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SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

三一重裝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 631)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (“**Board**”) of directors (the “**Directors**”) of Sany Heavy Equipment International Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022.

FINANCIAL SUMMARY

For the six months ended 30 June 2022, the Group recorded revenue of approximately RMB7,631.7 million, representing an increase of approximately RMB2,647.5 million, or approximately 53.1%, from approximately RMB4,984.2 million for the six months ended 30 June 2021. Such increase was mainly attributable to (1) a marked increase in the revenue for the Group’s roadheaders, integrated mining equipment, widebodied vehicles and small port machinery products due to the continual launch of products with intelligentization and electrification; (2) a significant increase in the international sales revenue as a result of the successful expansion into oversea markets; and (3) an acceleration in the structural adjustment of the Group’s robotics business and its continuous growth in revenue.

For the six months ended 30 June 2022, the Group's profit attributable to owners of the parent was approximately RMB905.8 million, which represented an increase of approximately 11.7% as compared with approximately RMB811.1 million for the six months ended 30 June 2021. For the main reasons of such change, please refer to the paragraphs headed "Revenue", "Gross profit margin" and "Profit margin before tax".

Excluding the one-off item of the Group's gain on the completion of disposal of all the equity interests in Xinjiang Sany Heavy Equipment Co., Ltd. ("**Xinjiang Sany**"), an indirect subsidiary, in June 2021, adjusted profit attributable to owners of the parent recorded by the Group was approximately RMB905.8 million, which represented an increase of approximately 37.1% as compared with approximately RMB660.6 million for the six months ended 30 June 2021.

For the six months ended 30 June 2022, the research and development (R&D) expenses of the Group were approximately RMB416.4 million, representing an increase of approximately 23.9% as compared with approximately RMB336.1 million for the six months ended 30 June 2021. For the six months ended 30 June 2022, the ratio of R&D expenses against revenue was approximately 5.5%, representing a decrease of approximately 1.2 percentage points as compared with approximately 6.7% for the six months ended 30 June 2021. The increase of R&D expenses was due to (1) the Group's focus on enhancing R&D capability on intelligent, electric and internationalized new products as well as data, algorithm and software, leading to a significant increase in R&D investments in the fields of unmanned driving, smart port and robotics business; and (2) a substantial increase in the salaries for R&D personnel.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
	<i>Notes</i>		
REVENUE	4	7,631,742	4,984,199
Cost of sales		<u>(5,816,453)</u>	<u>(3,769,059)</u>
Gross profit		1,815,289	1,215,140
Other income and gains	4	283,152	484,471
Selling and distribution expenses		(400,758)	(243,756)
Administrative expenses		(562,838)	(470,392)
(Impairment)/reversal of impairment losses on financial and contract assets, net		(37,581)	19,046
Other expenses		(737)	(3,309)
Finance costs	6	<u>(72,559)</u>	<u>(55,249)</u>
PROFIT BEFORE TAX	5	1,023,968	945,951
Income tax expense	7	<u>(111,352)</u>	<u>(117,005)</u>
PROFIT FOR THE PERIOD		<u>912,616</u>	<u>828,946</u>
Attributable to:			
Owners of the parent		905,789	811,089
Non-controlling interests		<u>6,827</u>	<u>17,857</u>
		<u>912,616</u>	<u>828,946</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (<i>RMB Yuan</i>)	9	<u>0.29</u>	<u>0.26</u>
Diluted (<i>RMB Yuan</i>)	9	<u>0.25</u>	<u>0.22</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>912,616</u>	<u>828,946</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(17,845)</u>	<u>8,542</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(17,845)</u>	<u>8,542</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(17,845)</u>	<u>8,542</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>894,771</u>	<u>837,488</u>
Attributable to:		
Owners of the parent	<u>887,944</u>	<u>819,631</u>
Non-controlling interests	<u>6,827</u>	<u>17,857</u>
	<u>894,771</u>	<u>837,488</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,473,007	3,314,006
Right-of-use assets		1,099,694	1,113,534
Goodwill		1,129,520	1,129,520
Intangible assets		17,387	19,295
Trade receivables	<i>11</i>	581,083	640,575
Non-current prepayments		101,450	9,650
Contract assets		94,187	54,614
Deferred tax assets		301,744	286,852
		<hr/>	<hr/>
Total non-current assets		6,798,072	6,568,046
CURRENT ASSETS			
Inventories	<i>10</i>	2,570,281	2,528,509
Properties under development		1,167,318	1,039,637
Trade receivables	<i>11</i>	6,346,351	4,271,700
Bills receivable	<i>11</i>	631,898	700,270
Contract assets		40,342	41,850
Prepayments, other receivables and other assets		470,728	584,658
Financial assets at fair value through profit or loss	<i>12</i>	3,340,668	3,680,123
Pledged deposits		4,403	20,997
Cash and cash equivalents		1,771,035	1,349,332
		<hr/>	<hr/>
Total current assets		16,343,024	14,217,076

		30 June	31 December
		2022	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and bills payables	<i>13</i>	5,458,260	4,422,304
Other payables and accruals		2,606,878	2,659,400
Dividend payable		388,799	70,226
Interest-bearing bank and other borrowings	<i>14</i>	2,866,722	1,687,346
Tax payable		226,659	185,221
Provision for warranties		31,000	24,053
Government grants	<i>15</i>	134,375	112,700
Derivative financial instruments		1,692	8,561
		<u>11,714,385</u>	<u>9,169,811</u>
Total current liabilities			
		<u>4,628,639</u>	<u>5,047,265</u>
NET CURRENT ASSETS			
		<u>11,426,711</u>	<u>11,615,311</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>14</i>	1,151,675	1,766,768
Government grants	<i>15</i>	877,891	967,460
Deferred tax liabilities		118,919	97,935
		<u>2,148,485</u>	<u>2,832,163</u>
Total non-current liabilities			
		<u>9,278,226</u>	<u>8,783,148</u>
Net assets			
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>16</i>	312,712	312,060
Reserves		8,869,850	8,388,996
		<u>9,182,562</u>	<u>8,701,056</u>
Non-controlling interests		<u>95,664</u>	<u>82,092</u>
Total equity		<u>9,278,226</u>	<u>8,783,148</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. CORPORATE INFORMATION

Sany Heavy Equipment International Holdings Company Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 23 July 2009. The Company’s registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business of the Company is located at No.25, 16 Kaifa Road, Economic and Technological Development Area, Shenyang City, Liaoning Province, the People’s Republic of China (the “PRC”). During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacture and sale of mining equipment, logistics equipment, robotics and smart mined products and spare parts and the provision of related services in Mainland China.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) and International Accounting Standards (“IASs”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in two business units based on its products, and has two reportable operating segments as follows:

(a) Mining equipment segment

The mining equipment segment engages in the production and sale of coal mining machinery, non-coal mining machinery, mining transport equipment, robotics and smart mined products and spare parts and the provision of related services; and

(b) Logistics equipment segment

The logistics equipment segment engages in the production and sale of container equipment, bulk material equipment, general equipment and spare parts and the provision of related services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs, as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, deferred tax liabilities, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

Six months ended 30 June 2022	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4)			
Sales to customers	5,479,589	2,152,153	7,631,742
Intersegment sales	42,184	17,014	59,198
Other revenue	160,631	89,115	249,746
	<u>5,682,404</u>	<u>2,258,282</u>	<u>7,940,686</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(59,198)
Revenue from operations	<u>5,640,220</u>	<u>2,241,268</u>	<u>7,881,488</u>

Six months ended 30 June 2022	Mining equipment <i>RMB'000</i> (Unaudited)	Logistics equipment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment results	854,981	208,140	1,063,121
Interest income			33,406
Finance costs	(35,257)	(37,302)	<u>(72,559)</u>
Profit before tax			1,023,968
Income tax expense			<u>(111,352)</u>
Profit for the period			<u><u>912,616</u></u>
Segment assets	14,615,750	9,208,460	23,824,210
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(2,760,296)
Corporate and other unallocated assets			<u>2,077,182</u>
Total assets			<u><u>23,141,096</u></u>
Segment liabilities	6,548,156	5,711,035	12,259,191
<i>Reconciliation:</i>			
Elimination of intersegment payables			(2,760,296)
Corporate and other unallocated liabilities			<u>4,363,975</u>
Total liabilities			<u><u>13,862,870</u></u>
Other segment information:			
Loss on disposal of items of property, plant and equipment	266	471	737
Impairment of trade receivables, net	22,983	18,729	41,712
(Reversal of impairment)/impairment of other receivables, net	(5,222)	396	(4,826)
Provision/(write-back of provision) against slow-moving and obsolete inventories	6,557	(90)	6,467
Impairment of contract assets	635	60	695
Depreciation and amortisation	80,465	79,860	160,325
Other non-cash expense	38,034	17,134	55,168
Capital expenditure*	<u>158,434</u>	<u>245,309</u>	<u>403,743</u>

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

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

Information about major customers

Revenue of approximately RMB1,379,090,000 (six months ended 30 June 2021: RMB772,317,000) was derived from sales to fellow subsidiaries, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	<u>7,631,742</u>	<u>4,984,199</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

Segments	Mining equipment <i>RMB'000</i> (Unaudited)	Logistics equipment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods or services			
Sale of industrial products	5,302,294	2,094,036	7,396,330
Installation services	35,310	47,713	83,023
Maintenance services	141,985	10,404	152,389
Total revenue from contracts with customers	<u>5,479,589</u>	<u>2,152,153</u>	<u>7,631,742</u>
Geographical markets			
Mainland China	4,516,408	1,187,791	5,704,199
Asia (excluding Mainland China)	636,140	534,161	1,181,112
United States of America	—	146,965	146,965
European Union	—	205,684	205,684
Other countries/regions	327,041	77,552	393,782
Total revenue from contracts with customers	<u>5,479,589</u>	<u>2,152,153</u>	<u>7,631,742</u>
Timing of revenue recognition			
Goods transferred at a point in time	5,337,604	2,141,749	7,479,353
Services transferred over time	141,985	10,404	152,389
Total revenue from contracts with customers	<u>5,479,589</u>	<u>2,152,153</u>	<u>7,631,742</u>

For the six months ended 30 June 2021

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

Other income and gain

		For the six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Other income			
Bank interest income		33,406	19,887
Other interest income		—	6,301
Government grants	<i>15</i>	135,973	149,770
Profit from sale of scrap materials		14,005	24,166
Rental income		3,430	4,220
Foreign exchange differences, net		20,483	591
Others		6,268	17,160
		<hr/> 213,565	<hr/> 222,095
Gains			
Fair value gains, net		69,587	89,971
Gain on disposal of a subsidiary classified as held for sale	<i>17</i>	—	172,405
		<hr/> 69,587	<hr/> 262,376
		<hr/> 283,152	<hr/> 484,471

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold		5,740,027	3,740,009
Cost of services provided		69,959	59,014
Depreciation of property, plant and equipment		144,577	112,774
Amortisation of intangible assets		1,908	—
Depreciation of right-of-use assets		13,840	13,676
Auditors' remuneration		500	500
Provision of warranties*		11,755	6,628
Research and development costs**		416,430	336,130
Lease payments not included in the measurement of lease liabilities		14,450	1,675
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		687,527	487,173
Equity-settled share-based payment		55,168	6,100
Employee retirement benefits*****		25,278	17,123
Other staff welfare		18,600	12,201
		786,573	522,597
Foreign exchange differences, net***		(20,483)	(591)
Impairment/(reversal of impairment) of financial and contract assets, net****:			
Impairment/(reversal of impairment) of trade receivables, net	11	41,712	(19,995)
Impairment of contract assets, net		695	808
(Reversal of impairment)/impairment of other receivables, net		(4,826)	141
		37,581	(19,046)
Provision/(write-back of provision) against slow-moving and obsolete inventories*****		6,467	(29,964)
Loss on disposal of items of property, plant and equipment***		737	3,309
Gain from sales of scrap materials***		(14,005)	(24,166)
Gain on disposal of a subsidiary classified as held for sale***	17	—	(172,405)
Fair value gains, net***:			
Financial assets at fair value through profit or loss — mandatorily classified as such		(68,575)	(88,513)
Derivative instruments — transactions not qualifying as hedges		(1,012)	(1,458)
		(69,587)	(89,971)

- * Included in “Selling and distribution expenses” in the interim condensed consolidated statement of profit or loss
- ** Included in “Administrative expenses” in the interim condensed consolidated statement of profit or loss
- *** Included in “Other income and gains” or “Other expenses” in the interim condensed consolidated statement of profit or loss
- **** Included in “(Impairment)/reversal of impairment losses on financial and contract assets, net” in the interim condensed consolidated statement of profit or loss
- ***** Included in “Cost of sales” in the interim condensed consolidated statement of profit or loss
- ***** As at 30 June 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil)

6. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	64,338	46,606
Interest on discounted bills	8,221	8,643
	<u>72,559</u>	<u>55,249</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: nil) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (Or jurisdictions) in which the Group operates.

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China were subject to Corporate Income Tax (“CIT”) at a rate of 25% on their respective taxable income for the six months ended 30 June 2022.

Five (six months ended 30 June 2021: four) of the Group’s principal operating companies, Sany Heavy Equipment Co., Ltd. (“Sany Heavy Equipment”), Hunan Sany Port Equipment Co., Ltd. (“Hunan Sany Port Equipment”), Sany Marine Heavy Industry Co., Ltd. (“Sany Marine Heavy Industry”), Sany Intelligent Mining Technology Co., Ltd. (“Sany Intelligent Mining”) and Sany Machinery Intelligence Co., Ltd. (“Sany Machinery”), were subject to CIT at a rate of 15% for the six months ended 30 June 2022 due to the recognition as High and New Technology Enterprises.

One (six months ended 30 June 2021: nil) of the Group’s principal operating companies, Sany Robot Equipment (Xi’an) Co., Ltd. (formerly known as Sany Construction Robot (Xi’an) Research Institute Co., Ltd.), was subject to CIT at a rate of 15% for the six months ended 30 June 2022 due to the recognition as a company engaged in the encouraged industry in China’s Western Region.

	For the six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	3,553	—
Current — Mainland China		
Charge for the period	101,707	96,054
Deferred	6,092	20,951
	<u>111,352</u>	<u>117,005</u>
Total tax charge for the period	<u>111,352</u>	<u>117,005</u>

8. DIVIDEND

The final dividend for the year ended 31 December 2021 of HK\$0.15 per share, totaling HK\$546,180,000 (equivalent to RMB466,192,000), was approved by the Company’s shareholders at the annual general meeting on 31 May 2022, among which HK\$185,103,000 (equivalent to RMB158,299,000) was distributed during the six months ended 30 June 2022, and the rest amount of HK\$361,077,000 (equivalent to RMB307,893,000) was recorded in “dividend payable” in the consolidated statement of financial position as at 30 June 2022.

A special dividend of HK\$0.18 per share, totalling HK\$633,746,000 was approved by the board of directors on 23 January 2018. HK\$547,505,000 of the dividend was subsequently distributed during the year ended 31 December 2018 and the rest amount of HK\$86,241,000 (equivalent to RMB74,351,000) was recorded in “dividend payable” in the consolidated statement of financial position as at 30 June 2022 and 31 December 2021.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

The calculation of the basic earnings per share is based on the profit for the six months ended 30 June 2022 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,140,958,508 (six months ended 30 June 2021: 3,136,924,946) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the preferred distribution on the convertible preference shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	905,789	811,089
Preferred distribution to the convertible preference shares	<u>40</u>	<u>40</u>
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	<u><u>905,829</u></u>	<u><u>811,129</u></u>

	Number of shares	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,140,958,508	3,136,924,946
Effect of dilution — convertible preference shares	479,781,034	479,781,034
Effect of dilution — share options and share awards	<u>25,217,293</u>	<u>22,802,000</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u><u>3,645,956,835</u></u>	<u><u>3,639,507,980</u></u>

10. INVENTORIES

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Raw materials	798,639	469,372
Work in progress	835,546	827,667
Finished goods	<u>1,007,578</u>	<u>1,296,485</u>
	2,641,763	2,593,524
Less: Provision against slow-moving and obsolete inventories	<u>(71,482)</u>	<u>(65,015)</u>
	<u><u>2,570,281</u></u>	<u><u>2,528,509</u></u>

11. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	7,315,747	5,260,679
Impairment	<u>(388,313)</u>	<u>(348,404)</u>
	6,927,434	4,912,275
Less: Trade receivables due after one year	<u>(581,083)</u>	<u>(640,575)</u>
	6,346,351	4,271,700
Bills receivable	<u>631,898</u>	<u>700,270</u>

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 3% (31 December 2021: 5%) of the Group's trade receivables due from a single third party customer, including a group of entities which are known to be under common control with that customer. Included in the trade receivables was an amount due from fellow subsidiaries in aggregate of RMB1,142,279,000 as at 30 June 2022 (31 December 2021: RMB742,104,000) for sales of products by the Group, which accounted for 16% (31 December 2021: 14%) of the Group's trade receivables at the end of the reporting period. Trade receivables are non-interest-bearing.

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 180 days	4,976,016	3,262,566
181 to 365 days	1,234,848	1,112,214
1 to 2 years	626,920	412,296
2 to 3 years	76,294	114,855
Over 3 years	<u>13,356</u>	<u>10,344</u>
	6,927,434	4,912,275

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At 1 January	348,404	424,209
Impairment/(reversal of impairment) losses, net	41,712	(2,658)
Amount written off as uncollectible	<u>(1,803)</u>	<u>(73,147)</u>
At 30 June/31 December	<u>388,313</u>	<u>348,404</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type, and coverage of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within six months	442,786	534,249
Over six months	<u>189,112</u>	<u>166,021</u>
	<u>631,898</u>	<u>700,270</u>

Included in the bills receivable was an amount of RMB151,221,000 as at 30 June 2022 (31 December 2021: RMB96,940,000) which was pledged for the issuance of a letter of guarantee.

None of the amount included in the bills receivable as at 30 June 2022 (31 December 2021: nil) was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 30 June 2022 the Group endorsed certain bills receivable accepted by banks in Mainland China (the “Endorsed Bills”) with a carrying amount of RMB242,097,000 (31 December 2021: RMB194,840,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was RMB242,097,000 (31 December 2021: RMB194,840,000) as at 30 June 2022.

Transferred financial assets that are derecognised in their entirety

At 30 June 2022, the Group endorsed certain bills receivable accepted by banks in Mainland China (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB356,524,000 (31 December 2021: RMB744,178,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 RMB’000 (Unaudited)	31 December 2021 RMB’000 (Audited)
Unlisted investments		
Financial investments at fair value through profit or loss	<u>3,340,668</u>	<u>3,680,123</u>

The above unlisted investments were wealth management products issued by banks, trusts and funds in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 30 days	3,132,936	2,769,451
31 to 90 days	1,490,579	686,892
91 to 180 days	719,995	337,542
181 to 365 days	64,675	494,060
Over 1 year	50,075	134,359
	<u>5,458,260</u>	<u>4,422,304</u>

The trade payables are non-interest-bearing and are normally with credit terms of 30 to 120 days.

The bills payable are normally due within 180 days.

Included in the trade and bills payables was an amount due to fellow subsidiaries in aggregate of RMB102,731,000 as at 30 June 2022 (31 December 2021: RMB128,963,000) for purchasing raw materials by the Group.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	3.30	2022	200,000	—	—	—
	Libor+			Libor+		
Bank loans — unsecured	1.20–3.50	2022–2023	<u>2,666,722</u>	0.15–3.55	2022	<u>1,687,346</u>
			<u>2,866,722</u>			<u>1,687,346</u>
Non-current						
Bank loans — secured	3.20	2030	400,000	—	—	—
Bank loans — unsecured	3.10–3.60	2023–2025	<u>751,675</u>	2.92–4.10	2023–2024	<u>1,766,768</u>
			<u>1,151,675</u>			<u>1,766,768</u>

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	2,866,722	1,687,346
In the second year	301,705	1,566,768
In the third to fifth years, inclusive	849,970	200,000
	<u>4,018,397</u>	<u>3,454,114</u>

- (a) As at 30 June 2022, RMB400,000,000 of the Group's bank loans are secured by mortgages over the Group's leasehold land of RMB531,831,000 (31 December 2021: nil).
- (b) As at 30 June 2022, Sany Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB3,259,330,000 as at the end of the reporting period (31 December 2021: RMB2,650,172,000).
- (c) Except for the unsecured bank loan of RMB33,557,000 and RMB13,540,000 which are denominated in US\$ and EUR, all borrowings are in RMB (31 December 2021: RMB187,109,000 denominated in US\$).

15. GOVERNMENT GRANTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At 1 January	1,080,160	1,201,610
Received during the period/year	68,079	140,265
Accrued during the year	—	21,658
Acquisition of a subsidiary	—	19,473
Released to the statement of profit or loss during the period/ year (<i>note 4</i>)	<u>(135,973)</u>	<u>(302,846)</u>
At 30 June/31 December	1,012,266	1,080,160
Current portion	<u>(134,375)</u>	<u>(112,700)</u>
Non-current portion	<u>877,891</u>	<u>967,460</u>

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.

16. SHARE CAPITAL

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Authorised:		
4,461,067,880 (31 December 2021: 4,461,067,880) ordinary shares of HK\$0.10 each	446,107	446,107
538,932,120 (31 December 2021: 538,932,120) convertible preference shares of HK\$0.10 each	53,893	53,893
Total authorised capital	500,000	500,000
Issued and fully paid:		
3,162,108,643 (31 December 2021: 3,154,123,013) ordinary shares of HK\$0.10 each	316,211	315,412
479,781,034 (31 December 2021: 479,781,034) convertible preference shares of HK\$0.10 each	47,978	47,978
Total issued and fully paid capital	364,189	363,390
Equivalent to RMB'000	312,712	312,060

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

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

	Number of convertible shares	Number of ordinary shares	Share capital HK\$'000	Equivalent to RMB'000
At 31 December 2021	479,781,034	3,154,123,013	363,390	312,060
Issue of shares (note)	—	7,985,630	799	652
At 30 June 2022	479,781,034	3,162,108,643	364,189	312,712

Note:

During the six months ended 30 June 2022, 1,228,301 and 6,757,329 new ordinary shares were issued for the share options exercised and the restricted stock units. Cash proceeds of HK\$5,491,000 (equivalent to RMB4,586,000) were received with no transaction costs borne by the Company, and related share option reserve of RMB348,000 was transferred to share premium accordingly.

17. DISPOSAL OF A SUBSIDIARY CLASSIFIED AS HELD FOR SALE

In the second half of 2018, Sany Heavy Equipment, a directly wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the “Equity Transfer Agreement”) with Xinjiang Xing Ao Investment Co., Ltd. (“Xing Ao Investment”) to dispose of Xinjiang Sany, an indirectly wholly-owned subsidiary of the Company, which remained dormant in prior years. Pursuant to the Equity Transfer Agreement, Sany Heavy Equipment agreed to sell a 100% equity interest in Xinjiang Sany to Xing Ao Investment for a total consideration of RMB177,400,000, among which RMB1,967,000 would be retained as a guarantee deposit. Cash considerations of RMB97,433,000, RMB38,000,000 and RMB40,000,000 were received by Sany Heavy Equipment in 2018, 2019 and 2020, respectively. The transaction was completed on 30 June 2021 as all conditions precedent pursuant to the Equity Transfer Agreement, including but not limited to the full settlement of the consideration, the shareholder information update in the business licence and the physical handover, had been fulfilled.

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

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

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

18. COMMITMENTS

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	385,904	551,653
Plant and machinery	164,144	203,331
	550,048	754,984

MANAGEMENT DISCUSSION AND ANALYSIS

Major products

The Group divides its products into three categories, namely (1) mining equipment, which includes coal mining machinery products, such as roadheaders (all types of soft rock, hard rock roadheaders and integrated excavation, bolting and self-protection machine) and mining equipment (shearer, hydraulic support system, scraper conveyor etc.); non-coal mining machinery products, such as tunnel roadheader and mining machine; mining vehicle products, such as mining transport equipment (mechanical drive off-highway dump truck and electric drive off-highway dump truck) and widebodied vehicle and other relevant products; and smart mine products, such as unmanned driving, automated integrated mining and smart mine operation systems; (2) logistics equipment, which includes container equipment (including small-scale port machinery such as front loader, stacking machine, etc., and large-scale port machinery such as quayside gantry crane, etc.), bulk material equipment (gripper, elevated hoisting arm, etc.) and general equipment (heavy-weight forklift, telehandler, etc.); and (3) robotics, such as robot system integration, mobile robots and electric forklifts.

Business review

During the six months ended 30 June 2022, the intelligentization of China's coal mines fully picked up the pace, and the application of mine intelligent technologies sped up. China continued to promote the green development plan for ports while the Group facilitated the construction of mines and ports around the world with its technologically innovative electric and smart products. The Group continued to push the strategies of internationalization, electrification and digital intellectualization, and its results of operations showed significant growth, while quality of operation continuously improved. Revenue for the six months ended 30 June 2022 amounted to RMB7,631.7 million, representing an increase of 53.1% as compared with the same period last year. The internationalization strategy achieved remarkable results, with overseas revenue significantly increasing by 121.9%. Investments in R&D for the six months ended 30 June 2022 amounted to RMB416.4 million, representing an increase of 23.9% over the same period last year. R&D capabilities strengthened significantly, with a focus on the creation of leading electric, intelligent products and technologies. Competitiveness of our products continued to enhance. Our roadheaders, front loaders and stacking machines continued to be the top brand in the industry, while integrated mining equipment and widebodied vehicles achieved continued growth in market share. Major operation highlights are as follows:

Rapid growth in international revenue and accelerated internationalization expansion

The Group remained steadfast in its international marketing strategy of “autonomy, localization, services first and empowerment by platform”. The international sales has seen massive growth, with the revenue from oversea sales for the first half of 2022 amounted to RMB1,927.5 million, representing an increase of 121.9% over the same period of last year. The international sales revenue for mining equipment saw a significant increase of 130.9%, with international sales for widebodied vehicles increasing swiftly. Our widebodied vehicles rank first in market share for exports from China, made breakthroughs in Central Asia and Latin America, and will continue to expand the overseas markets of South America, Southeast Asia and Europe. Our logistics equipment is product oriented with a product portfolio suitable for international markets, and we continued to expand the European, US and Southeast Asian markets. Our international sales revenue increased significantly by 113.6%. We have developed multiple international models of front loader and stacking machine, while the international market penetration of electric products continued to increase with new grippers making a breakthrough in overseas market sales, and international sales have increased significantly.

Significant results in intelligentization and electrification R&D

For the mining equipment segment, intelligent roadheader showed excellent functionality in underground operation, and the technology development of the second-generation smart remote-control system has been completed. 5 sample mines were constructed with an automation rate of 72%. The excavation efficiency of excavation, bolting and self-protection products were greatly enhanced, achieving an increase of 200% in sales when compared to the corresponding period in 2021. The development of three new shearer models, namely 511, 730S and 1150S, was complete, further improving the spectrum for thin coal seams as well as medium and thick coal seams. We are building the top brand for widebodied vehicles. The medium-capacity SKT105S is selling in bulk, while 18 different models including SKT105SY and SKT105A are simultaneously under development to satisfy the needs in different work conditions. In the meantime, the development for hybrid, pure electric and battery-replaceable widebodied vehicles accelerated. The prototypes of SKT130, SKT130Pro and SKT160 have completed test production, while the first SET150 electric dump truck was sold to Central Asia and is selling in bulk. The SKT105EC electric widebodied vehicle with integrated charging and replacement was launched, gaining 15 orders.

For the logistics equipment segment, we delivered 30 automated rail mounted gantry cranes and rubber-tyred cranes in China. The Group has won the bidding for the automated quayside gantry crane project at Haitian Terminal in Xiamen Port, which has an industry-leading landside automation success rate and operation efficiency. The system uses LiDAR and visual system to achieve automatic dismounting with robots. With an automatic unlocking efficiency of <60 s/run, the key technical difficulty for unmanned terminals has been resolved. A simulation test for a full set of operation scenarios were run on unmanned flatbed trucks. Our self-driving and intelligentization level is industry-

leading. For electrification, the focus is on the full set of electric port machineries such as electric front loaders, electric stacking machines, electric trucks, electric crawler material handlers and electric forklifts. The spectrum of pure electric and extended-range products continuous to expand. The second-generation hybrid front loader SRSC45E2 were delivered in bulk to clients. Pure electric trackers were delivered in batch for use in the Port of Xiamen. The pure electric forklift SCPE250 was launched. It has a 10% higher range than products with the same electric capacity and the cost of energy consumption reduced over 50% when compared with that of fuel-powered equipment. Three new next-generation steel and material grippers which are more efficient, energy-saving with lower operational costs were launched and delivered to customers. The “Application of Battery-replaceable Container Motor Machinery” project was started in Beibu Gulf International Container Terminal, which included battery-replaceable front loaders, battery-replaceable stacking machines and battery-replaceable trucks.

New business under swift development and widely recognized in the market

For the robotics business, the revenue from the robotics products for the six months ended 30 June 2022 was RMB553.0 million, representing an increase of 36.9% when compared to the corresponding period in 2021. AGV, system integration and stereoscopic warehouse have achieved industry breakthroughs in the new energy, photovoltaic, chemical engineering, battery dismantling and discrete manufacturing industries. Over 10 new AGV models of across six series have completed development, including new energy AGVs for the Honeycomb project and the Contemporary Amperex Technology Co., Limited — Geely project. We have completed the development and application of automated pairing technology for large box heads, box head welding technology using four machines simultaneously and flexible grabbing apparatus for robotics. The SCP30C6 electric counterbalance forklift was launched and small batch production has begun. It is industry-leading in various performance indicators, with greatly improved reliability, maintainability and workmanship, as well as a batch cost 25% lower than previous generation.

For the smart mine products, orders for electro-hydraulic control products increased, while intelligent combined coal mining units for underground mining were delivered to multiple customers. Unmanned driving commercial collaboration of unmanned widebodied vehicles commenced in three mines. With a total of 50 unmanned vehicles being deployed and an operating mileage of 100,000 kilometres, it is the largest electric fleet operating in China in term of operating scale. We collaborated closely with Tencent Cloud and jointly won the second prize at the World 5G Convention.

Comprehensively driving the digital and intelligent operations to significantly increase operating efficiency

The Group has production and manufacturing bases in Shenyang, Zhuhai and Beijing, respectively. Four lighthouse factory projects have successively commenced operation, namely widebodied vehicles, hydraulic supports, small port machinery and large port machinery. On 30 June 2022, Sany Intelligent Equipment Co., Ltd., a wholly owned subsidiary of Sany Heavy Equipment, made prepayment of RMB91,800,000 to obtain the land use rights in respect of 349,731.22 square meters of state-owned construction land at Xixian New Area, Xi'an, Shaanxi province. Additional land premium payment of RMB91,810,000 was made subsequently on 4 July 2022, and the project on this land was expected to complete and put in to operation by 2023. It will be built as “Sany Heavy Equipment Western Intelligent Production Center” in the future.

The completed lighthouse factories improve the automation in production and, substantially ramp up the productivity, through which the workforce required for the manufacturing and assembling processes was minimalized and the manufacturing cycle was shortened, allowing the rapidly growing orders for the Group's anchor products to be met. Meanwhile, the Group will accelerate the establishment of standardized, online, automated and computerized business processes, real-time and on-site management, the interconnection of production equipment, the management of 4 utilities, as well as the in-depth application of their data, and launch R&D in the direction of data collection, energy management, efficiency management, cost saving and fault prediction. The Group will also implement MOM, WMS and information central control system to achieve intelligent manufacturing, self develop a quality cloud platform, establish data realization software development team, deepening the application of industrial software for R&D, marketing, manufacturing and supply chain, and promote the comprehensive digital and intelligent operation of intelligent manufacturing, intelligent operation, intelligent supply chain and R&D digitalization.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group recorded revenue of approximately RMB7,631.7 million, representing an increase of approximately RMB2,647.5 million, or approximately 53.1%, from approximately RMB4,984.2 million for the six months ended 30 June 2021. Such increase was mainly attributable to (1) a marked increase in the revenue for the Group's roadheaders, integrated mining equipment, widebodied vehicles and small port machinery products due to the continual launch of 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) an acceleration in the structural adjustment of the Group's robotics business and its continuous growth in revenue.

Other income and gains

For the six months ended 30 June 2022, the Group's other income and gains were approximately RMB283.2 million, representing a decrease of approximately RMB201.3 million from approximately RMB484.5 million for the six months ended 30 June 2021. The change was mainly due to the Group's gain on the disposal of all the equity interests in Xinjiang Sany, an indirect subsidiary of the Group, in June 2021.

Cost of sales

For the six months ended 30 June 2022, the Group's cost of sales was approximately RMB5,816.5 million, representing an increase of approximately 54.3% from approximately RMB3,769.1 million for the six months ended 30 June 2021. The increase was mainly due to a significant increase in the Group's sales revenue.

Gross profit margin

For the six months ended 30 June 2022, the gross profit margin of the Group was approximately 23.8%, representing a decrease of approximately 0.6 percentage points against approximately 24.4% for the six months ended 30 June 2021. Such decrease was mainly due to (1) a change in product mix in a way that sales proportion of lower margin products increased; (2) an increase in international freight charges.

Selling and distribution expenses

For the six months ended 30 June 2022, the selling and distribution expenses of the Group were approximately RMB400.8 million, representing an increase of approximately 64.4% as compared with that of approximately RMB243.8 million for the six months ended 30 June 2021.

During the reporting period, the ratio of the Group's selling and distribution expenses to revenue was approximately 5.3%, representing an increase of approximately 0.4 percentage point as compared with approximately 4.9% for the six months ended 30 June 2021. Such change was mainly due to an increase in development for international sales channels and investment in international resources, and an increase in the salaries for international marketing personnel.

Research and development expenses

For the six months ended 30 June 2022, the R&D expenses of the Group were approximately RMB416.4 million, representing an increase of approximately 23.9% as compared with approximately RMB336.1 million for the six months ended 30 June 2021. For the six months ended 30 June 2022, the ratio of R&D expenses against revenue was approximately 5.5%, representing a decrease of approximately 1.2 percentage points as compared with approximately 6.7% for the six months ended 30 June 2021. The increase of R&D expenses was due to (1) the Group's focus on enhancing R&D capability on

intelligent, electric and internationalized new products as well as data, algorithm and software, leading to a significant increase in R&D investments in the fields of unmanned driving, smart port and robotics business; and (2) a substantial increase in the salaries for R&D personnel.

Administrative expenses

For the six months ended 30 June 2022, administrative expenses of the Group were approximately RMB562.8 million (for the six months ended 30 June 2021: approximately RMB470.4 million). The administrative expenses excluding R&D expenses were approximately RMB146.4 million (for the six months ended 30 June 2021: approximately RMB134.3 million), which accounted for approximately 1.9% of the revenue, representing a decrease of approximately 0.8 percentage point as compared with that of approximately 2.7% for the six months ended 30 June 2021. Such change was mainly attributable to the Group tightly controlling the number of second line non-R&D personnel and strictly managing its administrative expenses through measures such as expense monitoring and performance review.

Finance costs

For the six months ended 30 June 2022, finance costs of the Group were approximately RMB72.6 million, representing an increase of 31.3% as compared with approximately RMB55.2 million for the six months ended 30 June 2021. The change was mainly due to the increase in bank borrowings for the six months ended 30 June 2022.

Profit margin before tax

For the six months ended 30 June 2022, the Group's profit margin before tax was approximately 13.4%, representing a decrease of approximately 5.6 percentage point as compared with that of approximately 19.0% for the six months ended 30 June 2021. Such decrease was mainly attributable to the gain on one-off disposal of Xinjiang Sany occurred in June 2021.

Taxation

For the six months ended 30 June 2022, the Group's effective tax rate was approximately 10.9% (for the six months ended 30 June 2021: the effective tax rate was approximately 12.4%). For details regarding income tax, please refer to note 7 on page 15 of this announcement.

Profit attributable to owners of the parent

For the six months ended 30 June 2022, the Group's profit attributable to owners of the parent was approximately RMB905.8 million, which represents an increase of approximately 11.7% as compared with approximately RMB811.1 million for the six months ended 30 June 2021. For the main reasons of such change, please refer to the paragraphs headed "Revenue", "Gross profit margin" and "Profit margin before tax".

Non-IFRS Measures

To supplement our interim condensed consolidated statement of profit or loss which is presented in accordance with IFRS, we also use adjusted equity attributable to owners of the parent as a non-IFRS measures, which are not required by, or presented in accordance with, IFRS. The adjusted equity attributable to owners of the parent for the period ended 30 June 2021 is calculated by deducting the one-off gain on disposal of a subsidiary classified as held for sale of RMB150.5 million from the net equity attributable to owners of the parent. We believe that the consideration of non-IFRS measures when shown in conjunction with the corresponding IFRS measures facilitates a comparison of our operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. Such non-IFRS measures allow investors to consider metrics used by our management in evaluating our performance. From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

For the six months ended 30 June 2022, the adjusted profit attributable to owners of the parent recorded by the Group was approximately RMB905.8 million, which represents an increase of approximately 37.1% as compared with approximately RMB660.6 million for the six months ended 30 June 2021.

Liquidity and financial resources

As at 30 June 2022, total current assets of the Group were approximately RMB16,343.0 million (as at 31 December 2021: RMB14,217.1 million). As at 30 June 2022, total current liabilities of the Group were approximately RMB11,714.4 million (as at 31 December 2021: RMB9,169.8 million).

As at 30 June 2022, total assets of the Group were approximately RMB23,141.1 million (as at 31 December 2021: approximately RMB20,785.1 million), and total liabilities were approximately RMB13,862.9 million (as at 31 December 2021: approximately RMB12,002.0 million).

As at 30 June 2022, the gearing ratio (the net debt over net assets ratio) was approximately 52.9% (as at 31 December 2021: approximately 51.4%).

Trade and bills receivables

As at 30 June 2022, the Group's gross balance of trade and bills receivables were approximately RMB7,947.6 million, representing an increase of approximately 33.3% as compared to approximately RMB5,961.0 million as at 31 December 2021, in which the amount of trade receivables increased by approximately 39.1% to approximately RMB7,315.7 million as compared with approximately RMB5,260.7 million as at 31 December 2021. Such changes were mainly attributable to the increase in sales revenue. The bills receivables decreased by approximately 9.8% to approximately RMB631.9 million as compared to approximately RMB700.3 million as at 31 December 2021. Such changes were mainly due to increase in the endorsement and discount for bills.

Interest-bearing bank and other borrowings

As at 30 June 2022, interest-bearing bank and other borrowings of the Group were approximately RMB4,018.4 million (31 December 2021: approximately RMB3,454.1 million). Such change was mainly due to meeting the capital requirements for day-to-day operation and ongoing infrastructure projects, and that the Group engages in financing to prepare for potential capital investments and acquisition opportunities. As at the date of this announcement, the Group has not entered into any letter of intention or definitive agreement for capital investments and acquisition.

Cash flow

As at 30 June 2022, the Group's cash and cash equivalents and time deposits with maturity of three months or more were approximately RMB1,771.0 million in total.

For the six months ended 30 June 2022, the net cash inflow of the Group from operating activities was approximately RMB99.2 million (for the six months ended 30 June 2021: net cash inflow of approximately RMB835.9 million). Such change was mainly due to (1) the collection of the payments for the robotics business was made in advance in the last year, while the goods and services of which was delivered during the current period; (2) the bills payable in previous periods were concentrated to settle during the six months ended 30 June 2022; and (3) major parts were reserved in advance to deal with production rush.

For the six months ended 30 June 2022, the net cash outflow of the Group from investing activities was approximately RMB1.2 million (for the six months ended 30 June 2021: net cash inflow of approximately RMB111.8 million). Such change was mainly due to a decrease in the purchase of wealth management issued by third party financial institutions, funds and trusts.

For the six months ended 30 June 2022, the net cash inflow of the Group from financing activities was approximately RMB341.6 million (for the six months ended 30 June 2021: net cash outflow of approximately RMB47.7 million). Such change was mainly due to the increase in bank borrowings.

Turnover days

As at 30 June 2022, the Group's average turnover days of inventory were approximately 82.2 days, representing a decrease of approximately 8.4 days over approximately 90.6 days as at 30 June 2021. Such change was mainly due to the Group enhanced its control on inventories and implemented direct settlement upline and downline, managing by categories and adopting "one product, one strategy".

The turnover days of trade and bills receivables decreased by approximately 13.0 days from approximately 179.3 days as at 30 June 2021 to approximately 166.3 days as at 30 June 2022. Such change was mainly due to the Group persisted in value-based selling and strictly controlled transaction terms.

The turnover days of trade and bills payables increased by approximately 2.8 days from approximately 152.4 days as at 30 June 2021 to approximately 155.2 days as at 30 June 2022. Such change was mainly due to the increase of trade payable caused by the increase of raw materials procured.

Financial guarantee contracts

As at 30 June 2022, the financial guarantee contracts not provided for in the financial statements amounted to RMB948.3 million, being the financial guarantee under finance lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. and Sany Heavy Equipment Co., Ltd. (31 December 2021: RMB1,009.9 million).

Capital commitment

As at 30 June 2022, the contracted capital commitments of the Group which were not provided for in the Group's financial statements were approximately RMB550.0 million (31 December 2021: approximately RMB755.0 million).

Employees and remuneration policy

As at 30 June 2022, the Group employed a total of 5,336 employees (31 December 2021: 4,995 employees). The Group persists in training and developing talents. Accordingly, it provides regular internal training, external training and corresponding courses to its staff according to their ranking and working stage, with an aim to improving their skills relevant to work and enhancing their sense of belonging. The Group pays year-end bonuses to staff to reward them for their contributions and dedication to the Group. In addition, the Group implements a share award scheme for core employees to share the Company's development results. The remuneration of the directors of the Group was determined according to their positions, responsibilities, experience and prevailing market conditions.

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

There were no significant investments, and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022. As at 30 June 2022, the Board had not authorised any plan for material investments or capital assets.

Pledge on assets

As at 30 June 2022, the Group's pledged bank deposits amounted to approximately RMB4.4 million in total (31 December 2021: approximately RMB21.0 million).

As at 30 June 2022, the Group had no bank loans secured by financial assets at fair value through profit or loss (31 December 2021: the Group did not have financial investments at fair value through profit or loss being pledged for the Group's bank loans).

As at 30 June 2022, the Group's bank loans secured by land amounted to approximately RMB400 million in total (31 December 2021: nil).

Foreign exchange risk

As at 30 June 2022, the Group's cash and bank balances denominated in foreign currencies such as HK\$, Euro and US\$ were equivalent to approximately RMB137.6 million. The Group will monitor the risk exposures and may consider hedging against material currency risk as appropriate.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this announcement, the Group has no material events subsequent to 30 June 2022 and up to the date of this announcement.

SOCIAL RESPONSIBILITY

Adhering to the concept of “Quality changes the world”, the Group proactively supports the national policy of carbon peaking and carbon neutrality. Focusing on the needs for green upgrades of mining and port customers, the Group actively develops clean technology products and solutions to accelerate the deep integration of traditional industries and technology and empower the intelligent transformation of the manufacturing industry. Pure water hydraulic support of the mining equipment segment achieves zero pollution to underground water sources, which assists coal mines to accomplish mining with less manpower in a green, efficient and intelligent way, winning the 2nd class award of Science and Technology Progress Awards, presented by China National Coal Association (中國煤炭工業協會). The upgrade of remote control quayside container cranes of the logistics equipment segment has promoted unmanned port operation and satisfied the needs for port transformation and automated remote control. This helps to improve the working environment of terminal staff and enhance the efficiency and effectiveness of port operations.

With a high sense of social responsibility, the Group actively participates in social activities and support public welfare. It strives to contribute to the local economy, people’s livelihood and harmonious environment. The deployment of mining equipment products in the construction of a major water diversion project in the Central Yunnan helped solve the safety and technical problems for projects that benefit the local people. The Group values the integration of production, academic and research and conducted technical cooperation with colleges and universities such as the Institute of Metal Research, Chinese Academy of Sciences, Northeastern University and Shenyang University of Technology to organize and promote independent innovation of key technologies and key products, actively promoting the technological innovation and development of the industry.

CORPORATE GOVERNANCE

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

The Company has complied with the code provisions under the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the six months ended 30 June 2022.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Upon specific enquiries made with all Directors, each of them has confirmed that he had complied with the Model Code during the six months ended 30 June 2022.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan, all of whom are independent non-executive Directors. Mr. Poon Chiu Kwok, who has professional qualifications in accounting, was appointed as the chairman of the Audit Committee. The Audit Committee has convened meetings to discuss the auditing, internal controls, risk management and financial reporting matters, including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2022.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial statements of the Group for the six months ended 30 June 2022 have not been audited or reviewed by the Company’s external auditor but had been reviewed by the Audit Committee before being recommended to the Board for approval.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

For the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

PUBLICATION OF INFORMATION ON THE WEBSITES

This announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) as well as the website of the Company (www.sanyhe.com). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and made available for review on the same websites in due course.

By the Order of the Board
Sany Heavy Equipment International Holdings Company Limited
Liang Zaizhong
Chairman

Hong Kong, 31 August 2022

As at the date of this announcement, 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, and the independent non-executive Directors are Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan.