SANYI

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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Sany Heavy Equipment International Holdings Company Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022, together with comparative figures for the year ended 31 December 2021. These annual results have been reviewed by the audit committee of the Company (the "**Audit Committee**"), comprising solely the independent non-executive Directors.

FINANCIAL SUMMARY

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

Profit attributable to owners of the parent recorded by the Group for the year ended 31 December 2022 was approximately RMB1,664.9 million, representing an increase of approximately 32.2% as compared with approximately RMB1,259.1 million for the year ended 31 December 2021. For the main reasons of such change, please refer to the paragraphs headed "Revenue", "Gross profit and gross profit margin" and "Profit margin before tax" of this announcement.

Excluding the one-off item of the Group's gain in 2021 on the completion of disposal of all the equity interests in Xinjiang Sany Heavy Equipment Co., Ltd. ("**Xinjiang Sany**"), an indirect subsidiary, the Group recorded an adjusted profit attributable to owners of the parent of approximately RMB1,664.9 million for the year ended 31 December 2022, representing an increase of approximately 50.2% as compared with approximately RMB1,108.6 million for the year ended 31 December 2021.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4	**15,536,716**	10,194,616
Cost of sales		**(11,908,372)**	(7,804,976)
Gross profit		**3,628,344**	2,389,640
Other income and gains	4	**646,942**	790,923
Selling and distribution expenses		**(932,879)**	(566,567)
Administrative expenses		**(1,177,331)**	(1,053,151)
Impairment losses on financial and contract assets, net		**(87,194)**	(2,434)
Other expenses		**(24,982)**	(694)
Finance costs	6	**(131,967)**	(119,666)
PROFIT BEFORE TAX	5	**1,920,933**	1,438,051
Income tax expense	7	**(251,859)**	(128,893)
PROFIT FOR THE YEAR		**1,669,074**	1,309,158
Attributable to:			
Owners of the parent		**1,664,911**	1,259,071
Non-controlling interests		**4,163**	50,087
		1,669,074	1,309,158
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (RMB Yuan)		**0.53**	0.40
Diluted (RMB Yuan)		**0.46**	0.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,065,888**	3,314,006
Right-of-use assets		**1,273,397**	1,113,534
Goodwill	*10*	**1,129,520**	1,129,520
Intangible assets		**17,387**	19,295
Trade receivables	*12*	**888,356**	640,575
Non-current prepayments		**24,384**	9,650
Contract assets		**65,845**	54,614
Deferred tax assets		**297,805**	286,852
Total non-current assets		**7,762,582**	6,568,046
CURRENT ASSETS			
Inventories	*11*	**3,282,540**	2,528,509
Properties for sale		**883,911**	1,039,637
Trade receivables	*12*	**6,416,294**	4,271,700
Bills receivable	*12*	**1,011,765**	700,270
Contract assets		**68,164**	41,850
Prepayments, other receivables and other assets		**700,258**	584,658
Financial assets at fair value through profit or loss	*13*	**2,087,646**	3,680,123
Pledged deposits	*14*	**50,286**	20,997
Cash and cash equivalents	*14*	**2,689,823**	1,349,332
Total current assets		**17,190,687**	14,217,076

	Notes	2022 RMB'000	2021 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	15	**6,646,310**	4,422,304
Other payables and accruals		**2,791,041**	2,659,400
Dividend payable		**83,284**	70,226
Interest-bearing bank and other borrowings	16	**954,215**	1,687,346
Tax payable		**155,113**	185,221
Provision for warranties		**40,053**	24,053
Government grants		**164,656**	112,700
Derivative financial instruments		**1,106**	8,561
Total current liabilities		**10,835,778**	9,169,811
NET CURRENT ASSETS		**6,354,909**	5,047,265
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,117,491**	11,615,311
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	**2,691,178**	1,766,768
Government grants		**1,185,182**	967,460
Deferred tax liabilities		**137,357**	97,935
Total non-current liabilities		**4,013,717**	2,832,163
Net assets		**10,103,774**	8,783,148
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	**312,789**	312,060
Reserves		**9,727,190**	8,388,996
		10,039,979	8,701,056
Non-controlling interests		**63,795**	82,092
Total equity		**10,103,774**	8,783,148

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2022

1. CORPORATE AND GROUP INFORMATION

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

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

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 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

IFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

(a) Mining equipment segment

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

(b) Logistics equipment segment

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, 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.

Year ended 31 December 2022	Mining equipment *RMB'000*	Logistics equipment *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to customers *(note 4)*	**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**	**85,463**
(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**

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

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

Geographical information

(a) Revenue from external customers

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

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

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

Information about major customers

Revenue of approximately RMB2,672,117,000 (2021: RMB2,098,797,000) was derived from sales to fellow subsidiaries, including sales to a group of entities which are known to be under common control with that customer.

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:

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

Revenue from contracts with customers

(i) **Disaggregated revenue information**

For the year ended 31 December 2022

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

For the year ended 31 December 2021

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

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

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

(ii) Performance obligations

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

Sale of industrial products

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

Installation services

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

Maintenance and other services

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

Sale of properties

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

	2022	2021
	RMB'000	*RMB'000*
Other income		
Bank interest income	**42,362**	43,444
Other interest income	**16,786**	7,203
Government grants	**340,562**	302,846
Rental income	**10,467**	13,218
Profit from sale of scrap materials	**56,543**	29,399
Foreign exchange differences, net	**2,621**	5,225
Others	**36,071**	40,611
	505,412	441,946
Gains		
Fair value gain, net:		
Financial assets at fair value through profit or loss — mandatorily classified as such	**136,347**	178,135
Derivative instruments — transactions not qualifying as hedges	**1,442**	(1,563)
Gain on disposal of a subsidiary classified as held for sale	**—**	172,405
Gain on disposal of items of property, plant and equipment, net	**3,741**	—
	141,530	348,977
	646,942	790,923

5. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**11,753,827**	7,714,306
Cost of services provided		**141,172**	115,012
Depreciation of property, plant and equipment		**261,380**	221,815
Depreciation of right-of-use assets		**29,255**	26,086
Amortisation of patents and licences		**1,908**	954
Auditors' remuneration		**2,555**	2,555
Provision of warranties*		**28,292**	7,875
Research and development costs**		**859,973**	751,274
Lease payments not included in the measurement of lease liabilities		**28,332**	21,180
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		**1,958,561**	1,103,493
Share option and share award expenses		**118,238**	26,139
Employee retirement benefits******		**60,175**	38,165
Other staff welfare		**43,777**	26,697
		2,180,751	1,194,494
Foreign exchange differences, net***		**(2,621)**	(5,225)
Impairment of property, plant and equipment, net***		**21,393**	—
Impairment on financial assets and contract assets, net****:			
Impairment/(reversal of impairment) of trade receivables, net	*12*	**85,643**	(2,658)
Impairment of contract assets, net		**1,694**	453
(Reversal of impairment)/impairment of other receivables, net		**(143)**	4,639
		87,194	2,434
Provision/(write-back of provision) against slow-moving and obsolete inventories*****	*11*	**13,373**	(24,342)
(Gain)/loss on disposal of items of property, plant and equipment, net***		**(3,741)**	694
Gains from sales of scrap materials***		**(56,543)**	(29,399)
Gain on disposal of a subsidiary classified as held for sale***		**—**	(172,405)
Remeasurement of financial guarantee contracts***		**3,589**	—
Fair value (gains)/losses, net***:			
Financial assets at fair value through profit or loss — mandatorily classified as such		**(136,347)**	(178,135)
Derivative instruments — transactions not qualifying as hedges		**(1,442)**	1,563
		(137,789)	(176,572)

*	Included in "Selling and distribution expenses" in the consolidated statement of profit or loss
**	Included in "Administrative expenses" in the consolidated statement of profit or loss
***	Included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss
****	Included in "Impairment losses on financial and contract assets, net" in the consolidated statement of profit or loss
*****	Included in "Cost of sales" in the consolidated statement of profit or loss
******	As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil)

6. FINANCE COSTS

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

7. INCOME TAX

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China were subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the year ended 31 December 2022.

Five of the Group's principal operating companies, Sany Heavy Equipment, Hunan Sany Port Equipment, Sany Marine Heavy Industry, Sany Intelligent Mining and Sany Machinery, and one of the Group's principal operating companies, Sany Robot, were subject to CIT at a rate of 15% in 2022 due to the recognition as High and New Technology Enterprises, and the recognition as a company engaged in the encouraged industry in China's Western Region, respectively.

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

8. DIVIDENDS

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

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

A special dividend of HK$0.18 per share, totalling HK$633,746,000, was approved by the board of directors on 23 January 2018. HK$547,505,000 of the dividend was subsequently distributed during the year ended 31 December 2018 and the remaining amount of HK$86,241,000 (equivalent to RMB76,729,000 as at 31 December 2022 and RMB70,226,000 as at 31 December 2021) was recorded in "dividend payable" in the consolidated statement of financial position as at 31 December 2022 and 2021.

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

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 year ended 31 December 2022 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,141,714,465 (2021: 3,140,679,026) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year ended 31 December 2022 attributable to ordinary equity holders of the parent, adjusted to reflect the preferred distribution on the convertible preference shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

10. GOODWILL

	RMB'000
At 31 December 2021 and 31 December 2022:	
Cost	**1,129,520**
Accumulated impairment	**—**
Net carrying amount	**1,129,520**

Impairment testing of goodwill

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

- Logistics equipment cash-generating unit

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

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

The recoverable amount of goodwill has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 17% (2021: 18%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2021: 3%), which was the same as the long-term average growth rate of the industry. The goodwill was not impaired based on the results of the above impairment testing.

Assumptions were used in the value in use calculation for 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

11. INVENTORIES

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

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

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**65,015**	105,859
Charged for the year *(note 5)*	**25,057**	31,397
Write-back for the year *(note 5)*	**(11,684)**	(55,739)
Write-off for the year	**(7,005)**	(16,502)
At 31 December	**71,383**	65,015

12. TRADE AND BILLS RECEIVABLES

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

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 3% (2021: 5%) of the Group's trade receivables were due from a single third-party customer, including a group of entities which are known to be under common control with that customer. Included in the trade receivables was an amount due from fellow subsidiaries in aggregate of RMB1,010,987,000 as at 31 December 2022 (2021: RMB742,104,000) for sales of products by the Group, which accounted for 13% (2021: 14%) of the Group's trade receivables at the end of the reporting period. Trade receivables are non-interest-bearing.

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

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

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**348,404**	424,209
Impairment/(reversal of impairment), net *(note 5)*	**85,643**	(2,658)
Amount written off as uncollectible	**(9,567)**	(73,147)
At end of year	**424,480**	348,404

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

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

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

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

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

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

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

At 31 December 2022, bank balances of RMB370,104,000 (2021: RMB600,000,000) were deposited in Sanxiang Bank, a related company of the Group.

15. TRADE AND BILLS PAYABLES

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

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

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

The bills payable are normally due within 180 days.

Included in the trade and bills payables was an amount due to fellow subsidiaries in aggregate of RMB1,770,073,000 as at 31 December 2022 (2021: RMB128,963,000) for purchasing raw materials by the Group.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

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

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

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

17. SHARE CAPITAL

Shares

	2022 *HK$'000*	2021 *HK$'000*
Authorised:		
4,461,067,880 (2021: 4,461,067,880) ordinary shares of HK$0.10 each	**446,107**	446,107
538,932,120 (2021: 538,932,120) convertible preference shares of HK$0.10 each	**53,893**	53,893
Total authorised capital	**500,000**	500,000
Issued and fully paid:		
3,162,987,143 (2021: 3,154,123,013) ordinary shares of HK$0.10 each	**316,299**	315,412
479,781,034 (2021: 479,781,034) convertible preference shares of HK$0.10 each	**47,978**	47,978
Total issued and fully paid capital	**364,277**	363,390
Equivalent to RMB'000	**312,789**	312,060

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

18. COMMITMENTS

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

	2022	2021
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Buildings	**317,988**	551,653
Plant and machinery	**370,644**	203,331
	688,632	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 roadheader and integrated excavation, bolting and self-protection machine) and mining equipment (coal mining machines (shearer), hydraulic support system, scraper conveyor (Armored-Face Conveyer), etc.); non-coal mining machinery products, such as tunnel roadheader and mining machine; mining vehicle products, such as mining transport equipment (mechanical drive off-highway dump truck and electric drive off-highway dump truck) and widebodied vehicle and other relevant products; and smart mine products, such as unmanned driving, automated integrated mining and smart mine operation systems; (2) logistics equipment, which includes container equipment (including small port machinery such as front loader, stacking machine, etc., and large port machinery such as quayside gantry crane, etc.), bulk material equipment (gripper, elevated hoisting arm, etc.) and general equipment (heavy-weight forklift, telehandler, etc.); and (3) robotics, such as robotic system integration, mobile robots and electric forklifts.

Business review

In 2022, the Group's strategy of digitalisation, electrification and internationalization achieved outstanding results, and the manufacturing process of a range of intelligent and electric products were completed. The major products remained the leading position in the industry, most of which recorded a steady increase in market share due to their excellent quality and high-quality services. The Group's revenue from overseas sales also continued to grow, with a year-on-year increase of 101.5%, among which the overseas sales of products such as widebodied vehicles, roadheaders, large port machineries and small port machineries increased rapidly. Meanwhile, the Group's robotics business expanded rapidly, entering into more factories of intelligent manufacturers. The main business highlights were as follows:

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

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

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

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

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

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

Further international expansion to reach new heights in overseas results

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

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

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

FINANCIAL REVIEW

Revenue

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

Other income and gains

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

Cost of sales

For the year ended 31 December 2022, the Group's cost of sales was approximately RMB11,908.4 million, representing an increase of approximately 52.6% as compared with approximately RMB7,805.0 million for the year ended 31 December 2021. The change was mainly due to the increase in revenue from product sales.

Gross profit and gross profit margin

The gross profit of the Group was approximately RMB3,628.3 million for the year ended 31 December 2022 (for the year ended 31 December 2021: approximately RMB2,389.6 million).

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

Selling and distribution expenses

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

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

Research and development expenses

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

Administrative expenses

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

Finance costs

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

Profit margin before tax

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

Taxation

For the year ended 31 December 2022, the Group's effective tax rate was 13.1% (for the year ended 31 December 2021: 9.0%). For details regarding income tax, please refer to note 7 on page 18 hereof.

Profit attributable to owners of the parent

Profit attributable to owners of the parent recorded by the Group for the year ended 31 December 2022 was approximately RMB1,664.9 million, representing an increase of approximately 32.2% as compared with approximately RMB1,259.1 million for the year ended 31 December 2021. For the main reasons of such change, please refer to the above paragraphs headed "Revenue", "Gross profit and gross profit margin" and "Profit margin before tax".

NON-IFRS MEASURES

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

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

Liquidity and financial resources

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

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

Trade and bills receivables

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

Interest-bearing bank and other borrowings

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

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

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

Cash flow

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

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

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

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

Turnover days

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

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

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

Financing guarantee contracts

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

Capital commitment

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

Employees and remuneration policy

As at 31 December 2022, the Group had 6,441 (2021: 4,995) full-time employees.

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

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures

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

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

Pledge on assets

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

Foreign exchange risk

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

SOCIAL RESPONSIBILITY

Consistently adhering to the concept of "Quality changes the world", the Group proactively supports the national "dual carbon" 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 in the mining equipment segment achieves zero pollution to underground water sources, 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), and intelligent roadheaders reduce manpower on working face through remote control, which assists coal mines to accomplish mining with less manpower in a green, efficient and intelligent way. In the logistics equipment segment, the new energy products such as the newly upgraded electric front loaders, electric stacking machines and electric trucks are leading the electric segment in all respects, contributing to the construction of green ports around the world.

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. For logistics equipment, the Group has launched the first automated rail mounted gantry crane for railways in China, which supports the phase II of Yangluo sea-rail intermodal transportation project. The Group values the integration of "production, academic and research" and has 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.

FUTURE DEVELOPMENT

Looking ahead, there are still many uncertainties in the global economy. However, material historical opportunities are arising for the Group's development. As the state has implemented the "dual carbon" strategy and built the "dual circulation" pattern, there is still extremely broad room for development in the advanced equipment manufacturing industry. In the process of building smart mines, smart ports and smart factories, it will bring huge market potential and room for growth to the Group. Upholding the business principle of high-quality development, the Group will accelerate the implementation of the digital intellectualization, electrification and international transformation strategy when opportunities and challenges arise.

Regarding digital intellectualization, the Group will continue to increase investment in talents and the development of new products and technologies to make breakthroughs in respect of intellectual products in a full range. For the mining equipment, the Group aims to become a leader in "electric, computerized, whole-set and green excavation" technologies. For the logistics equipment, terminals and yards will reduce manpower or become unmanned on the whole with zero-emission by using computerized large port machinery and electrical small port machinery, and the Group will develop into an automated solution provider of high economic efficiency. For the robotics business, the emphasis is placed on robotic system integration, mobile robots and electric forklifts, empowering the electric, computerized and unmanned transformation and upgrades in the discrete manufacturing and new energy industries (lithium batteries, wind and photovoltaics power and other industrial chains). In relation to smart mine business, the Group will create digital mines through the three major segments of automated integrated mining, unmanned mining transport equipment and smart mines, to build an advanced intelligent manufacturing factory model for widebodied vehicles, hydraulic supports, small port machineries and large port machineries. It will establish a uniform framework for digital planning to continuously improve the operational efficiency and management level, enabling its intelligent operation to meet and even exceed the advanced industry level.

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

With regard to internationalization, adhering to the principle of "autonomy, localization and service first", the Group will grasp the "dual carbon" opportunity in the global market to expand the electric segment overseas. The focus for mining equipment is put on "six core regions and ten key countries", with a view to improving an internationalized product portfolio, building benchmark mines in Indonesia, India, Africa and other overseas regions, and becoming the No.1 brand of widebodied vehicles in the international market. As the Group's logistics equipment breaks into the mainstream markets in Europe and the US, the Group focuses on the international market, completes the portfolio for electric products and strengthens the development of automated and upsizes products for large port machineries, thereby expanding its market share. The Group has established an international research institute, sped up the R&D of international products, increased the quality and number of global talents and enhanced the international service team and spare parts reserve in order to fully satisfy its customers' demands.

Final Dividend

On 20 March 2023, the Board resolved the declaration and payment of the final dividend of HK$0.19 per ordinary share of the Company, amounting to HK$602,849,872 in total based on the total number of 3,172,894,062 shares of the Company as at 28 February 2023, to be payable to the Shareholders whose names appear on the Company's register of members at the close of business on Friday, 9 June 2023. Should there be any change in the Company's total number of shares between 28 February 2023 and the record date for the dividend distribution, the dividend per ordinary share of the Company shall remain unchanged and the total dividends amount shall be adjusted accordingly. The final dividend is subject to the approval of the Shareholders at the Company's forthcoming annual general meeting. Such final dividend is expected to be paid on or around 21 June 2023.

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

As at the date of this announcement, there are 479,781,034 outstanding Convertible Preference Shares registered under the name of Sany Hongkong Group Limited. Accordingly, holders of the outstanding Convertible Preference Shares are entitled to (a) the Preferred Distribution of approximately HK$96,388 representing the Preferred Distribution accumulated from 1 January 2022 to 31 December 2022, and (b) the final dividend of HK$0.19 per Convertible Preference Share, amounting to approximately HK$91,158,396. The Preferred Distribution and the dividend on the Convertible Preference Shares are proposed to be distributed on or around 21 June 2023, on the same distribution date as the final dividend on ordinary shares.

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 enterprise 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. The Board focuses 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 the foundation for creating more values 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 the Shareholders.

During the year ended 31 December 2022, the Company has complied with the code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in force during the year ended 31 December 2022 and as at 31 December 2022.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be convened and held on Wednesday, 31 May 2023. A notice convening the annual general meeting will be published and dispatched to the Shareholders in due course pursuant to the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS — ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to attend and vote at the annual general meeting is Wednesday, 31 May 2023. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 31 May 2023, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 24 May 2023.

CLOSURE OF REGISTER OF MEMBERS — FINAL DIVIDEND PAYMENT

The register of members of the Company will also be closed from Wednesday, 7 June 2023 to Friday, 9 June 2023, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to the proposed dividends is Friday, 9 June 2023. In order for the Shareholders to be entitled to the proposed dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 June 2023.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company (2021: Nil).

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Upon specific enquiries made with all Directors, each of them confirmed that they had complied with the Model Code throughout the year ended 31 December 2022.

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 place 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 possesses professional accounting qualifications, was appointed as the chairman of the Audit Committee. The Audit Committee has convened meetings to discuss the auditing, internal control, risk management and financial reporting matters, including the review of the consolidated annual results of the Group for the full year ended 31 December 2022, including the accounting principles and standard practices adopted by the Group and selection and appointment of its external auditors.

REVIEW OF ANNUAL RESULTS

The annual results announcement has been reviewed by the Audit Committee.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, the Company had maintained sufficient public float throughout the year ended 31 December 2022 and up to the date of this announcement.

PUBLICATION OF INFORMATION ON THE WEBSITES

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at http://www.sanyhe.com. The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the website of the Stock Exchange and the website of the Company in due course.

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

Hong Kong, 20 March 2023

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.