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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 2023

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 2023.

FINANCIAL SUMMARY

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB10,839.2 million, representing an increase of approximately RMB3,207.5 million, or approximately 42.0%, as compared with approximately RMB7,631.7 million for the six months ended 30 June 2022. Such increase was mainly attributable to (1) a marked increase in the revenue for the Group’s integrated mining equipment, widebodied vehicles, small port machinery and large port machinery products due to the continual market launch of new products with intelligentization and electrification; (2) a significant increase in the international sales revenue as a result of the successful expansion into international markets; and (3) the revenue arose from the oil & gas equipment segment and emerging industry equipment segment, which were newly acquired by the Group during the six months ended 30 June 2023.

For the six months ended 30 June 2023, the Group’s profit attributable to owners of the parent was approximately RMB1,201.9 million, which represented an increase of approximately 32.7% as compared with approximately RMB905.8 million for the six months ended 30 June 2022. Further analysis is set out in the paragraphs headed “Revenue”, “Gross profit margin” and “Profit margin before tax”.

For the six months ended 30 June 2023, the gross profit margin of the Group was approximately 26.1%, representing an increase of approximately 2.3 percentage points against approximately 23.8% for the six months ended 30 June 2022. Such change was mainly due to (1) increase in the proportion of sales revenue of certain products which had higher gross profit margin; (2) implementation of cost reduction measures and decrease in the price of sea freight charges; and (3) change in product mix after the acquisitions of the oil & gas equipment segment as well as emerging industry equipment segment.

For the six months ended 30 June 2023, the R&D expenses of the Group were approximately RMB748.4 million, representing an increase of approximately 79.7% as compared with approximately RMB416.4 million for the six months ended 30 June 2022. For the six months ended 30 June 2023, the ratio of R&D expenses against revenue was approximately 6.9%, representing an increase of approximately 1.4 percentage points as compared with approximately 5.5% for the six months ended 30 June 2022. The increase of R&D expenses was due to the Group's significant increase in R&D investments in the fields of smart mines, smart ports, unmanned driving, emerging industry equipment as well as oil and gas equipment.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2023

		2023	2022
	<i>Notes</i>	(Unaudited) RMB'000	(Unaudited) RMB'000
REVENUE	4	10,839,188	7,631,742
Cost of sales		<u>(8,007,247)</u>	<u>(5,816,453)</u>
Gross profit		2,831,941	1,815,289
Other income and gains	4	357,176	283,152
Selling and distribution expenses		(535,873)	(400,758)
Administrative expenses		(967,914)	(562,838)
Impairment losses on financial and contract assets, net		(122,248)	(37,581)
Other expenses		(48,556)	(737)
Finance costs	6	<u>(73,924)</u>	<u>(72,559)</u>
PROFIT BEFORE TAX	5	1,440,602	1,023,968
Income tax expense	7	<u>(257,297)</u>	<u>(111,352)</u>
PROFIT FOR THE PERIOD		<u>1,183,305</u>	<u>912,616</u>
Attributable to:			
Owners of the parent		1,201,949	905,789
Non-controlling interests		<u>(18,644)</u>	<u>6,827</u>
		<u>1,183,305</u>	<u>912,616</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (<i>RMB Yuan</i>)		<u>0.38</u>	<u>0.29</u>
Diluted (<i>RMB Yuan</i>)		<u>0.33</u>	<u>0.25</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>1,183,305</u>	<u>912,616</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>99,268</u>	<u>(17,845)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>99,268</u>	<u>(17,845)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>99,268</u>	<u>(17,845)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,282,573</u>	<u>894,771</u>
Attributable to:		
Owners of the parent	<u>1,301,217</u>	887,944
Non-controlling interests	<u>(18,644)</u>	<u>6,827</u>
	<u>1,282,573</u>	<u>894,771</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		30 June 2023	31 December 2022
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		5,418,764	4,065,888
Right-of-use assets		1,413,961	1,273,397
Goodwill		2,537,138	1,129,520
Intangible assets		1,415,868	17,387
Trade receivables	<i>11</i>	961,718	888,356
Non-current prepayments		22,989	24,384
Contract assets		102,801	65,845
Deferred tax assets		297,307	297,805
		<hr/>	<hr/>
Total non-current assets		12,170,546	7,762,582
CURRENT ASSETS			
Inventories	<i>10</i>	3,385,399	3,282,540
Properties for sale		872,177	883,911
Trade receivables	<i>11</i>	9,575,378	6,416,294
Bills receivable	<i>11</i>	1,061,848	1,011,765
Contract assets		133,196	68,164
Prepayments, other receivables and other assets		1,214,042	700,258
Financial assets at fair value through profit or loss	<i>12</i>	2,248,755	2,087,646
Pledged deposits		102,455	50,286
Cash and cash equivalents		5,223,094	2,689,823
		<hr/>	<hr/>
Total current assets		23,816,344	17,190,687

		30 June	31 December
		2023	2022
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and bills payables	<i>13</i>	8,766,036	6,646,310
Other payables and accruals		7,038,009	2,791,041
Dividend payable		519,295	83,284
Interest-bearing bank and other borrowings	<i>14</i>	1,765,256	954,215
Lease liabilities		24,117	—
Tax payable		203,646	155,113
Provision for warranties		55,230	40,053
Government grants	<i>15</i>	168,074	164,656
Derivative financial instruments		1,673	1,106
		<u>18,541,336</u>	<u>10,835,778</u>
Total current liabilities			
		<u>18,541,336</u>	<u>10,835,778</u>
NET CURRENT ASSETS			
		<u>5,275,008</u>	<u>6,354,909</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>17,445,554</u>	<u>14,117,491</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>14</i>	4,862,189	2,691,178
Lease liabilities		18,735	—
Government grants	<i>15</i>	1,441,113	1,185,182
Deferred tax liabilities		263,675	137,357
		<u>6,585,712</u>	<u>4,013,717</u>
Total non-current liabilities			
		<u>6,585,712</u>	<u>4,013,717</u>
Net assets		<u>10,859,842</u>	<u>10,103,774</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>16</i>	314,588	312,789
Reserves		<u>10,501,587</u>	<u>9,727,190</u>
		<u>10,816,175</u>	<u>10,039,979</u>
Non-controlling interests		<u>43,667</u>	<u>63,795</u>
Total equity		<u>10,859,842</u>	<u>10,103,774</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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, robotic and smart mined products, petroleum equipment, 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 2023 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 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) and International Accounting Standards (“IASs”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The directors expect that the adoption of these new and 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 is organised into business units based on its products and services. During the current period, the Group completed several business combinations and the reportable operating segments increased from two to four to reflect the enlarged business structure. The four reportable operating segments are set out as follows:

(a) Mining equipment segment

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

(b) Logistics equipment segment

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

(c) Oil & Gas equipment segment

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

(d) Emerging industry equipment segment

The emerging industry equipment segment mainly engages in the production and sales of Li-ion battery manufacturing equipment, solar modules and electrolysis hydrogen production equipment, and the provision of related services.

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

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

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

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

Six months ended 30 June 2023	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Oil & Gas equipment segment RMB'000 (Unaudited)	Emerging industry equipment segment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4)					
Sales to customers	7,214,187	3,065,651	336,265	223,085	10,839,188
Intersegment sales	25,691	—	—	—	25,691
Other revenue	178,747	105,974	(831)	(36)	283,854
	<u>7,418,625</u>	<u>3,171,625</u>	<u>335,434</u>	<u>223,049</u>	<u>11,148,733</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(25,691)</u>
Revenue from operations	<u>7,392,934</u>	<u>3,171,625</u>	<u>335,434</u>	<u>223,049</u>	<u>11,123,042</u>
Segment results	879,691	504,821	57,083	(1,047)	1,440,548
Interest income					73,322
Finance costs (other than interest on lease liabilities)	(36,686)	(32,949)	(1,103)	(2,530)	<u>(73,268)</u>
Profit before tax					1,440,602
Income tax expense					<u>(257,297)</u>
Profit for the period					<u>1,183,305</u>
Segment assets	15,220,740	9,669,823	4,905,822	1,415,426	31,211,811
<i>Reconciliation:</i>					
Elimination of intersegment receivables					<u>(3,096,532)</u>
Corporate and other unallocated assets					<u>7,871,611</u>
Total assets					<u>35,986,890</u>
Segment liabilities	12,506,693	5,698,149	1,703,428	1,247,449	21,155,719
<i>Reconciliation:</i>					
Elimination of intersegment payables					<u>(3,096,532)</u>
Corporate and other unallocated liabilities					<u>7,067,861</u>
Total liabilities					<u>25,127,048</u>

Six months ended 30 June 2023	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Oil & Gas equipment segment RMB'000 (Unaudited)	Emerging industry equipment segment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Other segment information:					
Loss on disposal of items of property, plant and equipment	2,176	11,669	330	—	14,175
Impairment/(reversal of impairment) of trade receivables, net	73,233	39,311	8,629	(400)	120,773
Impairment/(reversal of impairment) of other receivables, net	65	585	(646)	(90)	(86)
(Write-back of provision)/provision against slow-moving and obsolete inventories	(986)	4,150	27	—	3,191
Impairment/(reversal of impairment) of contract assets	—	1,592	(31)	—	1,561
Depreciation and amortisation	101,872	81,838	2,483	18,969	205,162
Other non-cash expense	35,403	12,029	—	—	47,432
Capital expenditure*	<u>442,049</u>	<u>313,146</u>	<u>384,707</u>	<u>654,395</u>	<u>1,794,297</u>

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	<u>160,631</u>	<u>89,115</u>	<u>249,746</u>
	<u>5,682,404</u>	<u>2,258,282</u>	<u>7,940,686</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(59,198)</u>
Revenue from operations	<u>5,640,220</u>	<u>2,241,268</u>	<u>7,881,488</u>
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>912,616</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 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>

* 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 RMB2,112,763,000 (six months ended 30 June 2022: RMB1,366,795,000) 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>10,839,188</u>	<u>7,631,742</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

Segments	Mining equipment <i>RMB'000</i> (Unaudited)	Logistics equipment <i>RMB'000</i> (Unaudited)	Oil & Gas equipment <i>RMB'000</i> (Unaudited)	Emerging industry equipment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods or services					
Sale of industrial products	7,060,259	2,987,820	296,825	223,087	10,567,991
Installation services	26,194	46,018	—	—	72,212
Sale of properties	—	9,249	—	—	9,249
Oil field Service	—	—	34,887	—	34,887
Maintenance services	127,733	22,564	4,552	—	154,849
Total revenue from contracts with customers	<u>7,214,186</u>	<u>3,065,651</u>	<u>336,264</u>	<u>223,087</u>	<u>10,839,188</u>
Geographical markets					
Mainland China	5,737,044	1,298,271	336,264	223,087	7,594,666
Asia (excluding Mainland China)	915,052	698,513	—	—	1,613,565
United States of America	—	194,618	—	—	194,618
European Union	—	122,955	—	—	122,955
Other countries/regions	562,090	751,294	—	—	1,313,384
Total revenue from contracts with customers	<u>7,214,186</u>	<u>3,065,651</u>	<u>336,264</u>	<u>223,087</u>	<u>10,839,188</u>
Timing of revenue recognition					
Goods transferred at a point in time	7,086,453	3,043,087	296,825	223,087	10,649,452
Services transferred over time	127,733	22,564	39,439	—	189,736
Total revenue from contracts with customers	<u>7,214,186</u>	<u>3,065,651</u>	<u>336,264</u>	<u>223,087</u>	<u>10,839,188</u>

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
	<u>5,479,589</u>	<u>2,152,153</u>	<u>7,631,742</u>
Total revenue from contracts with customers			
Geographical markets			
Mainland China	4,516,408	1,187,791	5,704,199
Asia (excluding Mainland China)	636,140	534,161	1,170,301
United States of America	—	146,965	146,965
European Union	—	205,684	205,684
Other countries/regions	327,041	77,552	404,593
	<u>5,479,589</u>	<u>2,152,153</u>	<u>7,631,742</u>
Total revenue from contracts with customers			
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
	<u>5,479,589</u>	<u>2,152,153</u>	<u>7,631,742</u>
Total revenue from contracts with customers			

Other income and gains

		For the six months ended 30 June	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>	(Unaudited)	(Unaudited)
Other income			
Bank interest income		59,332	33,406
Other interest income		13,990	—
Government grants	15	185,686	135,973
Profit from sale of scrap materials		34,559	14,005
Rental income		5,918	3,430
Foreign exchange differences, net		—	20,483
Others		14,307	6,268
		<u>313,792</u>	<u>213,565</u>
Gains			
Fair value gain, net:			
Derivative instruments — transactions not qualifying as hedges		(2,921)	1,012
Financial assets at fair value through profit or loss — mandatorily classified as such		46,305	68,575
		<u>43,384</u>	<u>69,587</u>
		<u>357,176</u>	<u>283,152</u>

5. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Cost of inventories sold		7,849,937	5,740,027
Cost of services provided		154,119	69,959
Depreciation of property, plant and equipment		177,186	144,577
Amortisation of intangible assets		9,529	1,908
Depreciation of right-of-use assets		18,447	13,840
Auditors' remuneration		610	500
Provision of warranties*		16,896	11,755
Research and development costs**		748,357	416,430
Lease payments not included in the measurement of lease liabilities		13,721	14,450
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		1,028,547	687,527
Equity-settled share-based payment		47,432	55,168
Employee retirement benefits*****		39,814	25,278
Other staff welfare		38,983	18,600
		<u>1,154,776</u>	<u>786,573</u>
Foreign exchange differences, net***		33,217	(20,483)
Impairment of financial and contract assets, net****:			
Impairment of trade receivables, net	11	120,773	41,712
Impairment of contract assets, net		1,561	695
Reversal of impairment of other receivables, net		(86)	(4,826)
		<u>122,248</u>	<u>37,581</u>
Provision against slow-moving and obsolete inventories*****		3,191	6,467
Loss on disposal of items of property, plant and equipment***		14,175	737
Profit from sales of scrap materials***		(34,559)	(14,005)
Remeasurement of financial guarantee contracts***		1,164	—
Fair value gains, net***:			
Financial assets at fair value through profit or loss — mandatorily classified as such		(46,305)	(68,575)
Derivative instruments — transactions not qualifying as hedges		2,921	(1,012)
		<u>2,921</u>	<u>(1,012)</u>
		<u>(43,384)</u>	<u>(69,587)</u>

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

6. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	64,461	64,338
Interest on discounted bills	8,807	8,221
Interest on lease liabilities	656	—
	<hr/>	<hr/>
	73,924	72,559
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) 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 2023.

Eight (six months ended 30 June 2022: Five) of the Group’s principal operating companies, Sany Heavy Equipment Co., Ltd. (“Sany Heavy Equipment”), Hunan Sany Port Equipment Co., Ltd., Sany Marine Heavy Industry Co., Ltd. (“Sany Marine Heavy Industry”), Sany Intelligent Mining Technology Co., Ltd., Sany Machinery Intelligence Co., Ltd. (“Sany Machinery”), Sany Robotic Equipment (Xian) Co., Ltd., Sany Petroleum Intelligent Equipment Co., Ltd. (“Sany Petroleum”) and Sany Energy Equipment Co., Ltd. were subject to CIT at a rate of 15% for the six months ended 30 June 2023 due to the recognition as High and New Technology Enterprises.

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	2,460	3,553
Current — Mainland China		
Charge for the period	291,562	96,989
Underprovision in prior years	6,203	4,718
Deferred	(42,928)	6,092
	<hr/>	<hr/>
Total tax charge for the period	257,297	111,352
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDEND

The final dividend for the year ended 31 December 2022 of HK\$0.19 per share, totaling HK\$695,921,000 (equivalent to RMB618,424,000), was approved by the Company's shareholders at the annual general meeting on 31 May 2023, among which HK\$238,544,000 (equivalent to RMB196,731,000) was distributed during the six months ended 30 June 2023, and the rest amount of HK\$457,377,000 (equivalent to RMB421,693,000) was recorded in "dividend payable" in the consolidated statement of financial position as at 30 June 2023.

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 RMB79,626,000) was recorded in "dividend payable" in the consolidated statement of financial position as at 30 June 2023.

A dividend payable to a non-controlling shareholder of RMB17,976,000 during the period and was recorded in "dividend payable" in the consolidated statement of financial position as at 30 June 2023.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,144,897,724 (six months ended 30 June 2022: 3,140,958,508) 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,201,949	905,789
Preferred distribution to the convertible preference shares	<u>41</u>	<u>40</u>
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	<u><u>1,201,990</u></u>	<u><u>905,829</u></u>
Number of shares		
	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,144,897,724	3,140,958,508
Effect of dilution — convertible preference shares	479,781,034	479,781,034
Effect of dilution — share options and share awards	<u>31,814,759</u>	<u>25,217,293</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u><u>3,656,493,517</u></u>	<u><u>3,645,956,835</u></u>

10. INVENTORIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Raw materials	881,079	811,996
Work in progress	878,829	852,089
Finished goods	<u>1,734,485</u>	<u>1,689,838</u>
	3,494,393	3,353,923
Less: Provision against slow-moving and obsolete inventories	<u>(108,994)</u>	<u>(71,383)</u>
	<u>3,385,399</u>	<u>3,282,540</u>

11. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	11,100,445	7,729,130
Impairment	<u>(563,349)</u>	<u>(424,480)</u>
	10,537,096	7,304,650
Less: Trade receivables due after one year	<u>(961,718)</u>	<u>(888,356)</u>
	<u>9,575,378</u>	<u>6,416,294</u>
Bills receivable	<u>1,061,848</u>	<u>1,011,765</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 2% (31 December 2022: 3%) 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 RMB2,781,693,000 as at 30 June 2023 (31 December 2022: RMB1,010,987,000) for sales of products by the Group, which accounted for 25% (31 December 2022: 13%) of the Group's trade receivables at the end of the reporting period. Trade receivables are non-interest-bearing.

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 180 days	7,246,864	4,904,030
181 to 365 days	2,240,752	1,760,223
1 to 2 years	920,400	537,571
2 to 3 years	119,367	89,400
Over 3 years	9,713	13,426
	<u>10,537,096</u>	<u>7,304,650</u>

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
At 1 January	424,480	348,404
Acquisition of subsidiaries	31,579	—
Impairment losses, net (<i>note 5</i>)	120,773	85,643
Amount written off as uncollectible	(13,483)	(9,567)
At 30 June/31 December	<u>563,349</u>	<u>424,480</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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within six months	1,021,217	824,136
Over six months	40,631	187,629
	<u>1,061,848</u>	<u>1,011,765</u>

Included in the bills receivable was an amount of RMB188,886,000 as at 30 June 2023 (31 December 2022: RMB156,180,000) which was pledged for the issuance of a letter of guarantee.

None of the amount included in the bills receivable as at 30 June 2023 (31 December 2022: nil) was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 30 June 2023 the Group endorsed certain bills receivable accepted by banks in Mainland China (the “Endorsed Bills”) with a carrying amount of RMB457,527,000 (31 December 2022: RMB380,140,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was RMB457,527,000 (31 December 2022: RMB380,140,000) as at 30 June 2023.

Transferred financial assets that are derecognised in their entirety

At 30 June 2023, the Group endorsed certain bills receivable accepted by banks in Mainland China (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB1,081,134,000 (31 December 2022: RMB1,082,302,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Unlisted investments		
Financial investments at fair value through profit or loss	<u>2,248,755</u>	<u>2,087,646</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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 30 days	5,778,346	2,421,538
31 to 90 days	1,850,848	2,025,989
91 to 180 days	789,732	1,673,386
181 to 365 days	178,899	485,468
Over 1 year	<u>168,211</u>	<u>39,929</u>
	<u>8,766,036</u>	<u>6,646,310</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 RMB144,106,000 as at 30 June 2023 (31 December 2022: RMB1,770,073,000) for purchasing raw materials by the Group.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
	Current					
Bank loans — secured						
Bank loans — unsecured	1.89–3.40	2023–2024	1,118,119	1.40–3.50	2023	951,032
Other borrowings — unsecured	4.02–4.35	On demand	620,232	—	—	—
Interest payable		2023–2024	26,905	—	2023	3,183
			<u>1,765,256</u>			<u>954,215</u>
Non-current						
Bank loans — secured	3.20	2030–2038	408,742	3.20	2030	400,000
Bank loans — unsecured	2.40–3.60	2024–2026	4,453,447	2.50–3.60	2024–2025	2,291,178
			<u>4,862,189</u>			<u>2,691,178</u>

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
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Analysed into:

Bank loans repayable:

Within one year	847,803	954,215
In the second year	1,450,000	1,848,970
In the third to fifth years, inclusive	3,300,668	842,208
Over the fifth year	408,742	—
	<u>6,007,213</u>	<u>3,645,393</u>

Analysed into:

Other borrowings repayable:

Within one year or on demand	620,232	—
	<u>620,232</u>	<u>—</u>

- (a) As at 30 June 2023, RMB400,000,000 and RMB8,742,000 of the Group's bank loans are secured by mortgages over the Group's leasehold land of RMB210,811,000 (31 December 2022: RMB210,811,000) and the Group's right of electricity charge of RMB64,550,000.
- (b) As at 30 June 2023, Sany Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB5,635,158,000 as at the end of the reporting period (31 December 2022: RMB3,293,875,000).
- (c) All borrowings are denominated in RMB (31 December 2022: all borrowings were denominated in RMB).

- (d) Other borrowings of RMB620,232,000 was due to Sany Group Co., Ltd. and was repayable on demand.

15. GOVERNMENT GRANTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
At 1 January	1,349,838	1,080,160
Received during the period/year	445,035	599,223
Accrued during the year	—	11,017
Released to the statement of profit or loss during the period/year (note 4)	<u>(185,686)</u>	<u>(340,562)</u>
At 30 June/31 December	1,609,187	1,349,838
Current portion	<u>(168,074)</u>	<u>(164,656)</u>
Non-current portion	<u>1,441,113</u>	<u>1,185,182</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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Authorised:		
4,461,067,880 (31 December 2022: 4,461,067,880) ordinary shares of HK\$0.10 each	446,107	446,107
538,932,120 (31 December 2022: 538,932,120) convertible preference shares of HK\$0.10 each	<u>53,893</u>	<u>53,893</u>
Total authorised capital	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
3,183,398,424 (31 December 2022: 3,162,987,143) ordinary shares of HK\$0.10 each	318,340	316,299
479,781,034 (31 December 2022: 479,781,034) convertible preference shares of HK\$0.10 each	<u>47,978</u>	<u>47,978</u>
Total issued and fully paid capital	<u>366,318</u>	<u>364,277</u>
Equivalent to RMB'000	<u>314,588</u>	<u>312,789</u>

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 2022	479,781,034	3,162,987,143	364,277	312,789
Issue of shares (<i>note</i>)	—	20,411,281	2,041	1,799
At 30 June 2023	479,781,034	3,183,398,424	366,318	314,588

Note:

During the six months ended 30 June 2023, 10,743,321 and 9,667,960 new ordinary shares were issued for the share options exercised and the restricted stock units. Cash proceeds of HK\$72,080,000 (equivalent to RMB63,947,000) were received with no transaction costs borne by the Company, and related share option reserve of RMB8,496,000 was transferred to share premium accordingly.

17. COMMITMENTS

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

	30 June 2023 RMB’000 (Unaudited)	31 December 2022 RMB’000 (Audited)
Contracted, but not provided for:		
Buildings	656,839	317,988
Plant and machinery	861,745	370,644
	1,518,584	688,632

MANAGEMENT DISCUSSION AND ANALYSIS

Major products

The Group divides its products into four 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; robotics, such as robot system integration, mobile robots and electric forklifts; (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.); (3) oil and gas equipment, such as frac spreads, drilling, workover and automated pipe handling equipment, and oil and gas field technical services; and (4) emerging businesses, such as lithium battery equipment, photovoltaic modules and hydrogen production equipment.

Business review

In the first half of 2023, the national economy continued to recover and high-quality development advanced steadily. The Group focused on the implementation of the strategy of globalization, digital intellectualization and low-carbonization, and promoted strategic transformation to in-depth development. Through continuous R&D investment and R&D innovation, the core competitiveness of the Group's products continued to enhance. Its roadheaders, front loaders, stacking machines and frac spreads continued to be the top brand in the industry. The Group continuously launched new electric and intelligent products, with revenue of electric products doubled. The international sales revenue of the Group continued to increase significantly, with an increase of 68.3% over the same period of last year, and the proportion of international sales revenue increased by 4.7 percentage points. Among which, the international sales revenue of mining transport equipment, large port machinery and small port machinery achieved rapid growth. While promoting electric products to penetrate the market quickly, the Group implemented a comprehensive low-carbon strategy by expanding new businesses to lithium battery equipment, solar modules and hydrogen production equipment.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB10,839.2 million, representing an increase of approximately RMB3,207.5 million, or approximately 42.0%, as compared with approximately RMB7,631.7 million for the six months ended 30 June 2022. Such increase was mainly attributable to (1) a marked increase in the revenue for the Group's integrated mining equipment, widebodied vehicles, small port machinery and large port machinery products due to the continual market launch of new products with intelligentization and electrification; (2) a significant increase in the international sales revenue as a result of the successful expansion into international markets; and (3) the revenue arose from the oil & gas equipment segment and emerging industry equipment segment, which are newly acquired by the Group during the six months ended 30 June 2023.

Other income and gains

For the six months ended 30 June 2023, the Group's other income and gains were approximately RMB357.2 million, representing an increase of approximately RMB74.0 million from approximately RMB283.2 million for the six months ended 30 June 2022. The change was mainly due to the increase in income from the government grant and the sales of scrap materials.

Cost of sales

For the six months ended 30 June 2023, the Group's cost of sales was approximately RMB8,007.2 million, representing an increase of approximately 37.7% from approximately RMB5,816.5 million for the six months ended 30 June 2022. 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 2023, the gross profit margin of the Group was approximately 26.1%, representing an increase of approximately 2.3 percentage points against approximately 23.8% for the six months ended 30 June 2022. Such change was mainly due to (1) increase in the proportion of sales revenue of certain products which had higher gross profit margin; (2) implementation of cost reduction measures and decrease in the price of sea freight charges; and (3) change in product mix after the acquisitions of the oil & gas equipment segment as well as emerging industry equipment segment.

Selling and distribution expenses

For the six months ended 30 June 2023, the selling and distribution expenses of the Group were approximately RMB535.9 million, representing an increase of approximately 33.7% as compared with that of approximately RMB400.8 million for the six months ended 30 June 2022.

For the six months ended 30 June 2023, the ratio of the Group's selling and distribution expenses to revenue was approximately 4.9%, representing a decrease of approximately 0.4 percentage point as compared with approximately 5.3% for the six months ended 30 June 2022. Such change was mainly due to the decrease in the proportion of the remuneration of sales staff.

Research and development expenses

For the six months ended 30 June 2023, the R&D expenses of the Group were approximately RMB748.4 million, representing an increase of approximately 79.7% as compared with approximately RMB416.4 million for the six months ended 30 June 2022. For the six months ended 30 June 2023, the ratio of R&D expenses against revenue was approximately 6.9%, representing an increase of approximately 1.4 percentage points as compared with approximately 5.5% for the six months ended 30 June 2022. The increase of R&D expenses was due to the Group's significant increase in R&D investments in the fields of smart mines, smart ports, unmanned driving, emerging industry equipment as well as oil and gas equipment.

Administrative expenses

For the six months ended 30 June 2023, administrative expenses of the Group were approximately RMB967.9 million (for the six months ended 30 June 2022: approximately RMB562.8 million). The administrative expenses excluding R&D expenses were approximately RMB219.5 million (for the six months ended 30 June 2022: approximately RMB146.4 million), which accounted for approximately 2.0% of the revenue, maintaining a similar level as compared with approximately 1.9% for the six months ended 30 June 2022.

Finance costs

For the six months ended 30 June 2023, finance costs of the Group were approximately RMB73.9 million, representing an increase of 1.8% as compared with approximately RMB72.6 million for the six months ended 30 June 2022. The change was mainly due to the increase in bank borrowings for the six months ended 30 June 2023.

Profit margin before tax

For the six months ended 30 June 2023, the Group's profit margin before tax was approximately 13.3%, which remained stable as compared to approximately 13.4% for the six months ended 30 June 2022.

Taxation

For the six months ended 30 June 2023, the Group's effective tax rate was approximately 17.9% (for the six months ended 30 June 2022: the effective tax rate was approximately 10.9%). For details regarding income tax, please refer to note 7 on page 16 to page 17 of this announcement.

Profit attributable to owners of the parent

For the six months ended 30 June 2023, the Group's profit attributable to owners of the parent was approximately RMB1,201.9 million, which represents an increase of approximately 32.7% as compared with approximately RMB905.8 million for the six months ended 30 June 2022. Further analysis is set out in the paragraphs headed "Revenue", "Gross profit margin" and "Profit margin before tax".

Liquidity and financial resources

As at 30 June 2023, total current assets of the Group were approximately RMB23,816.3 million (31 December 2022: RMB17,190.7 million). As at 30 June 2023, total current liabilities of the Group were approximately RMB18,541.3 million (31 December 2022: RMB10,835.8 million).

As at 30 June 2023, total assets of the Group were approximately RMB35,986.9 million (31 December 2022: approximately RMB24,953.3 million), and total liabilities were approximately RMB25,127.0 million (31 December 2022: approximately RMB14,849.5 million).

As at 30 June 2023, the gearing ratio (the net debt divided by the equity plus net debt) was approximately 61.4% (31 December 2022: approximately 50.9%).

Trade and bills receivables

As at 30 June 2023, the Group's gross balance of trade and bills receivables were approximately RMB12,162.3 million, representing an increase of approximately 39.1% as compared to approximately RMB8,740.9 million as at 31 December 2022, in which the amount of trade receivables increased by approximately 43.6% to approximately RMB11,100.4 million as compared with approximately RMB7,729.1 million as at 31 December 2022. Such changes were mainly attributable to the increase in sales revenue. The bills receivables increased by approximately 4.9% to approximately RMB1,061.8 million as compared to approximately RMB1,011.8 million as at 31 December 2022. Such changes were mainly due to the increase in receipt of bills.

Interest-bearing bank and other borrowings

As at 30 June 2023, interest-bearing bank and other borrowings of the Group were approximately RMB6,627.4 million (31 December 2022: approximately RMB3,645.4 million). The main reason for the Group's borrowing was to meet the Group's acquisition of oil & gas business during the six months ended 30 June 2023 and day-to-day operational requirements.

As at 30 June 2023, the Group's secured bank borrowings carried interests at 3.2% per annum (31 December 2022: 3.2%) and the unsecured bank borrowings carried interests between 1.9% and 3.6% per annum (31 December 2022: between 1.4% and 3.6% per annum).

Cash flow

As at 30 June 2023, the Group's cash and cash equivalents and time deposits with maturity of three months or more were approximately RMB5,223.1 million in total.

For the six months ended 30 June 2023, the net cash inflow of the Group from operating activities was approximately RMB985.1 million (for the six months ended 30 June 2022: net cash inflow of approximately RMB99.2 million). Such change was mainly due to the persistence in value-based selling and increased efforts in the collection of trade receivables.

For the six months ended 30 June 2023, the net cash outflow of the Group from investing activities was approximately RMB776.5 million (for the six months ended 30 June 2022: net cash outflow of approximately RMB1.2 million). Such change was mainly due to the increase in the purchase of wealth management products issued by third party financial institutions, funds and trusts.

For the six months ended 30 June 2023, the net cash inflow of the Group from financing activities was approximately RMB2,225.4 million (for the six months ended 30 June 2022: net cash inflow of approximately RMB341.6 million). Such change was mainly due to the increase in bank borrowings.

Turnover days

As at 30 June 2023, the Group's average turnover days of inventory were approximately 71.8 days, representing a decrease of approximately 10.4 days over approximately 82.2 days as at 30 June 2022. Such change was mainly because the Group enhanced its control on inventories and implemented direct settlement up-line and down-line, managing by categories and adopting "one product, one strategy".

The turnover days of trade and bills receivables decreased by approximately 11.1 days from approximately 166.3 days as at 30 June 2022 to approximately 155.2 days as at 30 June 2023. Such change was mainly due to the Group's persistence in value-based selling, strictly controlled transaction terms and increased efforts in the collection of trade receivables.

The turnover days of trade and bills payables increased by approximately 0.4 days from approximately 155.2 days as at 30 June 2022 to approximately 155.6 days as at 30 June 2023. Such change was mainly due to the extension of payment terms to suppliers.

Financial 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. As at 30 June 2023, an allowance of RMB7.3 million (31 December 2022: RMB3.6 million) was provided for the unsettled loans and lease amounts of RMB4,299.5 million (31 December 2022: RMB1,746.8 million).

Capital commitment

As at 30 June 2023, the contracted capital commitments of the Group which were not provided for in the Group's financial statements were approximately RMB1,518.6 million (31 December 2022: approximately RMB688.6 million).

Employees and remuneration policy

As at 30 June 2023, the Group employed a total of 9,700 employees (31 December 2022: 6,441 employees). The increase in employees was mainly attributable to the acquisitions of the oil & gas equipment segment as well as emerging industry equipment segment. 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 has implemented a share option scheme and 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

On 12 April 2023, the Company and Sany Perpetual Enterprise Holdings Company Limited entered into the sale and purchase agreement in relation to the acquisition of the entire issued share capital of Sany Oil Technology Hongkong Limited at the consideration of RMB2,980 million. Completion of the acquisition took place on 10 June 2023 upon which, Sany Oil Technology Hongkong Limited became a wholly-owned subsidiary of the Company. Further details are set out in the announcements of the Company dated 12 April 2023 and 19 July 2023, and the circular of the Company dated 23 May 2023.

As at 30 June 2023, the Group subscribed certain assets management products from CITIC Securities Company Limited and its subsidiaries at an aggregated subscription amount of approximately RMB938.3 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.

Save as disclosed above, there were no other significant investments, and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023. As at 30 June 2023, the Board had not authorised any plan for material investments or capital assets.

Pledge on assets

As at 30 June 2023, the Group's pledged bank deposits amounted to approximately RMB102.5 million in total (31 December 2022: approximately RMB50.3 million).

As at 30 June 2023, the Group had no bank loans secured by financial assets at fair value through profit or loss (31 December 2022: 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 2023, the Group's bank loans secured by land amounted to approximately RMB400 million in total (31 December 2022: RMB400 million).

Foreign exchange risk

As at 30 June 2023, the Group's cash and bank balances denominated in foreign currencies such as HK\$, Euro and US\$ were equivalent to approximately RMB1,236.5 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 2023 and up to the date of this announcement.

SOCIAL RESPONSIBILITY

The Group takes “Actively Creating Low-carbon Technology Products and Solutions” as the development direction of corporate research and development strategy, and constantly applies low-carbon technology. In addition, we integrate the concepts of intelligent, electrified and low-carbon products throughout the whole industry chain, building the Company into a leader in smart low-carbon technology industry in the future. The Group has independently developed the energy-saving, environmentally-friendly and efficient large-tonnage mining truck SET150S to make contributions to the green development of mines. We also launched the intelligent roadheader EBZ280D to reduce labour and improve efficiency of underground excavation and developed unmanned pure electric tractors to promote the R&D and manufacturing of smart port logistics.

Social development is the foundation of the Group’s development, and social responsibility is also Sany’s mission. We always uphold the spirit of “Constantly Striving to Become Stronger and Serve the Country Through Industry” and patriotism, adhere to scientific public welfare. 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. The Group strives to promote the positive interaction between business and public welfare, as well as between enterprises and society, and jointly build a beautiful society full of vitality, goodwill and trust.

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 adopted 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**”) as its own code on corporate governance. To the best knowledge of the Directors, the Company had complied with all applicable code provisions under the CG Code during the six months ended 30 June 2023.

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 dealing in securities of the Company by the Directors. 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 2023.

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 2023.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial statements of the Group for the six months ended 30 June 2023 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 2023 (six months ended 30 June 2022: Nil).

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

For the six months ended 30 June 2023, 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 2023 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 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.