December 2022: RMB210,811,000) and the Group's right of electricity charge of RMB64,550,000, respectively.

(b) As at 31 December 2023, Sany Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB6,111,645,000 (2022: RMB3,293,875,000) as at the end of the reporting period.

(c) As at 31 December 2023 and 2022, all borrowings were denominated in RMB.

(d) Other borrowings of RMB342,232,000 were due to Sany Group Co., Ltd. and were repayable on demand. Other borrowings of RMB39,601,000 were due to Sany Financial Leasing Co., Ltd. and were repayable by 96 monthly equal instalments commencing on 15 October 2023.

28. PROVISION FOR WARRANTIES

	2023 **RMB'000**	2022 RMB'000
At 1 January	**40,053**	24,053
Acquisition of subsidiaries (note 36)	**9,495**	—
Additional provision (note 6)	**79,233**	44,464
Amounts utilised during the year	**(31,057)**	(12,292)
Reversal of unutilised amounts (note 6)	**(22,262)**	(16,172)
At 31 December	**75,462**	40,053

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, and the earlier of one year and 1000 hours during usage for Oil & Gas equipment, and one to ten years for emerging industry 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

	2023 RMB'000	2022 RMB'000
At 1 January	**1,349,838**	1,080,160
Received during the year	**930,066**	599,223
Accrued during the year	**10,998**	11,017
Released to the statement of profit or loss during the year (note 5)	**(374,237)**	(340,562)
At 31 December	**1,916,665**	1,349,838
Current portion	**(196,444)**	(164,656)
Non-current portion	**1,720,221**	1,185,182

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

	2023 RMB'000	2022 RMB'000
Current assets		
Interest rate swaps	**15,668**	—
Current liabilities		
Interest rate swaps	**—**	1,106

The interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate swaps amounting to RMB5,547,000 (2022: fair value gain of RMB1,442,000) 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 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 and 1 January 2023	**239,542**	**58,263**	**297,805**
Acquisition of subsidiaries (note 36)	**21,174**	**24,786**	**45,960**
Credited to the consolidated statement of profit or loss (note 10)	**41,443**	**33,058**	**74,501**
At 31 December 2023	**302,159**	**116,107**	**418,266**

The Group has tax losses arising in Chinese Mainland of RMB772,996,000 (2022: RMB55,426,000) 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 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 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 and 1 January 2023	**11,453**	**76,617**	**5,590**	**32,531**	**11,166**	**137,357**
Acquisition of subsidiaries (note 36)	**—**	**4,373**	**187,903**	**19,415**	**4,014**	**215,705**
Charged/(credited) to the consolidated statement of profit or loss (note 10)	**11,792**	**4.560**	**(11,290)**	**(5,360)**	**2,922**	**2,624**
At 31 December 2023	**23,245**	**85,550**	**182,203**	**46,586**	**18,102**	**355,686**

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group. As at 31 December 2023, the Group has not recognised deferred tax liabilities of RMB199,619,000 (2022: RMB178,774,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB3,992,380,000 (2022: RMB3,575,470,000), 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.

31. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 **RMB'000**
Deferred tax assets	**418,266**
Offsetting amounts	**(82,209)**
Net deferred tax assets recognized in the consolidated statements of financial position	**336,057**
Deferred tax liabilities	**(355,686)**
Offsetting amounts	**82,209**
Net deferred tax liabilities recognized in the consolidated statements of financial position	**(273,477)**

32. SHARE CAPITAL

Shares

	2023 **HK$'000**	2022 HK$'000
Authorised:		
4,461,067,880 (2022: 4,461,067,880) ordinary shares of HK$0.10 each	**446,107**	446,107
538,932,120 (2022: 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:		
3,189,660,321 (2022: 3,162,987,143) ordinary shares of HK$0.10 each	**318,966**	316,299
479,781,034 (2022: 479,781,034) convertible preference shares of HK$0.10 each	**47,978**	47,978
Total issued and fully paid capital	**366,944**	364,277
Equivalent to RMB'000	**315,185**	312,789

32. SHARE CAPITAL (continued)

Shares (continued)

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 as ordinary shares to receive dividends declared and other distribution made. The CPS are redeemable by the Company at any time after the third anniversary of the date of the issue of the CPS at the issue price or the fair market value of the CPS, whichever the higher. The holders of CPS are entitled to a preferred distribution at the rate of 0.01% per annum on the issue price.

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

	Number of convertible shares	Number of ordinary shares	Share capital HK$'000	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

	Number of convertible shares	Number of ordinary shares	Share capital HK$'000	Share capital Equivalent to RMB'000
At 1 January 2023	479,781,034	3,162,987,143	364,277	312,789
Issue of shares (note)	—	26,673,178	2,667	2,396
At 31 December 2023	479,781,034	3,189,660,321	366,944	315,185

Note:

During the year ended 31 December 2023, 17,005,218 (2022: 8,864,130) new ordinary shares were issued for the share options exercised and 9,667,960 (2022: Nil) new ordinary shares were issued for the share award. Cash proceeds of HK$113,974,000 (equivalent to RMB103,948,000) (2022: HK$9,744,000, equivalent to RMB8,321,000) were received with no transaction costs borne by the Company, and the related share option reserve of RMB15,681,000 (2022: RMB1,437,000) was transferred to share premium accordingly.

33. SHARE OPTION SCHEME

(a) Share Option Scheme

The Company operates a share option scheme (the "Scheme") which became effective on 16 February 2013. The exercise periods of the share options granted are determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than ten years from the dates of offer of the share options.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Scheme as an equity-settled plan.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

	Year ended 31 December 2023		Year ended 31 December 2022	
	Price HK$	**Number of options**	Price HK$	Number of options
At 1 January	**6.66**	**89,749,181**	6.73	108,726,200
Exercised during the year	**6.70**	**(17,005,218)**	4.62	(2,106,801)
Forfeited during the year	**7.39**	**(5,385,581)**	7.39	(12,069,143)
Cancelled during the year	**7.39**	**(8,844,710)**	7.39	(4,801,075)
31 December	**6.47**	**58,513,672**	6.66	89,749,181

The weighted average share price at the date of exercise for share options exercised during the year was HK$6.70 per share (2022: HK$4.62 per share).

33. SHARE OPTION SCHEME (continued)

(a) Share Option 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 2023

Number of options	Exercise price per share HK$	Exercise period
8,367,000	1.22	15–3–2019 to 15–12–2027
330,000	1.71	15–3–2019 to 29–12–2027
130,000	2.30	31–3–2020 to 14–11–2028
49,686,672	7.39	31–3–2022 to 29–12–2031
58,513,672		

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		

There were 58,513,672 share options outstanding as at 31 December 2023.

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 RMB24,054,000 (2022: RMB68,547,000) during the year.

33. SHARE OPTION SCHEME (continued)

(a) Share Option Scheme (continued)

The 17,005,218 share options exercised during the year resulted in the issue of 17,005,218 ordinary shares of the Company and new share capital of HK$1,701,000, as further detailed in note 32 to the financial statements.

At the end of the reporting period, the Company had 58,513,672 share options outstanding under the Scheme, which represented approximately 1.8% of the Company's ordinary shares in issue as at that date.

(b) Sany Robot Scheme

Sany Robot, a subsidiary of the Company, operates a share option scheme (the "Sany Robot Scheme") which became effective in 2022. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of three years and ends on a date which is not later than ten years from the date of offer of the share options.

There are no cash settlement alternatives. Sany Robot does not have a past practice of cash settlement for these share options. Sany Robot accounts for the Sany Robot Scheme as an equity-settled plan.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

	Price RMB	**Year ended 31 December 2023 Number of options**	Year ended 31 December 2022 Number of options
At 1 January	Fair value per share/10, NAV/10, or RMB3.00	**26,800,000**	—
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**	26,800,000

33. SHARE OPTION SCHEME (continued)

(b) Sany Robot 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 2023 and 2022

Number of options	Exercise price per share RMB	Exercise period
26,800,000	Fair value per share/10, NAV/10, or RMB3.00	31–12–2025

There were 26,800,000 share options outstanding as at 31 December 2023.

Sany Robot recognised a share option expense of RMB6,611,000 (2022: RMB618,000) during the year.

The fair value of equity-settled share options granted on 28 November 2022 was RMB24,150,000 (RMB0.90 each).

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 (%)	—
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 end of the reporting period, Sany Robot had 26,800,000 share options outstanding under the Sany Robot Schemes, which represented approximately 3.8% of Sany Robot's shares in issue as at that date.

34. SHARE AWARD SCHEME

The Company operates a restricted share award scheme (the "Share Award Scheme") which became effective on 3 December 2019 (the "Adoption date"). The vesting schedules of the share awards granted are determinable by the directors, and commences after a vesting period of one to five years. and ends on a date which is not later than ten years from the Adoption date.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share awards. The Group accounts for the Share Award Scheme as an equity-settled plan.

The following shares award were outstanding during the year:

	Year ended 31 December 2023 Number of share awards	Year ended 31 December 2022 Number of share awards
At 1 January	**19,166,605**	12,010,789
Granted during the year	**24,275,271**	11,613,671
Vested during the year	**(4,273,101)**	(2,356,591)
Lapsed during the year	**(842,367)**	(2,101,264)
31 December	**38,326,408**	19,166,605

There were 38,326,408 share awards outstanding and none of which were vested as at 31 December 2023.

The Group recognised a share award expense of RMB72,522,000 (31 December 2022: RMB49,073,000) during the year.

The fair values of the share awards granted on 18 December 2020, 2 September 2021, 8 June 2022, 16 November 2022, and 20 September 2023 were 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), HK$723,000 (HK$7.92 each) (equivalent to RMB629,000) and HK$300,527,000 (HK$12.38 each) (equivalent to RMB270,805,000) respectively.

The fair values of share awards granted on 18 December 2020, 2 September 2021, 8 June 2022, 16 November 2022, and 20 September 2023 during the year was estimated using the fair value of stock price as at the grant date, which were HK$5.28 each, HK$10.40 each, HK$7.76 each, HK$7.92 each and HK$12.38 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.

35. RESERVES (continued)

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

(a) Sany Oil Technology Hongkong Limited and its subsidiaries ("Sany Oil")

On 10 June 2023, the Group acquired a 100% interest in Sany Oil from Sany Perpetual Enterprise Holdings Company Limited, a fellow subsidiary of the Company. Sany Oil is engaged in the production and sales of petroleum equipment and spare parts for oil and gas fields, as well as oil and gas field cementing and stimulation technical services. The acquisition was made as part of the Group's strategy to expand its industrial products to include Oil & Gas equipment.

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

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	343,930
Right-of-use assets (note 14(a))	13,811
Intangible assets (note 16)	1,236,370
Deferred tax assets (note 31)	21,174
Trade receivables	1,190,027
Contract assets	38,101
Prepayments, other receivables and other assets	260,821
Inventories	469,986
Cash and cash equivalents	423,077
Trade and bills payables	(897,148)
Other payables and accruals	(379,734)
Interest-bearing bank and other borrowings	(286,903)
Lease liabilities (note 14(b))	(22,306)
Provision for warranties (note 28)	(9,495)
Dividend payables	(434,565)
Tax payable	(17,927)
Deferred tax liabilities (note 31)	(213,209)
Total identifiable net assets at fair value	1,736,010
Non-controlling interests	(15,707)
	1,720,303
Goodwill on acquisition	1,259,697
Consideration	2,980,000

36. BUSINESS COMBINATION (continued)

(a) Sany Oil Technology Hongkong Limited and its subsidiaries ("Sany Oil") (continued)

An analysis of the cash flows in respect of the acquisition of Sany Oil is as follows:

	RMB'000
Cash consideration paid	(2,980,000)
Cash and bank balances acquired	423,077
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,556,923)
Transaction costs of the acquisition included in cash flows from operating activities	(3,876)
Total net cash outflow	(2,560,799)

Since the acquisition, Sany Oil contributed RMB1,502,419,000 to the Group's revenue and RMB109,329,000 to the consolidated profit for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year ended 31 December 2023, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2023 would have been RMB21,159,751,000 and RMB1,956,040,000, respectively.

(b) Sany Technology Equipment Co., Ltd. ("Sany Technology Equipment")

On 30 December 2022, the Group and Sany Group Co., Ltd. ("Sany Group") entered into the agreements to purchase 70% equity interests in Sany Technology Equipment, the 99.90% partnership interests in Changsha Laite Enterprise Management Partnership (Limited Partnership) ("Changsha Laite") and the 66.75% partnership interests in Changsha Feiling Enterprise Management Partnership (Limited Partnership) ("Changsha Feiling"), both of Changsha Laite and the Changsha Feiling held 15% equity interest in Sany Technology Equipment, and all of which are ultimately held by Sany Group. The transaction was completed on 9 February 2023 as all conditions precedent pursuant to the agreements had been fulfilled.

Sany Technology Equipment is primarily engaged in the research and development, manufacture and sales of new energy battery equipment. The Group considered the acquisition could speed up the implementation of its electrification strategy and develop the new energy equipment business.

36. BUSINESS COMBINATION (continued)

(b) Sany Technology Equipment Co., Ltd. ("Sany Technology Equipment") (continued)

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

	Fair value recognised on aquisition RMB'000
Property, plant and equipment (note 13)	12,365
Intangible assets (note 16)	85,653
Trade receivables	276
Prepayments, other receivables and other assets	24,302
Inventories	119,667
Cash and cash equivalents	9,548
Trade and bills payables	(25,781)
Other payables and accruals	(300,239)
Tax payable	(137)
Deferred tax liabilities (note 31)	(1,563)
Total identifiable net liabilities at fair value	(75,909)
Non-controlling interests	3,797
	(72,112)
Goodwill on acquisition	72,112
Consideration	—

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

	RMB'000
Cash consideration paid	—
Cash and bank balances acquired	9,548
Net inflow of cash and cash equivalents included in cash flows from investing activities	9,548
Transaction costs of the acquisition included in cash flows from operating activities	(92)
Total net cash inflow	9,456

Since the acquisition, Sany Technology Equipment contributed RMB266,998,000 to the Group's revenue and RMB22,583,000 to the consolidated loss for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year ended 31 December 2023, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2023 would have been RMB20,278,001,000 and RMB1,827,563,000, respectively.

36. BUSINESS COMBINATIONS (continued)

(c) Sany Hydrogen Energy Co., Ltd. ("Sany Hydrogen Energy")

On 30 December 2022, the Group and Sany Group Co., Ltd. ("Sany Group") entered into the agreements to purchase 70% equity interests in Sany Hydrogen Energy, and 99.90% partnership interests in Changsha Qingyuan Enterprise Management Partnership (Limited Partnership) ("Changsha Qingyuan"), Changsha Qingyuan held 15% equity interest in Sany Hydrogen Energy, and all of which are ultimately held by Sany Group. The transaction was completed on 12 April 2023 as all conditions precedent pursuant to the agreements had been fulfilled.

Sany Hydrogen Energy is primarily engaged in the entire hydrogen production, storage, transportation, and refueling industry chain. The Group considered the acquisition could speed up the implementation of its electrification strategy and develop the new energy equipment business.

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

	Fair value recognised on aquisition RMB'000
Property, plant and equipment (note 13)	6,308
Intangible assets (note 16)	10,781
Trade receivables	5,634
Prepayments, other receivables and other assets	12,985
Inventories	15,007
Cash and cash equivalents	372
Trade and bills payables	(2,753)
Other payables and accruals	(66,044)
Tax payable	(105)
Deferred tax liabilities (note 31)	(112)
Total identifiable net liabilities at fair value	(17,927)
Non-controlling interests	2,691
	(15,236)
Goodwill on acquisition	15,236
Consideration	—

36. BUSINESS COMBINATIONS (continued)

(c) Sany Hydrogen Energy Co., Ltd. ("Sany Hydrogen Energy") (continued)

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

	RMB'000
Cash consideration paid	—
Cash and bank balances acquired	372
Net inflow of cash and cash equivalents included in cash flows from investing activities	372
Transaction costs of the acquisition included in cash flows from operating activities	(316)
Total net cash inflow	56

Since the acquisition, Sany Hydrogen Energy contributed RMB25,069,000 to the Group's revenue and RMB68,125,000 to the consolidated loss for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year ended 31 December 2023, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2023 would have been RMB20,277,944,000 and RMB1,827,365,000, respectively.

36. BUSINESS COMBINATIONS (continued)

(d) Sany Silicon Energy (Zhuzhou) Co., Ltd and its subsidiaries ("Sany Silicon Energy")

On 30 June 2022, the Group and Sany Group Co., Ltd. ("Sany Group") entered into the agreements to purchase 70% equity interests in Sany Silicon Energy and 99.90% partnership interests in Changsha Guizhan Enterprise Management Partnership (Limited Partnership) ("Changsha Guizhan"), Changsha Guizhan held 15% equity interest in Sany Silicon Energy, and all of which are ultimately held by Sany Group. The transaction was completed on 23 April 2023 as all conditions precedent pursuant to the agreements had been fulfilled.

Sany Silicon Energy is primarily engaged in the Research, development, manufacture, and sale of monocrystalline silicon materials, solar cells, modules. The Group considered the acquisition could speed up the implementation of its electrification strategy and develop the new energy equipment business.

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

	Fair value recognised on aquisition RMB'000
Property, plant and equipment (note 13)	239,704
Intangible assets (note 16)	59,514
Deferred tax assets (note 31)	24,786
Trade receivables	63,950
Prepayments, other receivables and other assets	40,799
Inventories	87,061
Cash and cash equivalents	37,986
Trade and bills payables	(59,390)
Other payables and accruals	(292,885)
Bank loan	(271,000)
Tax payable	(979)
Deferred tax liabilities (note 31)	(821)
Total identifiable net liabilities at fair value	(71,275)
Non-controlling interests	10,702
	(60,573)
Goodwill on acquisition	60,573
Consideration	—

36. BUSINESS COMBINATIONS (continued)

(d) Sany Silicon Energy (Zhuzhou) Co., Ltd and its subsidiaries ("Sany Silicon Energy") (continued)

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

	RMB'000
Cash consideration paid	—
Cash and bank balances acquired	37,986
Net inflow of cash and cash equivalents included in cash flows from investing activities	37,986
Transaction costs of the acquisition included in cash flows from operating activities	(15)
Total net cash inflow	37,971

Since the acquisition, Sany Silicon Energy contributed RMB217,591,000 to the Group's revenue and RMB212,735,000 to the consolidated loss for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year ended 31 December 2023, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2023 would have been RMB20,333,270,000 and RMB1,807,270,000, respectively.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2023, the Group had non-cash additions to prepayments, other receivables and other assets of RMB10,998,000 (2022: RMB11,017,000), in respect of the accrual of government grant in relation to tax refund.

During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB21,515,000 and RMB21,515,000, respectively, in respect of lease arrangements for a production plant.

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

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Derivative financial instruments RMB'000	Total RMB'000
At 31 December 2022	**3,645,393**	**—**	**1,106**	**3,646,499**
Changes from financing cash flows	**3,642,277**	**(7,580)**	**(1,106)**	**3,633,591**
New leases	**—**	**21,515**	**—**	**21,515**
Increase arising from acquisition of subsidiaries	**557,903**	**22,306**	**—**	**580,209**
Interest paid	**(126,283)**	**—**	**—**	**(126,283)**
Interest rate swaps	**21,215**	**—**	**—**	**21,215**
Interest expense	**160,872**	**1,558**	**—**	**162,430**
At 31 December 2023	**7,901,377**	**37,799**	**—**	**7,939,176**

	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

37. 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:

	2023 **RMB'000**	2022 RMB'000
Within operating activities	**49,677**	28,332
Within financing activities	**7,580**	—
	57,257	28,332

38. COMMITMENTS

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

	2023 **RMB'000**	2022 RMB'000
Buildings	**322,145**	317,988
Plant and machinery	**1,240,274**	370,644
	1,562,419	688,632

* Commitments during the year ended 31 December 2023 mainly comprise RMB619,251,000 for the newly acquired emerging industry equipment segment and RMB626,351,000 for the mining equipment segment for new production plants.

39. RELATED PARTY TRANSACTIONS

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

(1) Recurring transactions

	Notes	2023 RMB'000	2022 RMB'000
Sales of products to:			
PT SANY HEAVY INDUSTRY INDONESIA	(i)&(vi)	**566,552**	87,338
Sany Heavy Industry India Pvt Ltd. (三一重工印度私人有限公司)	(i)&(vi)	**552,426**	131,771
Sany America Inc. (三一美國)	(i)&(vi)	**320,557**	201,282
Sany International Development Limited (三一國際發展有限公司)	(i)&(vi)	**291,619**	298,425
SANY Europe GmbH (三一歐洲)	(i)&(vi)	**261,602**	99,836
Sany Hongxiang Battery Co., Ltd (三一紅象電池有限公司)	(i)&(vi)	**255,145**	—
Hunan Sany Smart New Energy Design Co., Ltd (湖南三一智慧新能源设計有限公司)	(i)&(vi)	**254,850**	—
SANY International Development Trad (三一沙特有限公司)	(i)&(vi)	**201,416**	—
SANY IMPORT ACAO Export acaoda Amer (三一南美進出口有限公司(巴西))	(i)&(vi)	**194,335**	—
SANY SOUTHERN AFRICA (PTY) Ltd. (三一南非有限公司)	(i)&(vi)	**109,342**	69,156
SANY Heavy Machinery Canada Limited (三一重機(加拿大)有限公司)	(i)&(vi)	**94,487**	—
Sany (Russia) Co., Ltd. (俄羅斯三一有限責任公司)	(i)&(vi)	**75,532**	145,626
Putzmeister Makine Sanayi ve Ticare	(i)&(vi)	**65,225**	—
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(vi)	**64,037**	17,045
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(vi)	**59,706**	32,305
Sany Environmental Industry Co., Ltd (三一環境產業有限公司)	(i)&(vi)	**57,852**	—
Huzhou Sany Loader Co., Ltd. (湖州三一裝載機有限公司)	(i)&(vi)	**55,502**	52,401
SANYMX EQUIPMENT&TECHNOLOGY SA DECV	(i)&(vi)	**43,831**	3,493
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(vi)	**35,277**	30,641
PT.SANY INDONESIA MACHINERY (印度尼西亞三一機械有限公司)	(i)&(vi)	**19,515**	673,245
SANY GUINEA MACHINERY PUBLIC LIMITE	(i)&(vi)	**17,243**	17,143
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(vi)	**16,476**	130,342
SANY COLOMBIA S.A.S (三一哥倫比亞公司)	(i)&(vi)	**15,135**	—
Sany Equipment Zimbabwe (Pvt) Ltd (三一設備津巴布韋有限公司)	(i)&(vi)	**12,053**	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(vi)	**9,701**	105,531
Sany Construction Technology (Miluo) Co., Ltd (三一築工科技(汨羅)有限公司)	(i)&(vi)	**9,150**	—
Sany Heavy Energy Equipment Co., Ltd. (三一重能有限公司)	(i)&(vi)	**8,540**	7,749
Hunan Sany Zhongyang Machinery Co., Ltd. (湖南三一中陽機械有限公司)	(i)&(vi)	**7,074**	27,996
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(i)&(vi)	**5,438**	5,449
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(i)&(vi)	**5,168**	147,325
Jiangsu Sany Environmental Technology Co., Ltd. (江蘇三一環境科技有限公司)	(i)&(vi)	**5,029**	—
Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司)	(i)&(vi)	**4,280**	11,557
Sany (Bayannur) Wind Power Equipment Co., Ltd. (三一(巴彥淖爾)風電裝備有限公司)	(i)&(vi)	**3,951**	—
SANY PERU S.A. (三一秘魯有限公司)	(i)&(vi)	**3,354**	—

39. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2023 RMB'000	2022 RMB'000
Sales of products to: (continued)			
Hunan Automobile Manufacturing Co., Ltd. Changsha Branch (湖南汽車製造有限責任公司長沙分公司)	(i)&(vi)	**3,271**	—
SANY Philippines Inc. (三一國際菲律賓公司)	(i)&(vi)	**3,155**	—
Shenzhen Haixing Zhijia Technology Co., Ltd (深圳海星智駕科技有限公司)	(i)&(vi)	**2,850**	—
SANY AUSTRALIA PTY LTD (三一澳洲有限公司(澳大利亞))	(i)&(vi)	**2,677**	—
SANY MAKINE TICARET LIMITED SIRKETI (三一重起土耳其子公司)	(i)&(vi)	**2,407**	—
SANY TANZANIA LIMITED (三一坦桑尼亞有限公司)	(i)&(vi)	**2,297**	—
Sany High Altitude Machinery Equipment Co., Ltd (三一高空機械裝備有限公司)	(i)&(vi)	**2,286**	—
SANY NIGERIA COMPANY LIMITED (三一尼日利亞有限公司(中西非))	(i)&(vi)	**1,876**	—
Chenzhou Zhongren Machinery Manufacturing Co., Ltd (郴州市中仁機械製造有限公司)	(i)&(vi)	**1,820**	—
Sany Supply Chain Technology (Shanghai) Co., Ltd. (三一供應鏈科技(上海)有限公司)	(i)&(vi)	**1,792**	18,239
SANY-ANGOLA, LIMITADA (三一安哥拉有限公司)	(i)&(vi)	**1,766**	—
Zhuzhou Clover Environmental Development Co., Ltd. (株洲三葉草環境事業發展有限公司)	(i)&(vi)	**1,566**	—
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(vi)	**1,172**	150
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(vi)	**907**	24,916
Hunan Sany Tower Lifting Machinery Co., Ltd. (湖南三一塔式起重機械有限公司)	(i)&(vi)	**435**	7,725
Hunan Sany Zhongyi Machinery Co., Ltd. (湖南三一中益機械有限公司)	(i)&(vi)	**86**	21,251
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(vi)	**70**	17,776
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(i)&(vi)	**45**	34,670
Hunan Sanyi Huayuan Machinery Co., Ltd. (湖南三一華源機械有限公司)	(i)&(vi)	**40**	1,192
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(i)&(vi)	**3**	11,692
Sany South America Co., Ltd. (三一南美有限公司)	(i)&(vi)	**—**	173,199
Sany Saudi Machinery Co., Ltd. (三一沙特機械有限公司)	(i)&(vi)	**—**	26,510
Sany Technology Equipment Co., Ltd. (三一技術裝備有限公司)	(i)&(vi)	**—**	12,418
Sany Energy Equipment Co., Ltd. (三一能源裝備有限公司)	(i)&(vi)	**—**	5,769
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(i)&(vi)	**—**	4,103
PT.SANY.PERKASA	(i)&(vi)	**—**	4,000
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
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(vi)	**—**	3,438
Others	(i)&(vi)	**962**	3,041
		3,732,883	2,672,117

39. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2023 RMB'000	2022 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)	**4,292**	24,167
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)	**3,149**	3,952
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(i)&(vi)	**1,071**	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)	**60**	2,276
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(vi)	**19**	1,971
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)	**425**	1,074
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(vi)	**29**	957
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(vi)	**408**	537
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(vi)	**2,169**	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
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(i)&(vi)	**1,243**	168
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(vi)	**111**	146
Shengjing Intelligent Technology (Jiaxing) Co., Ltd. (盛景智能科技(嘉興)有限公司)	(i)&(vi)	**13**	7
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(i)&(vi)	**890**	—
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(vi)	**2**	—
Sany Heavy Industry India Pvt Ltd. (三一印度私人有限公司)	(i)&(vi)	**3,720**	—
Changsha Dilian Industrial Control Technology Co., Ltd. (長沙帝聯工控科技有限公司)	(i)&(vi)	**3,184**	—
Sany Environmental Industry Co., Ltd (三一環境產業有限公司)	(i)&(vi)	**1,160**	—
Kunshan Sany Environmental Protection Technology Co., Ltd (崑山三一環保科技有限公司)	(i)&(vi)	**830**	—
Hunan Sany Vehicle Body Co., Ltd (湖南三一車身有限公司)	(i)&(vi)	**491**	—
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(vi)	**391**	—
Others	(i)&(vi)	**2,124**	3,416
		25,781	50,609

39. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2023 RMB'000	2022 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)	**297,590**	136,317
Sany Heavy Industry India Pvt Ltd. (三一印度)	(ii)&(vi)	**164,144**	—
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(ii)&(vi)	**98,522**	46,557
Changsha Dilian Industrial Control Technology Co., Ltd.(長沙帝聯)	(ii)&(vi)	**62,484**	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(vi)	**58,988**	46,813
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(ii)&(vi)	**54,117**	6,006
Sany America Inc. (三一美國)	(ii)&(vi)	**49,509**	—
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(ii)&(vi)	**49,168**	85,680
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(ii)&(vi)	**41,637**	18,502
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(ii)&(vi)	**40,383**	—
Shengjing Intelligent Technology (Jiaxing) Co., Ltd. (盛景智能科技(嘉興)有限公司)	(ii)&(vi)	**32,077**	—
Hunan Sany Zhongcheng Bodywork Co., Ltd. (湖南三一中誠車身有限公司)	(ii)&(vi)	**10,817**	—
Hunan Sany Culture Co. Ltd. (湖南三一文化產業有限公司)	(ii)&(vi)	**10,170**	6,394
Sany Hongxiang Battery Co., Ltd (三一紅象電池有限公司)	(ii)&(vi)	**10,168**	—
Sany Lithium Energy Co., Ltd (三一鋰能有限公司)	(ii)&(vi)	**7,330**	—
Shanghai Huaxing Digital Technology Co., Ltd. (上海華興數字科技有限公司)	(ii)&(vi)	**6,656**	3,132
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(ii)&(vi)	**6,438**	2,454
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(ii)&(vi)	**5,859**	—
Sany Group Co., Ltd. (三一集團有限公司)	(ii)&(vi)	**3,105**	—
PT.SANY HEAVY INDUSTRY INDONESIA (三一重工印尼子公司)	(ii)&(vi)	**2,006**	—
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(ii)&(vi)	**1,873**	29,766
Sany Environmental Industry Co., Ltd (三一環境產業有限公司)	(ii)&(vi)	**1,590**	—
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(vi)	**1,546**	10,857
Sany Germany (三一德國)	(ii)&(vi)	**1,321**	—
Beijing Sany Architectural Design & Research Co., Ltd. (北京三一建築設計研究有限公司)	(ii)&(vi)	**1,294**	—
Chenzhou Zhongren Machinery Manufacturing Co., Ltd (郴州市中仁機械製造有限公司)	(ii)&(vi)	**1,255**	—
Hunan Anren Sany Construction Technology Co., Ltd (湖南安仁三一築工科技有限公司)	(ii)&(vi)	**1,089**	—

39. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2023 RMB'000	2022 RMB'000
Purchases of raw materials from: (continued)			
Shenzhen Haixing Zhijia Technology Co., Ltd (深圳海星智駕科技有限公司)	(ii)&(vi)	**1,038**	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(ii)&(vi)	**458**	669
Hunan SANY Medium Tonnage Hoisting Machinery Co., Ltd. (湖南三一中型起重機械有限公司)	(ii)&(vi)	**194**	2,892
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(ii)&(vi)	**132**	115,344
Guangzhou Ygp Industrial Trading Co., Ltd. (廣州市易工品貿易有限公司)	(ii)&(vi)	**1**	23,310
Changsha Dilian Industrial Control Technology Co., Ltd. (長沙帝聯工控科技有限公司)	(ii)&(vi)	**—**	37,435
Shengjing Intelligent Technology (Jiaxing) Co., Ltd (盛景智能科技(嘉興)有限公司)	(ii)&(vi)	**—**	24,521
Hunan Sany Hoisting Machinery Co., Ltd. (湖南三一汽車起重機械有限公司)	(ii)&(vi)	**—**	15,163
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(ii)&(vi)	**—**	6,711
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
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
Others	(ii)&(vi)	**882**	17,191
		1,023,841	641,601

39. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2023 RMB'000	2022 RMB'000
Purchases of equipment from:			
Guangzhou Ygp Industrial Trading Co., Ltd. (廣州市易工品貿易有限公司)	(ii)&(vi)	**43,803**	—
PT.SANY HEAVY INDUSTRY INDONESIA (三一重工印尼子公司)	(ii)&(vi)	**35,553**	—
Jiangsu Sany Environmental Technology Co., Ltd. (江蘇三一環境科技有限公司)	(ii)&(vi)	**29,610**	6,728
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(vi)	**24,545**	58,427
Hunan Deutz AG Power Co., Ltd (湖南三一動力)	(ii)&(vi)	**15,332**	—
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(ii)&(vi)	**14,494**	—
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(ii)&(vi)	**13,786**	—
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(vi)	**8,621**	—
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(ii)&(vi)	**6,245**	129,743
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(ii)&(vi)	**5,621**	—
Hunan Automobile Manufacturing Co., Ltd. Changsha Branch (湖南汽車製造有限責任公司長沙分公司)	(ii)&(vi)	**3,580**	—
Rootcloud Technology Co., Ltd. (樹根互聯股份有限公司)	(ii)&(vi)	**1,759**	—
Hunan Sany Kuaierju Housing Industry Co., Ltd. (湖南三一快而居住宅工業有限公司)	(ii)&(vi)	**885**	347
Sany Group Co., Ltd. (三一集團有限公司)	(ii)&(vi)	**776**	408
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(ii)&(vi)	**105**	8
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(ii)&(vi)	**15**	27,066
Shengjing Intelligent Technology (Jiaxing) Co., Ltd (盛景智能科技(嘉興)有限公司)	(ii)&(vi)	**—**	7,064
Rootcloud Technology Co., Ltd. (樹根互聯技術有限公司)	(ii)&(vi)	**—**	980
Hunan Xingxiang Construction Supervision Consulting Co. Ltd. (湖南興湘建設監理諮詢有限公司)	(ii)&(vi)	**—**	58
Others	(ii)&(vi)	**4,166**	6,151
		208,896	236,980

39. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2023 RMB'000	2022 RMB'000
Rental fees paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(vi)	**21**	3,039
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
		21	8,100
Right-of-use asset recognised from:			
Zhuzhou Sanyi Energy equipment Co., Ltd. (株洲三一能源裝備有限公司)	(iii)&(vi)	**17,573**	—
Sany Heavy Energy Equipment Co., Ltd.(三一重能股份有限公司)	(iii)&(vi)	**3,475**	—
Sany Northwest Heavy Industry Equipment Co., Ltd. (三一西北重工有限公司)	(iii)&(vi)	**467**	—
		21,515	—
Agency fees paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(vi)	**18,720**	9,950
Sany America Inc. (三一美國)	(iv)&(vi)	**41,844**	—
Sany Germany (三一德國)	(iv)&(vi)	**11,241**	—
Others	(iv)&(vi)	**1,555**	—
		73,360	9,950

39. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2023 RMB'000	2022 RMB'000
Administrative service fee paid to:			
Hunan Zhushengyuan Property Service Co., Ltd. (湖南竹勝園物業服務有限公司)	(iv)&(vi)	**8,975**	—
Sany Group Co., Ltd. (三一集團有限公司)	(iv)&(vi)	**6,893**	—
Sany Heavy Energy Equipment Co., Ltd. (三一重能股份有限公司)	(iv)&(vi)	**5,085**	—
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(iv)&(vi)	**4,817**	—
Zhuzhou Sany Zhushengyuan Property Service Co., Ltd (株洲三一竹勝園物業服務有限公司)	(iv)&(vi)	**1,804**	—
Rootcloud Technology Co., Ltd. (樹根互聯股份有限公司)	(iv)&(vi)	**1,357**	—
Sany Environmental Industry Co., Ltd (三一環境產業有限公司)	(iv)&(vi)	**1,091**	—
Hunan Anren Sany Construction Technology Co., Ltd (湖南安仁三一築工科技有限公司)	(iv)&(vi)	**540**	—
Others	(iv)&(vi)	**658**	—
		31,220	—
Service income from：			
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(iii)&(vi)	**9,878**	4,504
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(iii)&(vi)	**5,866**	27,507
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(iii)&(vi)	**4,415**	25,142
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(vi)	**3,831**	17,466
Hunan Sany Zhongyang Machinery Co., Ltd. (湖南三一中陽機械有限公司)	(iii)&(vi)	**3,028**	—
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(iii)&(vi)	**1,296**	19,574
Sany Supply Chain Technology (Shanghai) Co., Ltd. (三一供應鏈科技(上海)有限公司)	(iii)&(vi)	**342**	7,613
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(iii)&(vi)	**242**	2,616
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(iii)&(vi)	**—**	5,598
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(iii)&(vi)	**—**	1,416
Others	(iii)&(vi)	**1,908**	1,586
		30,806	113,022
Sales of photovoltaic energy:			
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(iv)&(vi)	**62**	—

39. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2023 RMB'000	2022 RMB'000
Utility charges paid to:			
Sany Group Co., Ltd. (三一集團有限公司)	(iv)&(vi)	**3,131**	1,890
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(vi)	**1,760**	349
Chenzhou Zhongren Machinery Manufacturing Co., Ltd (郴州市中仁機械製造有限公司)	(iv)&(vi)	**1,537**	—
Sany Heavy Energy Equipment Co., Ltd. (三一重能股份有限公司)	(iv)&(vi)	**726**	—
Others	(iv)&(vi)	**347**	217
		7,501	2,456
Purchases of logistics service and agency services from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(iv)&(vi)	**80,533**	538,237
Sany Supply Chain Technology (Shanghai) Co., Ltd (三一供應鏈科技(上海)有限公司)	(iv)&(vi)	**32,964**	—
		113,497	538,237
Balance of deposits with:			
Sanxiang Bank (湖南三湘銀行股份有限公司)	(v)&(vi)	**327,750**	370,104
Annual interests provided by:			
Sanxiang Bank (湖南三湘銀行股份有限公司)	(v)&(vi)	**6,966**	17,717
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)	**2,132,877**	1,393,625
Sany Auto Finance Co., Ltd. (三一汽車金融有限公司)	(i)&(vi)	**596,298**	—
		2,729,175	1,393,625
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)	**1,783,149**	1,120,999
Sany Auto Finance Co., Ltd. (三一汽車金融有限公司)	(i)&(vi)	**483,207**	—
		2,266,356	1,120,999

39. 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 RMB327,750,000 at the interest rates between 1.95% and 3.50% per annum, with the deposit agreements due from 5 March 2026 to 31 October 2028.

(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.

39. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions

	2023 RMB'000	2022 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)	**2,254**	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 Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	**—**	2,043
Sany Group Co., Ltd. (三一集團有限公司)	**—**	1,794
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
Hunan Sany Culture Co. Ltd. (湖南三一文化產業有限公司)	**—**	86
Others	**—**	323
	—	10,027
Administrative service income from:		
Sany Environmental Industry Co., Ltd (三一環境產業有限公司)	**748**	—
Kunshan Sany Environmental Protection Technology Co., Ltd (崑山三一環保科技有限公司)	**180**	—
Others	**282**	—
	1,210	—
Other service fee paid to:		
Sany Germany (三一德國)	**7,247**	—
Sany Group Co., Ltd. (三一集團有限公司)	**5,000**	—
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	**4,139**	—
Shengjing Intelligent Technology (Jiaxing) Co., Ltd (盛景智能科技 (嘉興) 有限公司)	**3,170**	532
PT.SANY HEAVY INDUSTRY INDONESIA (三一重工印尼子公司)	**2,634**	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	**1,585**	—
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	**1,510**	2,603
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	**1,652**	2,043
Hunan Sany Vocational and Technical College of Industry (湖南三一工業職業技術學院)	**1,088**	—
SANY Europe GmbH (三一歐洲)	**—**	5,923
Shugen Internet Technology Co., Ltd. (樹根互聯技術有限公司)	**—**	2,623
Sany America Inc. (三一美國)	**—**	1,987
Others	**3,245**	2,870
	31,270	18,581

39. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions (continued)

	2023 RMB'000	2022 RMB'000
Rental income received from:		
Shenyang Sanyiyuan Construction Machinery Co., Ltd. (瀋陽三益源工程機械有限公司)	**146**	324
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	**45**	63
Hunan Zhushengyuan Property Service Co., Ltd. (湖南竹勝園物業服務有限公司)	**—**	69
Others	**241**	96
	432	552
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
Others	**—**	306
	—	7,322
Sales of parts and equipment under a financial guarantee contract with:		
Fuhong Capital (Hunan) Financial Leasing Co., Ltd. (富鴻資本(湖南)融資租賃有限公司)	**170,399**	—
Provision of a financial guarantee under a financial guarantee contract with:		
Fuhong Capital (Hunan) Financial Leasing Co., Ltd. (富鴻資本(湖南)融資租賃有限公司)	**154,458**	—

39. RELATED PARTY TRANSACTIONS (continued)

(3) Compensation of key management personnel

	2023 **RMB'000**	2022 RMB'000
Salaries, allowances and benefits in kind	**11,680**	23,566
Equity-settled share-based payment expenses	**8,690**	12,055
Employee retirement benefits and other staff welfare	**198**	227
Total compensation paid to key management personnel	**20,568**	35,848

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 as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries, allowances and benefits in kind	**1,381**	1,417
Equity-settled share-based payment expenses	**81**	1,215
Employee retirement benefits and other staff welfare	**27**	61
Total	**1,489**	2,693

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

	2023	2022
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**—**	2
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$5,000,000	**—**	—

40. 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:

2023

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	—	—	9,383,880	9,383,880
Bills receivable	—	1,066,199	—	1,066,199
Financial assets included in prepayments, other receivables and other assets	—	—	405,192	405,192
Derivative financial instruments	15,668	—	—	15,668
Financial assets at fair value through profit or loss	2,197,926	—	—	2,197,926
Pledged deposits	—	—	28,371	28,371
Cash and cash equivalents	—	—	3,255,997	3,255,997
	2,213,594	1,066,199	13,073,440	16,353,233

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	—	8,098,198	8,098,198
Financial liabilities included in other payables and accruals	12,844	1,200,572	1,213,416
Interest — bearing bank and other borrowings	—	7,901,377	7,901,377
	12,844	17,200,147	17,212,991

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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. 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	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Financial assets				
Trade receivables, non-current portion	**1,027,890**	888,356	**1,027,890**	888,356
Bills receivable	**1,066,199**	1,011,765	**1,066,199**	1,011,765
Derivative financial instruments	**15,668**	—	**15,668**	—
Financial assets at fair value through profit or loss	**2,197,926**	2,087,646	**2,197,926**	2,087,646
	4,307,683	3,987,767	**4,307,683**	3,987,767
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	**5,248,801**	2,691,178	**4,991,202**	2,571,504
Derivative financial instruments	**—**	1,106	**—**	1,106
	5,248,801	2,692,284	**4,991,202**	2,572,610

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.

41. 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 2023 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 Chinese Mainland. 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.

41. 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 2023	**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	—	**1,066,199**	—	**1,066,199**
Derivative financial instruments	—	**15,668**	—	**15,668**
Financial assets at fair value through profit or loss	—	**2,197,926**	—	**2,197,926**
	—	**3,279,793**	—	**3,279,793**

	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

41. 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

The Group did not have any financial liabilities measured at fair value as at 31 December 2023.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial assets and liabilities.

Assets for which fair values are disclosed:

As at 31 December 2023	**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	**—**	**1,027,890**	**—**	**1,027,890**

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

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using			
As at 31 December 2023	**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	—	4,991,202	—	4,991,202

	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
Interest-bearing bank and other borrowings, non-current portion	—	2,571,504	—	2,571,504

42. 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 2023, 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 RMB5,091,000 on the profit before tax for the year (2022: RMB1,504,000).

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 31.4% (2022: 27.2%) 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, JPY, SEK, IDR, SGD and AUD denominated financial instruments.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000
31 December 2023		
If RMB weakens against HK$	**5**	**942**
If RMB strengthens against HK$	**(5)**	**(942)**
If RMB weakens against US$	**5**	**616,491**
If RMB strengthens against US$	**(5)**	**(616,491)**
If RMB weakens against EUR	**5**	**86,979**
If RMB strengthens against EUR	**(5)**	**(86,979)**
If RMB weakens against JPY	**5**	**(40)**
If RMB strengthens against JPY	**(5)**	**40**
If RMB weakens against SEK	**5**	**(14)**
If RMB strengthens against SEK	**(5)**	**14**
If RMB weakens against SGD	**5**	**27,448**
If RMB strengthens against SGD	**(5)**	**(27,448)**
If RMB weakens against AUD	**5**	**1,151**
If RMB strengthens against AUD	**(5)**	**(1,151)**
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 JPY	5	(28)
If RMB strengthens against JPY	(5)	28
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 THB	5	(10)
If RMB strengthens against THB	(5)	10
If RMB weakens against SGD	5	47,916
If RMB strengthens against SGD	(5)	(47,916)

42. 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 2023	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	10,016,434	10,016,434
Bills receivable	1,066,199	—	—	—	1,066,199
Contract assets*	—	—	—	525,800	525,800
Financial assets included in prepayments, other receivables and other assets					
Normal**	378,459	—	—	—	378,459
Doubtful**	—	—	26,733	—	26,733
Pledged deposits					
— Not yet past due	43,300	—	—	—	43,300
Cash and cash equivalents					
— Not yet past due	3,241,068	—	—	—	3,241,068
Guarantees given to financial institutions/finance lease companies in connection with facilities granted to customers***					
— Not yet past due	5,112,224	—	—	—	5,112,224
	9,841,250	—	26,733	10,542,234	20,410,217

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

	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

* 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".

42. 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	**2023 RMB'000**	2022 RMB'000
Guarantees given to financial institutions in connection with loans granted to customers	(a)	**71,180**	58,527
Guarantees given to the finance lease companies in connection with the unsettled lease amounts due from customers	(b)	**5,041,044**	1,688,281
		5,112,224	1,746,808

Notes:

(a) Sany Heavy Equipment, Sany Marine Heavy Industry and Sany Petroleum Equipment enters into sale agreements with end-user customers directly for the sale of equipments. The end-user customers enter into equipment mortgage loan agreements with financial institutions to obtain funding to pay for the equipments, using the equipments as collateral. The seller are 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) Sany Heavy Equipment , Sany Marine Heavy Industry, Sany Petroleum Equipment and Sany Robot enters into agreements with China Kangfu International Leasing Co., Ltd., Fuhong Capital (Hunan) Financial Leasing Co., Ltd., Hunan Zhonghong Finance Lease Co., Ltd., Sany Financial Leasing Co., Ltd., Cinda Financial Leasing Co., Ltd. or Sany Auto Finance Co., Ltd. (hereafter collectively referred to as the "Leasing Companies") and agrees to:

- either sell the equipment to the Leasing Companies for leasing to lessees or sell the equipment to the lessees who will then on-sell the equipment to the Leasing Companies for leasing back to lessees; and

- provide a financial guarantee to the Leasing Companies in favour of the lessees in respect of the leasing of the equipment by the Leasing Companies and repurchase the equipment under certain circumstances.

42. 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 2023			
	On demand RMB'000	**Less than 1 year RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Trade and bills payables	**—**	**8,098,198**	**—**	**8,098,198**
Financial liabilities included in other payables and accruals	**—**	**1,213,416**	**—**	**1,213,416**
Interest-bearing bank and other borrowings	**346,808**	**2,305,768**	**5,248,801**	**7,901,377**
Lease liabilities	**—**	**28,289**	**9,510**	**37,799**
	346,808	**11,661,339**	**5,258,311**	**17,266,458**

	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

42. 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 2023 and 2022.

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	**2023 RMB'000**	2022 RMB'000
Capital and net debt			
Interest-bearing bank and other borrowings	27	**7,901,377**	3,645,393
Trade and bills payables	25	**8,098,198**	6,646,310
Other payables and accruals	26	**4,783,016**	2,791,041
Less: Cash and cash equivalents	24	**(3,241,068)**	(2,689,823)
Net debt		**17,541,523**	10,392,921
Equity attributable to owners of the parent		**11,589,459**	10,039,979
Capital and net debt		**29,130,982**	20,432,900
Gearing ratio		**60%**	51%

43. 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:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**6,695,841**	3,619,903
Total non-current assets	**6,695,841**	3,619,903
CURRENT ASSETS		
Inventories	**2,461**	—
Trade receivables	**506,366**	562,372
Dividend receivable	**42,391**	42,391
Interests receivable	**14,494**	—
Due from subsidiaries	**714,870**	702,341
Cash and cash equivalents	**239,901**	971,944
Total current assets	**1,520,483**	2,279,048
CURRENT LIABILITIES		
Due to subsidiaries	**1,387,967**	990,115
Other payables and accruals	**4,071**	—
Dividend payable	**78,153**	76,729
Interest-bearing bank and other borrowings	**—**	—
Tax payable	**47,510**	33,710
Total current liabilities	**1,517,701**	1,100,554
NET CURRENT ASSETS	**2,782**	1,178,494
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,698,623**	4,798,397
Net assets	**6,698,623**	4,798,397
EQUITY		
Issued capital	**315,185**	312,789
Reserves (note)	**6,383,438**	4,485,608
Total equity	**6,698,623**	4,798,397

43. 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 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 and 1 January 2023	**1,574,137**	**1,670,338**	**157,852**	**(10,275)**	**2,620**	**1,090,936**	**4,485,608**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**2,321,046**	**2,321,046**
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**(2,922)**	**—**	**—**	**(2,922)**
Total comprehensive income for the year	**—**	**—**	**—**	**(2,922)**	**—**	**2,321,046**	**2,318,124**
Issue of shares	**101,552**	**—**	**—**	**—**	**—**	**—**	**101,552**
Share-based payments	**—**	**—**	**96,577**	**—**	**—**	**—**	**96,577**
Dividends declared	**—**	**—**	**—**	**—**	**—**	**(618,424)**	**(618,424)**
Release of share-based compensation reserve to share premium upon exercise of share options (note 32)	**15,681**	**—**	**(15,681)**	**—**	**—**	**—**	**—**
At 31 December 2023	**1,691,370**	**1,670,338**	**238,748**	**(13,197)**	**2,620**	**2,793,558**	**6,383,437**

43. 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.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2024.

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				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**20,277,944**	15,536,716	10,194,616	7,363,859	5,656,064
Cost of sales	**(14,830,890)**	(11,908,372)	(7,804,976)	(5,403,087)	(3,987,034)
Gross profit	**5,447,054**	3,628,344	2,389,640	1,960,772	1,669,030
Other income and gains	**715,197**	646,942	790,923	456,307	488,827
Selling and distribution expenses	**(1,262,226)**	(932,879)	(566,567)	(430,465)	(387,756)
Administrative expenses	**(2,213,353)**	(1,177,331)	(1,053,151)	(706,904)	(642,739)
Reversal of impairment on financial and contract assets, net	**(225,347)**	(87,194)	(2,434)	74,205	32,083
Other expenses	**(42,464)**	(24,982)	(694)	(31,355)	(4,246)
Finance costs	**(158,411)**	(131,967)	(119,666)	(132,283)	(85,473)
PROFIT BEFORE TAX	**2,260,450**	1,920,933	1,438,051	1,190,277	1,069,726
Income tax expense	**(421,696)**	(251,859)	(128,893)	(138,728)	(147,819)
PROFIT/(LOSS) FOR THE YEAR	**1,838,754**	1,669,074	1,309,158	1,051,549	921,907
Attributable to:					
Owners of the parent	**1,928,992**	1,664,911	1,259,071	1,045,144	919,706
Non-controlling interests	**(90,238)**	4,163	50,087	6,405	2,201
	1,838,754	1,669,074	1,309,158	1,051,549	921,907

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**34,963,011**	24,953,269	20,785,122	17,464,161	15,546,436
TOTAL LIABILITIES	**(23,424,614)**	(14,849,495)	(12,001,974)	(9,605,260)	(8,400,871)
NON-CONTROLLING INTERESTS	**(51,062)**	63,795	82,092	20,167	13,762