



SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631



INTERIM REPORT

2023



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FINANCIAL SUMMARY

(RMB:'000)	Six months ended 30 June		
	2023 (Unaudited)	2022 (Unaudited)	Growth (%)
Revenue	10,839,188	7,631,742	42.0
Gross profit	2,831,941	1,815,289	56.0
Profit before tax	1,440,602	1,023,968	40.7
Net profit	1,183,305	912,616	29.7
Profit attributable to owners of the parent	1,201,949	905,789	32.7
Total assets	35,986,890	23,141,096	55.5
Average total assets	30,470,080	21,963,109	38.7
Total equity	10,859,842	9,278,226	17.0
Cash flows of operating activities	985,141	99,176	893.3
Cash flows of investing activities	(776,531)	(1,191)	65,099.9
Cash flows of financing activities	2,225,393	341,563	551.5
Earnings per share ¹			
— Basic (RMB Yuan)	0.38	0.29	31.0
— Diluted (RMB Yuan)	0.33	0.25	32.0

(Percentage)	Six months ended 30 June		
	2023	2022	Percentage points
Gross profit margin	26.1%	23.8%	2.3
Percentage of profit margin attributable to shareholders of the Company ²	11.1%	11.9%	(0.8)
Assets turnover	35.6%	34.7%	0.9
Gearing ratio	61.4%	52.9%	8.5

¹ The weighted average number of ordinary shares for the six months ended 30 June 2023 was 3,144,897,724 shares, and the weighted average number of ordinary shares for the six months ended 30 June 2022 was 3,140,958,508 shares, details of which are set out in note 9 to the interim condensed consolidated financial statements.

² Profit attributable to shareholders of Sany Heavy Equipment International Holdings Company Limited (hereinafter referred to as "Sany International" or the "Company") divided by revenue.

DIRECTORS

Executive Directors

Mr. Liang Zaizhong (*Chairman*)
Mr. Qi Jian (*Vice Chairman*)
Mr. Fu Weizhong

Non-executive Directors

Mr. Tang Xiuguo
Mr. Xiang Wenbo

Independent Non-executive Directors

Mr. Ng Yuk Keung
Mr. Poon Chiu Kwok
Mr. Hu Jiquan

COMPANY SECRETARY

Mr. Yu Leung Fai

AUDIT COMMITTEE

Mr. Poon Chiu Kwok (*Chairman*)
Mr. Ng Yuk Keung
Mr. Hu Jiquan

REMUNERATION COMMITTEE

Mr. Poon Chiu Kwok (*Chairman*)
Mr. Ng Yuk Keung
Mr. Hu Jiquan

NOMINATION COMMITTEE

Mr. Liang Zaizhong (*Chairman*)
Mr. Poon Chiu Kwok
Mr. Hu Jiquan

STRATEGIC INVESTMENT COMMITTEE

Mr. Liang Zaizhong (*Chairman*)
Mr. Qi Jian
Mr. Fu Weizhong
Mr. Ng Yuk Keung
Mr. Poon Chiu Kwok

ESG COMMITTEE

(ESTABLISHED ON 20 FEBRUARY 2023)

Mr. Qi Jian (*Chairman*)
Mr. Fu Weizhong
Mr. Ng Yuk Keung
Mr. Poon Chiu Kwok
Mr. Hu Jiquan

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKS

Bank of China
Export-Import Bank of China
Bank of Communications
Industrial and Commercial Bank of China
Agricultural Bank of China
China Guangfa Bank
China Construction Bank
China Everbright Bank
Industrial Bank
Hua Xia Bank
China Minsheng Bank

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

CORPORATE INFORMATION

LEGAL ADVISERS

Sidley Austin LLP (as to Hong Kong law)

Jingtian & Gongcheng (as to PRC law)

STOCK CODE

00631

HONG KONG SHARE REGISTRAR

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CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2023, the national economy continued to recover and high-quality development advanced steadily. Intelligent transformation of mines has accelerated, and the demand for construction and renovation of green ports and automated terminals has further increased. The Company and its subsidiaries (collectively referred to as the “**Group**”) focused on the implementation of the strategy of globalization, digital intellectualization and low-carbonization, and promoted strategic transformation to in-depth development, significantly increasing its operating results and further enhancing its brand influence.

In the first half of the year, the Group recorded revenue of approximately RMB10,839.2 million, representing an increase of 42.0% over the same period of last year. Net profit attributable to the parent amounted to approximately RMB1,201.9 million, representing an increase of 32.7% over the same period of last year. In the first half of the year, the Group further consolidated its market position in major products with a rapid growth of the market share of its products. It made outstanding progress in its globalization strategy, with a rapid increase of 68.3% in revenue of international sales over the same period of last year, and the proportion of international revenue increased to 29.9%.

The Group focused on R&D innovation and increased investment in R&D, with a R&D expense ratio of 6.9%, representing an increase of 1.4 percentage points over the same period of last year, and made significant progress in intelligentization and electrification. Revenue from electric products increased by 135% over the same period of last year. In terms of mining equipment, our intelligent excavator made a breakthrough in underground precise positioning and full face automatic cutting technology, with a market share of 80% and occupying an absolute leading position in the industry. The function and efficiency of intelligent excavation and bolting machine been comprehensively improved. The first unit of vertical axis combined equipment was successfully developed, and the first unit of horizontal axis combined equipment was used in Inner Mongolia. 10 orders for hydraulic supports have been received, which was the first time to reach major customers in Shaanxi for the first time. 20 units of pure electric widebodied vehicles have been ordered in the overseas markets. Both hybrid mining transport equipment and multi-power electric drive mining transport equipment made technical optimization and market breakthrough. Unmanned mining transport equipment achieved normal operation, with 120 units being additionally ordered. For logistics equipment, we won the bid for 42 automated rail mounted gantry cranes in Yantian and the bid for automated double-trolley quay cranes of Southeast Asia Port Group. Sales of a series of electric port machinery showed a significant increase. The international electric front loader and the electric stacking machine have been developed and tapped into the high-end markets in Europe and the US. The electric truck has extended to several top terminal operators abroad.

On 12 April 2023, the Company entered into a sale and purchase agreement with Sany Perpetual Enterprise Holdings Company Limited in relation to the acquisition of the entire issued share capital of Sany Oil Technology Hongkong Limited 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, and the Company's business expanded into the oil & gas equipment segment. In the first half of the year, this segment saw steady operation with an improving product competitiveness. The Group continued to maintain a leading position in terms of its market share of the complete set of fracturing units. The Group won the bid for service orders for 24 units of electric drive fracturing equipment for leading oil enterprises in China. A control system compatible with intelligent technologies, such as control, one-button start-stop and intelligent fracturing, was developed. New products such as the first electric logging truck and new energy oilfield engineering operation machine are in the process of verification, and electric drive products maintained a high gross profit margin.

CHAIRMAN'S STATEMENT

Looking forward, the Group will continue to further advance the strategy of globalization, digital intellectualization and low-carbonization. In terms of globalization strategy, the mining equipment segment will launch hot-selling products with high bearing capacity and high energy-efficiency to capture the market share as soon as possible. It will seize the market with widebodied vehicles with high reliability and high cost performance, to take the lead in becoming the top brand of widebodied vehicles. For logistics equipment, the Group will expand production bases overseas and launch hot-selling products with short delivery time, excellent performance and high quality, focusing on intelligent, lightweight and automated quayside gantry crane and gantry. In Europe, the US and India, operating entities will be formed to improve the coverage of sales network by combining direct sales and distribution. For the oil & gas equipment segment, research institute technology centers will be established overseas to accelerate the development of overseas product spectrum. The Group will build a marketing network in cooperation with giants in the North America, covering the markets in the Middle East, Africa, Central Asia and Latin America. It will adopt an innovative service model worldwide by self-operated services and collaboration with service provider, and establish supporting service standards to ensure the services from multiple channels. Our mines-stationed services + quick response + spare parts consignment will help to improve customer satisfaction. Regarding digital intellectualization and low-carbonization strategy, the mining equipment segment will launch hot-selling products, including intelligent roadheader, hydraulic support, hybrid widebodied vehicles and electric drive mining transport equipment. For logistics equipment, the Group will grasp electrification and digital intellectualization opportunities and seize market opportunities. The Group will develop smart port solutions combining remote control quayside gantry crane and automated gantry as well as the core electrification technology of electric products such as electric front loader and electric stacking machine. For oil & gas equipment, the Group will rapidly expand its market presence and launch hot-selling products in the industry by developing the industry's first electric drive fracturing equipment for shale gas demonstration projects.

Many uncertainties continue to exist in future economic development, and the Company has been constantly facing new challenges in development. We will give full play to our existing advantages and actively respond to environmental changes, so as to enable Sany International to continuously grow and reach new heights.

Liang Zaizhong

Chairman

Hong Kong, 31 August 2023

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 to the interim condensed consolidated financial information contained in this report.

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%).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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). For the six months ended 30 June 2023, the staff cost recognised as expenses of the Group amounted to RMB1,154.8 million. 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 share schemes for core employees to share the Company's development results. The remuneration of the directors of the Company (the "**Directors**") was determined according to their positions, responsibilities, experience and prevailing market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Contingent Liabilities

Details of the contingent liabilities are set out in note 32 to the interim condensed consolidated financial information contained in this report.

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 report, the Group has no material events subsequent to 30 June 2023 and up to the date of this report.

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.

DISCLOSURE OF INTERESTS

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION

As at 30 June 2023, the interests or short positions of Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or were otherwise required pursuant to the Model Code for Securities Transactions by Directors of the Company (the “**Model Code**”) as set out in the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company:

Name of Director	Capacity	Number of ordinary shares as at 30 June 2023	Percentage of the issued voting shares of the Company as at 30 June 2023
Mr. Qi Jian ⁽¹⁾	Beneficial owner	6,366,183	0.20%
Mr. Fu Weizhong ⁽²⁾	Beneficial owner	3,065,596	0.10%
Mr. Tang Xiuguo	Interest of spouse	5,357,000	0.17%
Mr. Xiang Wenbo ⁽³⁾	Beneficial owner	2,858,000	0.09%
Mr. Poon Chiu Kwok ⁽⁴⁾	Beneficial owner	1,000,000	0.03%
Mr. Ng Yuk Keung ⁽⁵⁾	Beneficial owner	1,000,000	0.03%
Mr. Hu Jiquan ⁽⁶⁾	Beneficial owner	1,000,000	0.03%

Notes:

- (1) The 6,366,183 shares in which Mr. Qi Jian is interested or deemed to be interested represent: (i) 5,290,000 shares of the Company which may be issued to him upon the exercise of the share options granted to him on 29 December 2021 under the share option scheme adopted by the Company on 16 February 2013 (the “**2013 Share Option Scheme**”); (ii) 367,077 shares of the Company awarded to him on 18 December 2020, 236,514 shares of the Company awarded to him on 2 September 2021 and 472,592 shares of the Company awarded to him on 8 June 2022 under the restricted share award scheme adopted by the Company on 3 December 2019 as amended on 11 August 2023 (the “**2019 Share Award Scheme**”).
- (2) The 3,065,596 shares in which Mr. Fu Weizhong is deemed to be interested represent: (i) 500,000 shares of the Company which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the 2013 Share Option Scheme and 2,264,000 shares of the Company which may be issued to him upon the exercise of the share options granted to him on 29 December 2021; (ii) 152,683 shares of the Company awarded to him on 18 December 2020; and (iii) 40,028 shares of the Company awarded to him on 2 September 2021 and 108,885 shares of the Company awarded to him on 8 June 2022 under the 2019 Share Award Scheme.
- (3) Mr. Xiang Wenbo directly holds 2,858,000 shares of the Company.

DISCLOSURE OF INTERESTS

- (4) The 1,000,000 shares in which Mr. Poon Chiu Kwok is deemed to be interested represent 1,000,000 shares of the Company which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the 2013 Share Option Scheme.
- (5) The 1,000,000 shares in which Mr. Ng Yuk Keung is deemed to be interested represent 1,000,000 shares of the Company which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the 2013 Share Option Scheme.
- (6) The 1,000,000 shares in which Mr. Hu Jiquan is deemed to be interested represent 1,000,000 shares of the Company which may be issued to him upon the exercise of the share options granted to him on 15 December 2017 under the 2013 Share Option Scheme.

Long Positions in Shares of Sany Heavy Equipment Investments Company Limited ("Sany BVI") (Being the Ultimate Holding Company of the Company):

Name of Director	Nature of interest	Number of shares held	Percentage of issued share capital
Mr. Tang Xiuguo (Note)	Beneficial owner	869.58	8.70%
Mr. Xiang Wenbo (Note)	Beneficial owner	795.04	7.95%

Note: Each of Mr. Tang Xiuguo and Mr. Xiang Wenbo holds 8.70% and 7.95% of the issued share capital of Sany BVI, respectively, which in turn holds the entire issued share capital of Sany Hongkong Group Limited ("Sany HK", a controlling shareholder of the Company).

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, so far as the Directors and chief executive of the Company were aware, the following persons and corporations (excluding the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in shares and underlying shares of the Company:

Name of Shareholder	Capacity	Number of shares/ underlying shares held	Approximate percentage of the issued voting shares of the Company
Sany HK (Note 1)	Beneficial owner	2,568,818,722	80.69%
Sany BVI (Note 2)	Interest of a controlled corporation	2,568,818,722	80.69%
Mr. Liang Wengen (Note 3)	Interest of a controlled corporation/Beneficial owner	2,579,688,722	81.04%

Notes:

1. The 2,568,818,722 shares and underlying shares consist of 2,089,037,688 ordinary shares and 479,781,034 underlying shares which may be issued pursuant to the conversion of the 479,781,034 convertible preference shares issued to Sany HK.
2. Sany BVI owns 100% of the issued share capital of Sany HK. Sany BVI is therefore deemed to be interested in all the shares and underlying shares of the Company held by Sany HK under the SFO.
3. Mr. Liang Wengen is interested in 56.38% of Sany BVI. Mr. Liang Wengen is therefore deemed to be interested in all the shares and underlying shares of the Company held by Sany HK under the SFO. Mr. Liang Wengen also directly holds 10,870,000 shares of the Company.

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any persons (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report, the Company has maintained sufficient public float required under the Listing Rules for the six months ended 30 June 2023 and up to as at the date of this interim report.

DISCLOSURE OF INTERESTS

2013 SHARE OPTION SCHEME

The Company adopted the 2013 Share Option Scheme on 16 February 2013 for the purpose of motivating eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. The eligible persons include the Company's executive directors and other employees of the Group.

The 2013 Share Option Scheme expired on 15 February 2023. The number of options available for grant under the 2013 Share Option Scheme as at 1 January 2023 was 79,803,575. As at 30 June 2023, as the 2013 Share Option Scheme had already expired, no more option was available for grant under the 2013 Share Option Scheme.

Details of the movement of share options granted under the 2013 Share Option Scheme during the six months ended 30 June 2023 are as follows:

Category of participants	Date of grant	Exercise price per share (HK\$)	Outstanding at 1 January 2023	Granted during the period	Exercised during the period ⁽⁴⁾	Forfeited during the period ⁽⁵⁾	Cancelled during the period ⁽⁵⁾	Outstanding at 30 June 2023
Directors								
Mr. Qi Jian	29 December 2021 ^(2, 3)	7.39	5,290,000	—	—	—	—	5,290,000
Mr. Fu Weizhong	15 December 2017 ⁽¹⁾	1.22	500,000	—	—	—	—	500,000
	29 December 2021 ^(2, 3)	7.39	3,160,000	—	(412,520)	—	(483,480)	2,264,000
Mr. Poon Chiu Kwok	15 December 2017 ⁽¹⁾	1.22	1,000,000	—	—	—	—	1,000,000
Mr. Ng Yuk Keung	15 December 2017 ⁽¹⁾	1.22	1,000,000	—	—	—	—	1,000,000
Mr. Hu Jiquan	15 December 2017 ⁽¹⁾	1.22	1,000,000	—	—	—	—	1,000,000
Associates of the controlling shareholders of the Company								
Mr. Liang Zhenggen	29 December 2021 ^(2, 3)	7.39	1,140,000	—	—	—	—	1,140,000
Employees	15 December 2017 ⁽¹⁾	1.22	6,716,300	—	(1,139,300)	—	—	5,577,000
Employees	29 December 2017 ⁽¹⁾	1.71	380,000	—	(50,000)	—	—	330,000
Employees	14 November 2018 ⁽¹⁾	2.30	130,000	—	—	—	—	130,000
Employees	29 December 2021 ^(2, 3)	7.39	69,432,881	—	(9,141,501)	(4,873,165)	(8,873,646)	46,544,569
Total			89,749,181	—	(10,743,321)	(4,873,165)	(9,357,126)	64,775,569

DISCLOSURE OF INTERESTS

Notes:

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

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

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

- (2) Share options granted under the 2013 Share Option Scheme on 29 December 2021 in the proposed grantees in accordance with the timetable below, each with an exercise period commencing from the relevant 2021 Grant Vesting Date and ending 10 years after the date of the grant (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a “2021 Grant Vesting Date”):

2021 Grant Vesting Date	Percentage of share option
If the revenue for 2021 represents an increase of 35% or more as compared to that of 2020, or the net profit for 2021 represents an increase of 20% or more as compared to that of the 2020, the 2021 Grant Vesting Date will be the date when the annual results announcement for the year ending 31 December 2021 is published.	30% of the total number of share options granted
If the revenue for 2022 represents an increase of 70% or more as compared to that of 2020, or the net profit for 2022 represents an increase of 45% or more as compared to that of the 2020, the 2021 Grant Vesting Date will be the date when the annual results announcement for the year ending 31 December 2022 is published.	30% of the total number of share options granted
If the revenue for 2023 represents an increase of 100% or more as compared to that of 2020, or the net profit for 2023 represents an increase of 70% or more as compared to that of the 2020, the 2021 Grant Vesting Date will be the date when the annual results announcement for the year ending 31 December 2023 is published.	40% of the total number of share options granted

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

- (3) *The closing price of the shares of the Company immediately before 29 December 2021 (date of the share options granted) was HK\$7.47 per Share. For details of the value of the share options granted on 29 December 2021 and the accounting policy adopted for such share options, please refer to note 29 to the interim condensed consolidated financial information contained in this report.*
- (4) *The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK\$9.97.*
- (5) *During the six months ended 30 June 2023, 14,230,291 share options were forfeited or cancelled for the following reasons: (1) certain employees' performance appraisal results for 2021 did not reach the performance target required under the grant letters; (2) certain employees violated the Company's policies; and (3) certain employees were dismissed.*

2023 SHARE OPTION SCHEME

As the 2013 Share Option Scheme expired on 15 February 2023, the Company adopted a new share option scheme in substitution of the expired 2013 Share Option Scheme (the “**2023 Share Option Scheme**”) after obtaining approval of the shareholders of the Company (the “**Shareholders**”) on 11 August 2023. The 2023 Share Option Scheme expanded the definition of eligible participants (“**Eligible Participants**”) to include related entity participants (“**Related Entity Participants**”) (i.e. any director or employee (whether full time or part time but excludes any former employee unless such former employee otherwise qualifies as an Eligible Participant) of the holding companies, fellow subsidiaries or associated companies of the Company) and service providers (“**Service Providers**”) (i.e. any person (whether a natural person, a corporate entity or otherwise) who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group (where the continuity and frequency of their services are akin to those of employees of the Group), and provided that placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions and professional service providers, such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity are excluded from such category).

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

Purpose

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

Eligible Participants

Eligible Participants under the 2023 Share Option Scheme include any employee participant, Related Entity Participant or Service Provider who the Board considers, in their sole discretion, to have contributed or will contribute to the Group.

DISCLOSURE OF INTERESTS

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

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

As at the date of this report, the Overall Scheme Limit and Service Provider Sub-limit approved by Shareholders was 318,860,946 and 31,886,094 respectively.

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

Scheme Life, Option Period and Vesting Period

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

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

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

Consideration of acceptance of the grant and Subscription Price

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

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

- (a) the closing price of the shares as shown in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day;
- (b) the average of the closing prices of the shares as shown in the Stock Exchange's daily quotations sheets for the five (5) consecutive days on which the shares are traded on the Stock Exchange immediately preceding the offer date; and
- (c) the nominal value of the share on the offer date.

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

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

2019 SHARE AWARD SCHEME

The Company adopted the 2019 Share Award Scheme on 3 December 2019 (the "**Adoption Date**"). The purpose of the 2019 Share Award Scheme is to provide the eligible persons (the "**Selected Participants**") with an opportunity to acquire a proprietary interest in the Company and to encourage and retain such individuals to work with the Company, and to provide additional incentive for them to achieve performance goals.

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

- (i) amendment of the definition of eligible participants to include only employee participants, Related Entity Participants and Service Providers;
- (ii) inclusion of the Overall Scheme Limit and the Service Provider Sub-limit applicable to the shares which may be allotted and issued in respect of all options and award to be granted under the amended 2019 Share Award Scheme and all other share schemes;
- (iii) requirement to seek Shareholders' approval for refreshment of the Overall Scheme Limit and the Service Provider Sub-limit within three (3) years from the date of the Shareholders' approval for such limits or for their last refreshment (as the case may be);

DISCLOSURE OF INTERESTS

- (iv) requirement to seek the Shareholders' approval for any grant which would result in exceeding the 1% Individual Limit (i.e. a limit on the total number of shares which may be allotted and issued in respect of all options and awards to be granted under all share scheme(s) to any eligible participant in the 12-month period up to and including the date of such grant);
- (v) requirements to seek the independent non-executive Directors' approval for any grant to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, and to seek Shareholders' approval for any grant to:
 - a. a Director (other than an independent non-executive Director) or chief executive of the Company, or any of his/her associates that would result in the shares issued and to be issued in respect of all awards granted to such person under the amended 2019 Share Award Scheme and all other share award schemes (excluding any awards lapsed in accordance with the terms of the respective share award schemes) in any 12-month period up to and including the date of such offer, representing in aggregate over 0.1% of the issued share capital of the Company; and
 - b. an independent non-executive Director or substantial shareholder of the Company, or any of his/her associates that would result in the shares issued and to be issued in respect of all options and awards granted to such person under the amended 2019 Share Award Scheme and all other share schemes (excluding any awards lapsed in accordance with the terms of the respective share schemes) in any 12-month period up to and including the date of such offer, representing in aggregate over 0.1% of the issued share capital of the Company;
- (vi) inclusion of a minimum vesting period of twelve (12) months, subject to a shorter vesting period in relation to the grant to employee participants at the discretion of the Board under specified circumstances;
- (vii) clarification that the Board or the Remuneration Committee may set performance targets and/or clawback mechanism as part of the vesting conditions of the grant;
- (viii) provision for equitable adjustment to the awards granted under the amended 2019 Share Award Scheme in the event of any alteration in the capital structure of the Company, such as capitalisation issue, rights issue, consolidation, sub-division and reduction of the share capital of the Company; and
- (ix) requirement to seek Shareholders' approval for any alteration of the amended 2019 Share Award Scheme under certain circumstances.

The Board may, subject always to the scheme rules, from time to time determine the number of restricted shares (the "**Restricted Shares**") to be granted and at its absolute discretion select any employee participants, Related Entity Participants and Service Providers to be a Selected Participant under the amended 2019 Share Award Scheme. In determining the number of grant shares to any Selected Participant, the Board shall take into consideration matters including, but without limitation to (i) the present contribution and expected contribution of the relevant Selected Participant to the profits of the Group, (ii) the general financial condition of the Group, (iii) the Group's overall business objectives and future development plan, and (iv) any other matter which the Board considers relevant.

DISCLOSURE OF INTERESTS

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

After the Board has determined the number of grant shares and the Selected Participants, it shall notify the trustee and the Selected Participants in writing on the proposed grant date (the "**Grant Date**"). Upon receipt of the notification of the grant, the Selected Participants are required to confirm his/her acceptance of the grant by (i) returning to the Company a notice of acceptance duly executed by him/her; or (ii) completing any other required steps as specified by the Board to confirm his/her acceptance of the grant within 28 days after the Grant Date.

The vesting of the Restricted Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the vesting date (as the case may be, on each relevant vesting date) a participant. Any Share held by the trustee on behalf of a Selected Participant pursuant to the provisions shall vest in such Selected Participant in accordance with the vesting schedule as communicated and confirmed in writing by the Board to the trustee from time to time. When shares vest in a Selected Participant, the Board shall issue to the trustee a confirmation letter that the vesting conditions have been fulfilled. The Board shall also forward to the trustee, at the same time when the confirmation letter is sent, a written consolidated security account details of all relevant Selected Participants to effect the transfer of the relevant vested shares to the relevant Selected Participants.

As at 30 June 2023, a total of 24,786,616 Restricted Shares were granted in which 3,064,182 Restricted Shares had lapsed in accordance with the 2019 Share Award Scheme. The number of Restricted Shares still available for future grants was 288,317,816, which represents 9.06% of the Company's issued share capital as at the date of this report. No account shall be taken into the calculation of the share award scheme limit where the right to obtain the Restricted Shares has been released or lapsed in accordance with the relevant provisions in the 2019 Share Award Scheme.

Subject to any early termination of the 2019 Share Award Scheme and without prejudicing the subsisting rights of any Selected Participant, the 2019 Share Award Scheme shall be valid and effective for 10 years from the Adoption Date, subject to change of control or early termination events. As of the date of this report, the remaining life of the 2019 Share Award Scheme is approximately 6 years and 2 months.

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

DISCLOSURE OF INTERESTS

During the six months ended 30 June 2023, the Company did not grant Restricted Shares under the 2019 Share Award Scheme. Movement of the Restricted Shares granted pursuant to the 2019 Share Award Scheme are as follows:

Category of participants	Date of grant ⁽¹⁾	Unvested awarded shares at 1 January 2023	Shares awarded during the period	Vested during the period ⁽²⁾	Lapsed during the period	Unvested awarded shares at 30 June 2023	Vesting period
Directors							
Mr. Qi Jian	18 December 2020	550,615	—	(183,538)	—	367,077	18 March 2021— 18 March 2025
	2 September 2021	315,352	—	(78,838)	—	236,514	29 March 2022— 29 March 2026
	8 June 2022	590,739	—	(118,147)	—	472,592	31 March 2023— 31 March 2027
Mr. Fu Weizhong	18 December 2020	91,611	—	(30,536)	—	61,075	18 March 2021— 18 March 2025
	2 September 2021	32,022	—	(8,006)	—	24,016	29 March 2022— 29 March 2026
	8 June 2022	108,885	—	(21,777)	—	87,108	31 March 2023— 31 March 2027
Associates of the controlling shareholders of the Company							
Mr. Liang Zhenggen	18 December 2020	17,814	—	(5,937)	—	11,877	18 March 2021— 18 March 2025
	2 September 2021	30,630	—	(7,658)	—	22,972	29 March 2022— 29 March 2026
	8 June 2022	32,933	—	(6,586)	—	26,347	31 March 2023— 31 March 2027
Employees							
	18 December 2020	2,069,394	—	(657,786)	(100,191)	1,311,417	18 March 2021— 18 March 2025
	2 September 2021	5,405,870	—	(1,226,144)	(505,061)	3,674,665	29 March 2022— 29 March 2026
	8 June 2022	9,828,198	—	(1,882,839)	(235,057)	7,710,302	31 March 2023— 31 March 2027
	16 November 2022	92,542	—	(45,237)	(2,058)	45,247	31 March 2023— 31 March 2024
Total		19,166,605	—	(4,273,029)	(842,367)	14,051,209	

Notes:

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

(2) The weighted average closing price of the shares of the Company immediately before the date on which the awards were vested was HK\$7.685.

During the six months ended 30 June 2023, the trustee subscribed a total of 9,667,960 new shares of the Company for the purpose of satisfying the Restricted Shares granted to other employees of the Group who were not connected persons of the Company.

CORPORATE GOVERNANCE AND GENERAL INFORMATION

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 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 shareholders.

The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code on corporate governance. To the best knowledge of the Directors, the Company had complied with all the applicable code provisions set out in Part 2 of 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 as its own code of conduct for securities transactions. Upon specific enquiries made with all Directors, each of them has confirmed that he had complied with the Model Code during the six months ended 30 June 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.

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 SHARES

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company (for the six months ended 30 June 2022: Nil).

CORPORATE GOVERNANCE AND GENERAL INFORMATION

THE BOARD

As at 30 June 2023, the Board consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Liang Zaizhong, Mr. Qi Jian and Mr. Fu Weizhong. The non-executive Directors are Mr. Tang Xiuguo and Mr. Xiang Wenbo. The independent non-executive Directors are Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok (possessing professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules) and Mr. Hu Jiquan. The functions and duties conferred on the Board include convening Shareholders' meetings and reporting on the work of the Board to the Shareholders at Shareholders' meetings as may be required by applicable laws, implementing resolutions passed at Shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions as well as exercising other powers, functions and duties as conferred on it by the articles of association of the Company and applicable laws. The senior management is delegated with the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

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 appropriate professional qualifications and experience in accounting matters, 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.

CORPORATE GOVERNANCE AND GENERAL INFORMATION

Remuneration Committee

The remuneration committee (the “**Remuneration Committee**”) was established with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to determine the policies in relation to human resources management, to review the compensation strategies, to determine the remuneration packages of the senior executives and managers, to approve the terms of the service contracts of the executive Directors, to assess the performance of the executive Directors, to recommend and establish annual and long-term performance criteria and targets as well as to review and supervise the implementation of all executive compensation packages and employee benefit plans. The Board expects the Remuneration Committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration. The Remuneration Committee consists of three members, namely Mr. Poon Chiu Kwok, Mr. Ng Yuk Keung and Mr. Hu Jiquan. Mr. Poon Chiu Kwok is the chairman of the Remuneration Committee.

Nomination Committee

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

Strategic Investment Committee

The strategic investment committee of the Company (the “**Strategic Investment Committee**”) was established on 4 October 2012. The Strategic Investment Committee is responsible for the recommendation and analysis of the business development and investments of the Company. As at 30 June 2023, the chairman is Mr. Liang Zaizhong and the other four members are Mr. Qi Jian, Mr. Fu Weizhong, Mr. Ng Yuk Keung and Mr. Poon Chiu Kwok.

ESG Committee

The ESG committee of the Company (the “**ESG Committee**”) was established on 20 February 2023. The ESG Committee is responsible for assisting the Board to review and monitor ESG-related issues.

As at 30 June 2023, the chairman is Mr. Qi Jian and the other four members are Mr. Fu Weizhong, Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan.

CORPORATE GOVERNANCE AND GENERAL INFORMATION

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision A.2.1 of the CG Code, which includes (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. For the six months ended 30 June 2023, the Board determined the policy for the corporate governance of the Company.

Disclosure of Information of Directors Under Rules 13.51(2) and 13.51(B)(1) of the Listing Rules

Mr. Poon Chiu Kwok ("**Mr. Poon**"), an independent non-executive Director, was appointed as an independent non-executive director of China Isotope & Radiation Corporation, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1763) with effect from 30 June 2023. At the same time, he resigned as an independent non-executive director of Yankuang Energy Group Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1171). Mr. Poon also retired as the independent non-executive director of Changan Minsheng APLL Logistics Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1292), all with effect from 30 June 2023.

Save as disclosed above, there has been no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51(B)(1) of the Listing Rules since the publication of the 2022 annual report of the Company on 26 April 2023 (the "**2022 Annual Report**").

SUPPLEMENTAL INFORMATION IN RELATION TO 2022 ANNUAL REPORT

Reference is made to the 2022 Annual Report. The Company would like to provide the following supplemental information in relation to the section headed "Corporate Governance Report — Remuneration Committee" as required under Rule 17.07A of the Listing Rules.

During the year ended 31 December 2022, after reviewing the financial performance of the Group including but not limited to revenue, net profit, market shares and research and development accomplishment, collective performance and individual performance of the Group's employees and Directors against the performance targets set by the relevant departments within the Group at the beginning of the fiscal year and the remuneration package of the Directors and the Group's employees, the Remuneration Committee had approved and recommended to the Board on the grant of a total of 11,613,671 Restricted Shares to Directors and employees of the Group on 8 June and 16 November 2022. The grant of the Restricted Shares was to recognise and reward their contribution to the Group's development and to maintain long-term stability of the core management team so as to enhance the Group's competitiveness and sustain its future development.

CORPORATE GOVERNANCE AND GENERAL INFORMATION

The grant on 8 June 2022 included employees, Directors and members of the senior management while the grant on 16 November 2022 did not include Directors and members of the senior management.

Among the grant on 8 June 2022, 11,521,129 Restricted Shares were granted to employees, Directors and members of the senior management of the Group which were divided into five batches to be vested over a period of five years. The first batch was vested on 31 March 2023 which was shorter than 12 months after the date of grant but the subsequent batches were to be vested over the next remaining four years. Performance targets had been set for them at the beginning of the Company's fiscal year which aligned to the strategic priorities of the Group. Upon achieving the performance targets at the end of the fiscal year, the number of Restricted Shares to be granted to each grantee shall be determined by the Board with reference to their performance, their positions, responsibilities, experience and the amount of cash incentives that they would have otherwise received in lieu of the Restricted Shares.

The Restricted Shares granted will be subject to the clawback mechanism attached to it, in particular, the Company may recover or withhold all unvested Restricted Shares granted to a grantee in the case where the grantee (i) resigns unilaterally and fails to meet the termination notice period requirements; (ii) has been fired for violating the Company's relevant regulations and labor discipline; (iii) has been convicted or held liable of any criminal offence involving his integrity or honesty; (iv) breaches any material regulations such as non-competition, confidentiality or Company's information security; (v) is involved in a material misstatement in the audited financial statements of the Company that requires a restatement; or (vi) if the grant is linked to any performance targets and the Board is of the view that there exists circumstances that show or lead to any of the prescribed performance targets having been assessed or calculated in a materially inaccurate manner. The Board may, at its absolute discretion, determine whether the grantee had committed a misconduct or was involved in a material misstatement in the Company's financial statements.

In view of the minimum vesting period and the performance targets being imposed with the presence of the clawback mechanism in connection with the aforementioned grant, the Remuneration Committee considered that it was appropriate to grant the Restricted Shares to the relevant Directors, members of the senior management, and the Group's employees as the grant aligned with the purpose of the 2019 Share Award Scheme and it also aligned with the grantees' interests with the Company and its Shareholders, in particular to provide incentives to the grantees so that they will work with the Group continuously to achieve the set performance targets.

Save as disclosed above, there were no other material matters relating to the 2019 Share Award Scheme and the 2013 Share Option Scheme that were required to be reviewed for approval by the Remuneration Committee for the year ended 31 December 2022.

The information contained above does not affect the other information contained in the 2022 Annual Report. Save as disclosed above, all the other information and contents in the 2022 Annual Report remain unchanged.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	4	10,839,188	7,631,742
Cost of sales		(8,007,247)	(5,816,453)
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	(73,924)	(72,559)
PROFIT BEFORE TAX	5	1,440,602	1,023,968
Income tax expense	7	(257,297)	(111,352)
PROFIT FOR THE PERIOD		1,183,305	912,616
Attributable to:			
Owners of the parent		1,201,949	905,789
Non-controlling interests		(18,644)	6,827
		1,183,305	912,616
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (RMB Yuan)		0.38	0.29
Diluted (RMB Yuan)		0.33	0.25

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	1,183,305	912,616
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	99,268	(17,845)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	99,268	(17,845)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	99,268	(17,845)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,282,573	894,771
Attributable to:		
Owners of the parent	1,301,217	887,944
Non-controlling interests	(18,644)	6,827
	1,282,573	894,771

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,418,764	4,065,888
Right-of-use assets	11(a)	1,413,961	1,273,397
Goodwill	12	2,537,138	1,129,520
Intangible assets	13	1,415,868	17,387
Trade receivables	16	961,718	888,356
Non-current prepayments	18	22,989	24,384
Contract assets	17	102,801	65,845
Deferred tax assets	27	297,307	297,805
Total non-current assets		12,170,546	7,762,582
CURRENT ASSETS			
Inventories	14	3,385,399	3,282,540
Properties for sale	15	872,177	883,911
Trade receivables	16	9,575,378	6,416,294
Bills receivable	16	1,061,848	1,011,765
Contract assets	17	133,196	68,164
Prepayments, other receivables and other assets	18	1,214,042	700,258
Financial assets at fair value through profit or loss	19	2,248,755	2,087,646
Pledged deposits	20	102,455	50,286
Cash and cash equivalents	20	5,223,094	2,689,823
Total current assets		23,816,344	17,190,687
CURRENT LIABILITIES			
Trade and bills payables	21	8,766,036	6,646,310
Other payables and accruals	22	7,038,009	2,791,041
Dividend payable		519,295	83,284
Interest-bearing bank and other borrowings	23	1,765,256	954,215
Lease liabilities	11(b)	24,117	—
Tax payable		203,646	155,113
Provision for warranties	24	55,230	40,053
Government grants	25	168,074	164,656
Derivative financial instruments	26	1,673	1,106
Total current liabilities		18,541,336	10,835,778
NET CURRENT ASSETS		5,275,008	6,354,909
TOTAL ASSETS LESS CURRENT LIABILITIES		17,445,554	14,117,491

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	4,862,189	2,691,178
Lease liabilities	11(b)	18,735	—
Government grants	25	1,441,113	1,185,182
Deferred tax liabilities	27	263,675	137,357
Total non-current liabilities		6,585,712	4,013,717
Net assets		10,859,842	10,103,774
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	314,588	312,789
Reserves		10,501,587	9,727,190
		10,816,175	10,039,979
Non-controlling interests		43,667	63,795
Total equity		10,859,842	10,103,774

Qi Jian
Director

Fu Weizhong
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent												
	Issued capital		Share premium account	Contributed surplus	Share-based compensation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Capital redemption reserve*	Retained profits	Total	Non-controlling interests	Total equity
	Ordinary shares	Convertible preference shares											
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 28)	(note 28)											
At 1 January 2023 (Audited)	274,941	37,848	1,594,160	1,344,319	157,852	1,006,040	10,825	(2,784)	2,620	5,614,158	10,039,979	63,795	10,103,774
Profit for the period	—	—	—	—	—	—	—	—	—	1,201,949	1,201,949	(18,644)	1,183,305
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	99,268	—	—	99,268	—	99,268
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	—	99,268	—	1,201,949	1,301,217	(18,644)	1,282,573
Issue of shares (note 28)	1,799	—	62,148	—	—	—	—	—	—	—	63,947	—	63,947
Share-based payments (note 29/30)	—	—	—	—	44,114	—	3,318	—	—	—	47,432	—	47,432
Release of share-based compensation reserve to share premium upon exercise of share options (note 28)	—	—	8,496	—	(8,496)	—	—	—	—	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(1,484)	(1,484)
Provision for safe production expense	—	—	—	—	—	—	6,439	—	—	(6,439)	—	—	—
Final 2022 dividend declared	—	—	—	—	—	—	—	—	—	(636,400)	(636,400)	—	(636,400)
At 30 June 2023 (unaudited)	276,740	37,848	1,664,804 [#]	1,344,319 [#]	193,470 [#]	1,006,040 [#]	20,582 [#]	96,484 [#]	2,620 [#]	6,173,268 [#]	10,816,175	43,667	10,859,842

	Attributable to owners of the parent											
	Issued capital		Share premium account	Contributed surplus	Share-based compensation reserve	Reserve funds	Exchange fluctuation reserve	Capital redemption reserve*	Retained profits	Total	Non-controlling interests	Total equity
	Ordinary shares	Convertible preference shares										
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 28)	(note 28)										
At 1 January 2022 (Audited)	274,212	37,848	1,565,108	1,344,319	41,669	776,075	3,594	2,620	4,655,611	8,701,056	82,092	8,783,148
Profit for the period	—	—	—	—	—	—	—	—	905,789	905,789	6,827	912,616
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(17,845)	—	—	(17,845)	—	(17,845)
Total comprehensive (loss)/income for the period	—	—	—	—	—	—	(17,845)	—	905,789	887,944	6,827	894,771
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	—	13,300	13,300
Issue of shares (note 28)	652	—	3,934	—	—	—	—	—	—	4,586	—	4,586
Share-based payments (note 29/30)	—	—	—	—	55,168	—	—	—	—	55,168	—	55,168
Release of share-based compensation reserve to share premium upon exercise of share options (note 28)	—	—	348	—	(348)	—	—	—	—	—	—	—
Dividend declared to a non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	(6,555)	(6,555)
Final 2021 dividend declared	—	—	—	—	—	—	—	—	(466,192)	(466,192)	—	(466,192)
At 30 June 2022 (unaudited)	274,864	37,848	1,569,390	1,344,319	96,489	776,075	(14,251)	2,620	5,095,208	9,182,562	95,664	9,278,226

[#] These reserve accounts comprise the consolidated reserves of RMB10,501,587,000 (31 December 2022: RMB9,727,190,000) in the interim condensed consolidated statement of financial position.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
	<i>Note</i>	
Net cash flows from operating activities	985,141	99,176
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	13,990	—
Purchases of items of property, plant and equipment	(974,129)	(342,654)
Additions to intangible assets	(15,692)	—
Acquisition of a subsidiary	470,983	—
Proceeds from disposal of items of property, plant and equipment	18,524	7,627
Purchase of prepaid land lease payments	(123,234)	(91,800)
Purchases of financial assets at fair value through profit or loss	(1,560,862)	(2,651,530)
Proceeds from disposal of financial assets at fair value through profit or loss	1,446,058	3,060,572
(Increase)/decrease of pledged time deposits	(52,169)	16,594
Net cash flows used in investing activities	(776,531)	(1,191)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	63,947	4,586
New bank loans	2,789,896	1,470,529
Repayment of bank loans	(370,114)	(918,095)
Settlement of derivative financial instruments	567	(8,561)
Dividends paid	(196,731)	(158,299)
Capital injection by non-controlling shareholders	—	13,300
Principal portion of lease payments	(1,420)	—
Interest paid	(60,752)	(61,897)
Net cash flows from financing activities	2,225,393	341,563
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,434,003	439,548
Cash and cash equivalents at beginning of period	2,689,823	1,349,332
Effect of foreign exchange rate changes, net	99,268	(17,845)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,223,094	1,771,035
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,223,094	1,771,035
	20	

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION (continued)

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
	7,418,625	3,171,625	335,434	223,049	11,148,733
<i>Reconciliation:</i>					
Elimination of intersegment sales					(25,691)
Revenue from operations	7,392,934	3,171,625	335,434	223,049	11,123,042
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)	(73,268)
Profit before tax					1,440,602
Income tax expense					(257,297)
Profit for the period					1,183,305
Segment assets	15,220,740	9,669,823	4,905,822	1,415,426	31,211,811
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(3,096,532)
Corporate and other unallocated assets					7,871,611
Total assets					35,986,890
Segment liabilities	12,506,693	5,698,149	1,703,428	1,247,449	21,155,719
<i>Reconciliation:</i>					
Elimination of intersegment payables					(3,096,532)
Corporate and other unallocated liabilities					7,067,861
Total liabilities					25,127,048
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*	442,049	313,146	384,707	654,395	1,794,297

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2022	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4)			
Sales to customers	5,479,589	2,152,153	7,631,742
Intersegment sales	42,184	17,014	59,198
Other revenue	160,631	89,115	249,746
	5,682,404	2,258,282	7,940,686
<i>Reconciliation:</i>			
Elimination of intersegment sales			(59,198)
Revenue from operations	5,640,220	2,241,268	7,881,488
Segment results	854,981	208,140	1,063,121
Interest income			33,406
Finance costs	(35,257)	(37,302)	(72,559)
Profit before tax			1,023,968
Income tax expense			(111,352)
Profit for the period			912,616
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			2,077,182
Total assets			23,141,096
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			4,363,975
Total liabilities			13,862,870
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*	158,434	245,309	403,743

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION (continued)

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 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>	10,839,188	7,631,742

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

4. REVENUE, OTHER INCOME AND GAINS (continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

Segments	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Oil & Gas equipment RMB'000 (Unaudited)	Emerging industry equipment RMB'000 (Unaudited)	Total RMB'000 (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	7,214,186	3,065,651	336,264	223,087	10,839,188
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	7,214,186	3,065,651	336,264	223,087	10,839,188
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	7,214,186	3,065,651	336,264	223,087	10,839,188

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

4. REVENUE, OTHER INCOME AND GAINS (continued)

Disaggregated revenue information for revenue from contracts with customers (continued)

For the six months ended 30 June 2022

Segments	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Sale of industrial products	5,302,294	2,094,036	7,396,330
Installation services	35,310	47,713	83,023
Maintenance services	141,985	10,404	152,389
Total revenue from contracts with customers	5,479,589	2,152,153	7,631,742
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
Total revenue from contracts with customers	5,479,589	2,152,153	7,631,742
Timing of revenue recognition			
Goods transferred at a point in time	5,337,604	2,141,749	7,479,353
Services transferred over time	141,985	10,404	152,389
Total revenue from contracts with customers	5,479,589	2,152,153	7,631,742

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

4. REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other income			
Bank interest income		59,332	33,406
Other interest income		13,990	—
Government grants	25	185,686	135,973
Profit from sale of scrap materials		34,559	14,005
Rental income	11	5,918	3,430
Foreign exchange differences, net		—	20,483
Others		14,307	6,268
		313,792	213,565
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
		43,384	69,587
		357,176	283,152

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (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	10	177,186	144,577
Amortisation of intangible assets	13	9,529	1,908
Depreciation of right-of-use assets	11(a)	18,447	13,840
Auditors' remuneration		610	500
Provision of warranties*	24	16,896	11,755
Research and development costs**		748,357	416,430
Lease payments not included in the measurement of lease liabilities	11(c)	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
		1,154,776	786,573
Foreign exchange differences, net***		33,217	(20,483)
Impairment of financial and contract assets, net****:			
Impairment of trade receivables, net	16	120,773	41,712
Impairment of contract assets, net	17	1,561	695
Reversal of impairment of other receivables, net		(86)	(4,826)
		122,248	37,581
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***	4	(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)
		(43,384)	(69,587)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

5. PROFIT BEFORE TAX (continued)

- * 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

	Note	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (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	11	656	—
		73,924	72,559

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

7. INCOME TAX (continued)

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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 (note 27)	(42,928)	6,092
Total tax charge for the period	257,297	111,352

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).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 RMB'000 (Unaudited)	2022 RMB'000 (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	41	40
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	1,201,990	905,829
	Number of shares	
	30 June 2023 (Unaudited)	30 June 2022 (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	31,814,759	25,217,293
Weighted average number of ordinary shares used in the diluted earnings per share calculation	3,656,493,517	3,645,956,835

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount at 1 January	4,065,888	3,314,006
Additions	960,454	1,270,758
Acquisition of subsidiaries (note 31)	602,307	—
Disposals	(32,699)	(236,103)
Depreciation provided during the period/year (note 5)	(177,186)	(261,380)
Impairment	—	(21,393)
Carrying amount at 30 June/31 December	5,418,764	4,065,888

11. LEASES

The Group as a lessee

The Group has lease contracts for lands, plant, machinery and offices used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Lease of the plant, machinery and offices generally have lease terms within 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	Leasehold land RMB'000 (Unaudited)	Plant and machinery RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
As at 1 January 2022 (Audited)	1,113,534	—	1,113,534
Additions	189,118	—	189,118
Depreciation charge	(29,255)	—	(29,255)
As at 31 December 2022 and 1 January 2023 (Audited)	1,273,397	—	1,273,397
Additions	123,234	21,966	145,200
Acquisition of subsidiaries (note 31)	—	13,811	13,811
Depreciation charge (note 5)	(16,143)	(2,304)	(18,447)
As at 30 June 2023 (Unaudited)	1,380,488	33,473	1,413,961

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

11. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	30 June 2023 RMB'000 (Unaudited)
Carrying amount at 1 January	
New leases	21,966
Acquisition of subsidiaries (note 31)	22,306
Accretion of interest recognised during the period (note 6)	656
Payments	(2,076)
Carrying amount at 30 June	42,852
Analysed into:	
Current portion	24,117
Non-current portion	18,735

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

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets	18,447	13,840
Interest charge on lease liabilities (note 6)	656	—
Expense relating to short-term leases and other leases (note 5)	13,721	14,450
Total amount recognised in profit or loss	32,824	28,290

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

11. LEASES (continued)

The Group as a lessor

The Group leases certain area of office buildings and machinery which were classified as property, plant and equipment under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the six months was RMB5,918,000 (six months ended 30 June 2022: RMB3,430,000), details of which are included in note 4 to the interim condensed consolidated financial statements.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	8,088	12,615
After 1 year but within 2 years	7,098	7,911
After 2 years but within 3 years	3,572	6,921
	18,758	27,447

The net carrying amounts of the Group's assets held under operating leases included in the total amounts of office buildings and machinery as at 30 June 2023 were RMB15,271,000 and RMB72,300,000, respectively (31 December 2022: RMB17,123,000 and RMB59,488,000).

12. GOODWILL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount at 1 January	1,129,520	1,129,520
Acquisition of subsidiaries (note 31)	1,407,618	—
Carrying amount at 30 June/31 December	2,537,138	1,129,520

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

13. INTANGIBLE ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount at 1 January	17,387	19,295
Additions	15,692	—
Acquisition of subsidiaries (note 31)	1,392,318	—
Depreciation and impairment provided during the period/year (note 5)	(9,529)	(1,908)
Carrying amount at 30 June/31 December	1,415,868	17,387

14. 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	1,734,485	1,689,838
	3,494,393	3,353,923
Less: Provision against slow-moving and obsolete inventories	(108,994)	(71,383)
	3,385,399	3,282,540

15. PROPERTIES FOR SALE

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount as at 30 June/31 December	872,177	883,911

No impairment/reversal of impairment was recognised in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

All properties under development are situated in Mainland China.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

16. 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	(563,349)	(424,480)
	10,537,096	7,304,650
Less: Trade receivables due after one year	(961,718)	(888,356)
	9,575,378	6,416,294
Bills receivable	1,061,848	1,011,765

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 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
	10,537,096	7,304,650

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

16. TRADE AND BILLS RECEIVABLES (continued)

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 (note 5)	120,773	85,643
Amount written off as uncollectible	(13,483)	(9,567)
At 30 June/31 December	563,349	424,480

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

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
	1,061,848	1,011,765

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

16. TRADE AND BILLS RECEIVABLES (continued)

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.

17. CONTRACT ASSETS

	30 June 2023 RMB’000 (Unaudited)	31 December 2022 RMB’000 (Audited)
Contract assets arising from:		
Sale of industrial products	240,658	136,911
Impairment	(4,661)	(2,902)
	235,997	134,009

Contract assets are initially recognised for revenue earned from the sale of industrial products as the receipt of consideration is conditional on successful assurance during the warranty periods. When passing the warranty periods, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2023 was the result of the increase of sales contracts with payment terms relating to the guarantee deposits.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

17. CONTRACT ASSETS (continued)

During the period ended 30 June 2023, RMB1,561,000 (six months ended 30 June 2022: RMB695,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 16 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 30 June 2023 or 31 December 2022 is as follows:

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Within one year	133,196	68,164
After one year	102,801	65,845
Total contract assets	235,997	134,009

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

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
At beginning of period/year	2,902	1,208
Acquisition of subsidiaries	198	—
Impairment losses, net (note 5)	1,561	1,694
At end of period/year	4,661	2,902

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current prepayments	22,989	24,384
Current assets:		
Prepayments	339,793	306,377
Deposits and other receivables	897,499	411,592
Loans to third parties	16,438	12,471
Gross balance	1,253,730	730,440
Impairment allowance	(39,688)	(30,182)
	1,214,042	700,258

Non-current prepayments represent prepayments for the acquisition of land of RMB9,650,000 (31 December 2022: RMB9,650,000) and the deferred non-monetary staff welfare of RMB13,339,000 (31 December 2022: RMB14,734,000).

Included in the current prepayments, RMB5,945,000 was due from fellow subsidiaries as at 30 June 2023 (31 December 2022: RMB51,393,000) for purchasing raw materials by the Group.

Deposits and other receivables mainly represent deposits with suppliers. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 30 June 2023 was 3.0% (31 December 2022: 5.5%).

As at 30 June 2023 and 31 December 2022, except for the defaulted receivables in loans to third parties of RMB12,471,000 (2022: RMB12,471,000), the Group assessed the expected loss rate for the rest to be minimal.

19. 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	2,248,755	2,087,646

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances	3,881,126	1,313,642
Time deposits	1,444,423	1,426,467
	5,325,549	2,740,109
Less: Pledged time deposits for banking facilities	(102,455)	(50,286)
Cash and cash equivalents	5,223,094	2,689,823
Cash and cash equivalents, and pledged deposits denominated in		
— RMB	4,089,098	1,586,091
— Hong Kong dollar (“ HK\$ ”)	31,737	11,204
— United States dollars (“ US\$ ”)	1,121,455	1,142,669
— Euro (“ EUR ”)	19,009	116
— Singapore Dollars (“ SGD ”)	64,243	—
— Australian Dollar (“ AUD ”)	7	29
	5,325,549	2,740,109

At the end of the reporting period, the cash and bank balances of the Group were denominated in RMB, HK\$, US\$, EUR, SGD 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 30 June 2023, bank balances of RMB545,304,000 (31 December 2022: RMB370,104,000) are deposited in Sanxiang Bank, a related company of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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21. 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	168,211	39,929
	8,766,036	6,646,310

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.

22. OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contract liabilities	1,400,720	1,586,880
Other payables	5,505,434	1,084,152
Financial guarantee contracts	7,322	3,589
Accruals	124,533	116,420
	7,038,009	2,791,041

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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22. OTHER PAYABLES AND ACCRUALS (continued)

(a) Details of contract liabilities are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Sales of industrial products	1,400,720	1,586,880

Contract liabilities include short-term advances received to deliver industrial products. The decrease in contract liabilities in the current period was mainly due to the decrease in short-term advances received from customers in relation to the delivery of industrial products at the end of the year.

Included in the contract liabilities was an amount of RMB89,806,000 as at 30 June 2023 (31 December 2022: RMB124,289,000) due to a fellow subsidiary for the sale of products.

(b) Other payables are non-interest-bearing and are due within one year.

Included in the other payables was an amount due to fellow subsidiaries in aggregate of RMB634,481,000 as at 30 June 2023 (31 December 2022: RMB210,367,000), which is non-interest-bearing and is repayable on demand.

23. 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	1.89–3.40	2023–2024	1,118,119	1.40–3.50	2023	951,032
— unsecured						
Other borrowings	4.02–4.35	On demand	620,232	—	—	—
— unsecured						
Interest payable		2023–2024	26,905	—	2023	3,183
			1,765,256			954,215
Non-current						
Bank loans	3.20	2030–2038	408,742	3.20	2030	400,000
— secured						
Bank loans	2.40–3.60	2024–2026	4,453,447	2.50–3.60	2024–2025	2,291,178
— unsecured						
			4,862,189			2,691,178

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
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	—
	6,007,213	3,645,393
Analysed into:		
Other borrowings repayable:		
Within one year or on demand	620,232	—

- (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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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24. PROVISION FOR WARRANTIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
At 1 January	40,053	24,053
Acquisition of subsidiaries	9,495	—
Additional provision (note 5)	46,837	44,464
Amount utilised during the period/year	(11,214)	(12,292)
Reversal of unutilized amounts (note 5)	(29,941)	(16,172)
At 30 June/31 December	55,230	40,053

The Group provides warranties (one year for coal machinery, and the earlier of two years and 4,000 hours during usage for logistics equipment, and the earlier of one year and 1000 hours during usage for Oil & Gas equipment) for repair and maintenance of the products sold to its customers. The amount of the warranty provision is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised when appropriate.

25. 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)	(185,686)	(340,562)
At 30 June/31 December	1,609,187	1,349,838
Current portion	(168,074)	(164,656)
Non-current portion	1,441,113	1,185,182

Government grants have been received for the purchase of certain items of property, plant and equipment or finance of research and development projects. There are no unfulfilled conditions or contingencies attached to these grants.

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26. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2023	31 December 2022
	Liabilities RMB'000 (Unaudited)	Liabilities RMB'000 (Audited)
Interest rate swaps	1,673	1,106

The interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate swaps amounting to RMB2,921,000 (six months ended 30 June 2022: RMB1,012,000).

27. DEFERRED TAX

Deferred tax assets

	Deductible temporary differences	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2022 (Audited)	271,025	15,827	286,852
(Charged)/credited to the consolidated statement of profit or loss	(31,483)	42,436	10,953
At 31 December 2022 and 1 January 2023 (Audited)	239,542	58,263	297,805
Acquisition of subsidiaries	21,174	24,786	45,960
Credited to the interim condensed consolidated statement of profit or loss (note 7)	4,114	13,764	17,878
At 30 June 2023 (Unaudited)	264,830	96,813	361,643

The Group has tax losses arising in Mainland China of RMB285,524,000 (31 December 2022: RMB55,426,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have mainly arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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27. DEFERRED TAX (continued)

Deferred tax liabilities

	Fair value adjustments arising from financial assets at fair value RMB'000	Withholding taxes on dividend RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Installment sales RMB'000	Total RMB'000
At 1 January 2022 (Audited)	17,602	59,116	6,097	15,120	—	97,935
(Credited)/charged to the consolidated statement of profit or loss	(6,149)	17,501	(507)	17,411	11,166	39,422
At 31 December 2022 and 1 January 2023 (Audited)	11,453	76,617	5,590	32,531	11,166	137,357
Acquisition of subsidiaries	—	4,373	187,903	19,415	4,014	215,625
(Credited)/charged to the interim condensed consolidated statement of profit or loss (note 7)	(6,363)	(11,521)	(1,130)	(6,662)	625	(25,051)
At 30 June 2023 (Unaudited)	5,090	69,469	192,363	45,284	15,805	328,011

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 30 June 2023, the Group has not recognised deferred tax liabilities of RMB162,095,000 (31 December 2022: RMB178,774,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB3,241,896,000 (31 December 2022: RMB3,575,470,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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27. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

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

	30 June 2023 RMB'000
Deferred tax assets	361,643
Offsetting amounts	(64,336)
Net deferred tax assets recognized in the consolidated statements of financial position	297,307
Deferred tax liabilities	(328,011)
Offsetting amounts	64,336
Net deferred tax liabilities recognized in the consolidated statements of financial position	(263,675)

28. SHARE CAPITAL

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
<i>Authorised:</i>		
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	53,893	53,893
Total authorised capital	500,000	500,000
<i>Issued and fully paid:</i>		
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	47,978	47,978
Total issued and fully paid capital	366,318	364,277
Equivalent to RMB'000	314,588	312,789

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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28. SHARE CAPITAL (continued)

On 19 December 2014, the Company issued 479,781,034 convertible preference shares (“CPS”) of HK\$0.10 each at an issue price of HK\$2.009 per share. Each CPS is convertible into one ordinary share of the Company at any time after issuance (subject to standard anti-dilution adjustments) and has the same right 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 (note)	—	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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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29. SHARE OPTION SCHEME

(a) Share Option Scheme

The Company operates a share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s executive directors and other employees of the Group. The Scheme became effective on 15 December 2017, 29 December 2017, 14 November 2018, and 29 December 2021 (the “**Date of Grant**”). The share options granted on 29 December 2021 shall vest in the proposed grantees in accordance with the timetable below, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a “**Vesting Date**”), unless otherwise cancelled or amended:

Vesting Date	Percentage of share options to vest
If the revenue for the year 2021 represents an increase of 35% or more as compared to that of the year 2020, or the net profit for the year 2021 represents an increase of 20% or more as compared to that of the year 2020 (“ Target Performance I ”), the Vesting Date will be the date when the annual results announcement for the year ending 31 December 2021 is published. ⁽¹⁾	30%
If the revenue for the year 2022 represents an increase of 70% or more as compared to that of the year 2020, or the net profit for the year 2022 represents an increase of 45% or more as compared to that of the year 2020 (“ Target Performance II ”), the Vesting Date will be the date when the annual results announcement for the year ending 31 December 2022 is published. ⁽²⁾	30%
If the revenue for the year 2023 represents an increase of 100% or more as compared to that of the year 2020, or the net profit for the year 2023 represents an increase of 70% or more as compared to that of the year 2020 (“ Target Performance III ”), the Vesting Date will be the date when the annual results announcement for the year ending 31 December 2023 is published. ⁽³⁾	40%

Notes:

- (1) If the Target Performance I is not achieved, then the 30% share options (the “**First Tranche Options**”) lapse in the year of 2022;
- (2) If the Target Performance II is not achieved, then the 30% share options (the “**Second Tranche Options**”) lapse in the year of 2023;
- (3) If the Target Performance III is not achieved, then the 40% share options (the “**Third Tranche Options**”) lapse in the year of 2024.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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29. SHARE OPTION SCHEME (continued)

(a) Share Option Scheme (continued)

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

	For the six months ended 30 June 2023		Year ended 31 December 2022	
	Price HK\$	Number of options	Price HK\$	Number of options
At 1 January	6.66	89,749,181	6.73	108,726,200
Exercised during the period/year	6.71	(10,743,321)	4.62	(2,106,801)
Forfeited during the period/year	7.39	(4,873,165)	7.39	(12,069,143)
Cancelled during the period/year	7.39	(9,357,126)	7.39	(4,801,075)
At 30 June/31 December	6.49	64,775,569	6.66	89,749,181

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

30 June 2023

Number of options	Exercise price* per share HK\$	Exercise period
9,077,000	1.22	15-12-2017 to 15-3-2021
330,000	1.71	29-12-2017 to 15-3-2021
130,000	2.30	14-11-2018 to 31-3-2021
55,238,569	7.39	29-12-2021 to 31-3-2024
64,775,569		

31 December 2022

Number of options	Exercise price* per share HK\$	Exercise period
10,216,300	1.22	15-12-2017 to 15-3-2021
380,000	1.71	29-12-2017 to 15-3-2021
130,000	2.30	14-11-2018 to 31-3-2021
79,022,881	7.39	29-12-2021 to 31-3-2024
89,749,181		

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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29. SHARE OPTION SCHEME (continued)

(a) Share Option Scheme (continued)

There were 64,775,569 (31 December 2022: 89,749,181) share options outstanding which were all exercisable as at 30 June 2023.

The fair value of equity-settled share options granted on 29 December 2021 was HK\$128,668,000 (HK\$1.33 each) (equivalent to RMB105,166,000), of which the Group recognised a share option expense of RMB24,280,000 (six months end 30 June 2022: RMB38,535,000) during the period ended 30 June 2023.

The fair value of equity-settled share options granted was estimated as at the date of grant using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Granted on 29 December 2021
Dividend yield (%)	3.00
Expected volatility (%)	45.60
Historical volatility (%)	45.60
Risk-free interest rate (%)	1.27
Expected life of options (year)	10
Weighted average share price (HK\$ per share)	7.39

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, the Company had 64,775,569 share options outstanding under the Schemes, which represented approximately 2.05% of the Company's ordinary shares in issue as at that date.

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29. SHARE OPTION SCHEME (continued)

(b) Sany Machinery Scheme

Sany Machinery, a subsidiary of the Company, operates a share option scheme (the “**Sany Machinery Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of operations of Sany Machinery. Eligible participants of the Sany Machinery Scheme include the executive directors and other employees of Sany Machinery. The share options were granted on 28 November 2022 (the “**Date of Grant**”). The share options granted shall vest in the proposed grantees in accordance with the timetable below (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a “**Vesting Date**”), unless otherwise cancelled or amended:

Vesting Date	Percentage of share options to vest
If the employee serves Sany Machinery for 36 months after Date of Grant ⁽¹⁾	100%

Note:

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

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

	Price HK\$	For the six months ended 30 June 2023 Number of options	Year ended 31 December 2022 Number of options
At 1 January	Fair value per share/10, NAV/10, or RMB3.00	26,800,000	—
Granted during the period/year	Fair value per share/10, NAV/10, or RMB3.00	—	26,800,000
At 30 June/31 December	Fair value per share/10, NAV/10, or RMB3.00	26,800,000	26,800,000

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29. SHARE OPTION SCHEME (continued)

(b) Sany Machinery Scheme (continued)

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

30 June 2023

Number of options	Exercise price* per share HK\$	Exercise period
26,800,000	Fair value per share/10, NAV/10, or RMB3.00	31-12-2025

31 December 2022

Number of options	Exercise price* per share HK\$	Exercise period
26,800,000	Fair value per share/10, NAV/10, or RMB3.00	31-12-2025

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

The fair value of equity-settled share options granted on 28 November 2022 was RMB24,150,000 (RMB0.90 each), of which Sany Machinery recognised a share option expense of RMB3,318,000 (30 June 2022: nil) during the reporting period.

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29. SHARE OPTION SCHEME (continued)

(b) Sany Machinery Scheme (continued)

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

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

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, Sany Machinery had 26,800,000 share options outstanding under the Sany Machinery Schemes, which represented approximately 2.7% of Sany Machinery's shares in issue as at that date.

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30. SHARE AWARD SCHEME

The Company operates a restricted share award scheme (the “**Share Award Scheme**”) for the purpose of recognition and reward the contribution of the grantees to the Group’s development and to maintain long-term stability of the core management team so as to enhance the Group’s competitiveness and sustain the Group’s future development. Eligible participants of the Share Award Scheme include the Company’s executive directors and other employees of the Group. The Share Award Scheme became effective on 18 December 2020, 2 September 2021, 8 June 2022, and 16 November 2022 (the “**Date of Grant**”) respectively, and the share awards granted shall vest in the proposed grantees in accordance with the timetable below:

Vesting date	Number of restricted shares involved			
	Granted on 18 December 2020	Granted on 2 September 2021	Granted on 8 June 2022	Granted on 16 November 2022
18 March 2021	1,048,412	—	—	—
18 March 2022	1,048,412	1,585,885	—	—
18/31 March 2023	1,048,412	1,585,885	2,303,771	46,266
18/31 March 2024	1,048,412	1,585,885	2,303,771	46,276
18/31 March 2025	1,048,551	1,585,885	2,303,771	—
18/31 March 2026	—	1,587,206	2,303,771	—
18/31 March 2027	—	—	2,306,045	—
	5,242,199	7,930,746	11,521,129	92,542

Vesting date	Percentage of restricted shares to vest			
	Granted on 18 December 2020	Granted on 2 September 2021	Granted on 8 June 2022	Granted on 16 November 2022
18 March 2021	20%	—	—	—
18 March 2022	20%	20%	—	—
18/31 March 2023	20%	20%	20%	50%
18/31 March 2024	20%	20%	20%	50%
18/31 March 2025	20%	20%	20%	—
18/31 March 2026	—	20%	20%	—
18/31 March 2027	—	—	20%	—
	100%	100%	100%	100%

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30. SHARE AWARD SCHEME (continued)

The following shares award were outstanding during the year:

	Period ended 30 June 2023	Year ended 31 December 2022
	Number of shares award	Number of share awards
At 1 January	19,166,605	12,010,789
Granted during the period	—	11,613,671
Vested during the period	(4,273,029)	(2,356,591)
Lapsed during the period	(842,367)	(2,101,264)
At 30 June/31 December	14,051,209	19,166,605

The Group recognised a share award expense of RMB19,834,000 (six months end 30 June 2022: RMB16,633,000) during the period.

The fair value of the share awards granted on 18 December 2020, 2 September 2021, 8 June 2022, and 16 November 2022 was HK\$27,679,000 (HK\$5.28 each) (equivalent to RMB23,321,000), HK\$82,480,000 (HK\$10.40 each) (equivalent to RMB67,414,000), HK\$89,404,000 (HK\$7.76 each) (equivalent to RMB76,706,000) and HK\$723,000 (HK\$7.92 each) (equivalent to RMB629,000) of which the Group recognised a share award expense of HK\$1,499,000 (equivalent to RMB1,334,000), HK\$7,797,000 (equivalent to RMB6,940,000), HK\$12,772,000 (equivalent to RMB11,367,000) and HK\$217,000 (equivalent to RMB193,000) respectively during the period ended 30 June 2023.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

31. BUSINESS COMBINATIONS

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

On 10 June 2023, the Group acquired a 100% interest in Sany Oil from Sany Perpetual Enterprise Holdings Company Limited, a fellow subsidiary of the Company. Sany Oil is engaged in production and sales of petroleum equipment and spare parts for oil and gas field, as well as oil and gas field cementing and stimulation technical services. The acquisition was made as part of the Group's strategy to expand its industrial products to Oil & Gas equipment. The purchase consideration for the acquisition of RMB2,980,000,000 was unpaid as at 30 June 2023.

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

	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment (note 10)	343,930
Right-of-use assets (note 11(a))	13,811
Intangible assets (note 13)	1,236,370
Deferred tax assets (note 27)	21,174
Trade receivables	1,190,027
Contract assets	38,101
Prepayments, other receivables and other assets	260,821
Inventories	469,986
Cash and cash equivalents	423,077
Trade and bills payables	(897,148)
Other payables and accruals	(379,734)
Interest-bearing bank and other borrowings	(286,903)
Lease liabilities (note 11(b))	(22,306)
Provision for warranties (note 24)	(9,495)
Dividend payables	(434,565)
Tax payable	(17,927)
Deferred tax liabilities (note 27)	(213,209)
Total identifiable net assets at fair value	1,736,010
Non-controlling interests	15,707
Goodwill on acquisition	1,259,697
Consideration	2,980,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

31. BUSINESS COMBINATIONS (continued)

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

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

	RMB'000
Cash consideration paid	—
Cash and bank balances acquired	423,077
Net inflow of cash and cash equivalents included in cash flows from investing activities	423,077

Since the acquisition, Sany Oil contributed RMB336,264,000 to the Group’s revenue and RMB49,820,000 to the consolidated profit for the year ended 31 December 2022.

Had the combination taken place at the beginning of the period ended 30 June 2023, the revenue from continuing operations of the Group and the profit of the Group for the period ended 30 June 2023 would have been RMB12,057,260,000 and RMB1,350,411,000, respectively.

(b) Sany Technology Equipment Co., Ltd. (“Sany Technology Equipment”)

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

Sany Technology Equipment is primarily engaged in the research and development, manufacturing and sales of new energy battery equipment. The Group considered the acquisition could speed up the implementation of its electrification strategy and develop the new energy equipment business. The aggregate consideration of RMB0.95 was unpaid as at 30 June 2023.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

31. BUSINESS COMBINATIONS (continued)

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

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

	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment (note 10)	12,365
Intangible assets (note 13)	85,653
Trade receivables	276
Prepayments, other receivables and other assets	24,302
Inventories	119,667
Cash and cash equivalents	9,548
Trade and bills payables	(25,781)
Other payables and accruals	(300,239)
Tax payable	(137)
Deferred tax liabilities (note 27)	(1,563)
Total identifiable net liabilities at fair value	(75,909)
Non-controlling interests	(3,797)
Goodwill on acquisition	72,112
Consideration	—

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

	RMB'000
Cash consideration paid	—
Cash and bank balances acquired	9,548
Net inflow of cash and cash equivalents included in cash flows from investing activities	9,548

Since the acquisition, Sany Technology Equipment contributed RMB186,302,000 to the Group's revenue and RMB42,607,000 to the consolidated profit for the period ended 30 June 2023.

Had the combination taken place at the beginning of the period ended 30 June 2023, the revenue from continuing operations of the Group and the profit of the Group for the period ended 30 June 2023 would have been RMB11,025,547,000 and RMB1,214,721,000, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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31. BUSINESS COMBINATIONS (continued)

(c) Sany Hydrogen Energy Co., Ltd. (“Sany Hydrogen Energy”)

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

Sany Hydrogen Energy is primarily engaged in the entire hydrogen production, storage, transportation, and refueling industry chain. The Group considered the acquisition could speed up the implementation of its electrification strategy and develop the new energy equipment business. The aggregate consideration of RMB0.95 was unpaid as at 30 June 2023.

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

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 10)	6,308
Intangible assets (note 13)	10,781
Trade receivables	5,634
Prepayments, other receivables and other assets	12,985
Inventories	15,007
Cash and cash equivalents	372
Trade and bills payables	(2,753)
Other payables and accruals	(66,044)
Tax payable	(105)
Deferred tax liabilities (note 27)	(112)
Total identifiable net liabilities at fair value	(17,927)
Non-controlling interests	(2,691)
Goodwill on acquisition	15,236
Consideration	—

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

31. BUSINESS COMBINATIONS (continued)

(c) Sany Hydrogen Energy Co., Ltd. (“Sany Hydrogen Energy”) (continued)

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

	RMB'000
Cash consideration paid	—
Cash and bank balances acquired	372
Net inflow of cash and cash equivalents included in cash flows from investing activities	372

Since the acquisition, Sany Hydrogen Energy contributed nil to the Group’s revenue and RMB21,696,000 to the consolidated loss for the period ended 30 June 2023.

Had the combination taken place at the beginning of the period ended 30 June 2023, the revenue from continuing operations of the Group and the profit of the Group for the period ended 30 June 2023 would have been RMB10,839,188,000 and RMB1,150,220,000, respectively.

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

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

Sany Silicon Energy is primarily engaged in the research, development, manufacturing, and sales of monocrystalline silicon materials, solar cells, modules. The Group considered the acquisition could speed up the implementation of its electrification strategy and develop the new energy equipment business. The aggregate consideration of RMB0.95 was unpaid as at 30 June 2023.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

31. BUSINESS COMBINATIONS (continued)

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

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

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 10)	239,704
Intangible assets (note 13)	59,514
Deferred tax assets (note 27)	24,786
Trade receivables	63,950
Prepayments, other receivables and other assets	40,799
Inventories	87,061
Cash and cash equivalents	37,986
Trade and bills payables	(59,390)
Other payables and accruals	(292,885)
Bank loan	(271,000)
Tax payable	(979)
Deferred tax liabilities (note 27)	(821)
Total identifiable net liabilities at fair value	(71,275)
Non-controlling interests	(10,702)
Goodwill on acquisition	60,573
Consideration	—

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

	RMB'000
Cash consideration paid	—
Cash and bank balances acquired	37,986
Net inflow of cash and cash equivalents included in cash flows from investing activities	37,986

Since the acquisition, Sany Silicon Energy contributed RMB36,783,000 to the Group's revenue and RMB22,332,000 to the consolidated loss for the period ended 30 June 2023.

Had the combination taken place at the beginning of the period ended 30 June 2023, the revenue from continuing operations of the Group and the profit of the Group for the period ended 30 June 2023 would have been RMB10,931,297,000 and RMB1,129,489,000, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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32. FINANCIAL GUARANTEE CONTRACTS

At the end of the reporting period, the financial guarantee contracts provided by the Group were as follows:

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Guarantees given to financial institutions in connection with loans granted to customers	(a)	8,436	58,527
Guarantees given to the finance lease companies in connection with the unsettled lease amounts due from customers	(b)	4,291,091	1,688,281
		4,299,527	1,746,808

- (a) Sany Heavy Equipment, Sany Marine Heavy Industry and Sany Petroleum Equipment enters into sale agreements with end-user customers directly for the sale of equipment. The end-user customers enter into equipment mortgage loan agreements with financial institutions to obtain funding to pay for the equipment, using the equipment as collateral. The seller are usually required to enter into a separate agreement with financial institutions under which it has the obligation to repay the outstanding loan from the relevant financial institutions if the end-user customers default loan repayments.
- (b) Sany Heavy Equipment, Sany Marine Heavy Industry, Sany Petroleum Equipment and Sany Machinery enters into agreements with China Kangfu International Leasing Co., Ltd. ("**Kangfu Leasing**"), Fuhong Capital (Hunan) Financial Leasing Co., Ltd. ("**Fuhong Leasing**"), Hunan Zhonghong Finance Lease Co., Ltd. ("**Zhonghong Leasing**"), Sany Financial Leasing Co., Ltd. ("**Sany Leasing**") or Sany Auto Finance Co., Ltd. ("**Sany Auto Finance**") (hereafter collectively referred to as "**the Leasing Companies**") and agrees to:
- either sell the equipment to the Leasing Companies for leasing to lessees or sell the equipment to the lessees who will then on-sell the equipment to the Leasing Companies for leasing back to lessees; and
 - provide a financial guarantee to Kangfu Leasing, Hunan Zhonghong, Sany Leasing or Sany Auto Finance in favour of the lessees in respect of the leasing of the equipment by Kangfu Leasing, Hunan Zhonghong, Sany Leasing or Sany Auto Finance and repurchase the equipment under certain circumstances.

As at 30 June 2023, ECL allowance of RMB7,322,000 was provided for the financial guaranteed contracts (31 December 2022: RMB3,589,000).

33. 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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

(1) Recurring transactions

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of products to :			
PT SANY HEAVY INDUSTRY INDONESIA Sany International Development Limited. (三一國際發展有限公司)	(i)&(vi)	415,042	—
Sany Heavy Industry India Pvt Ltd. (三一印度)	(i)&(vi)	351,101	112,007
Sany America Inc. (三一美國)	(i)&(vi)	243,229	59,185
Sany Hongxiang Battery Co., Ltd. (三一紅象電池有限公司)	(i)&(vi)	207,357	81,585
Sany Europe GmbH (三一歐洲)	(i)&(vi)	180,020	—
Sany Russia Co. Ltd. (俄羅斯三一有限責任公司)	(i)&(vi)	126,704	64,804
Hunan Sany Smart New Energy Design Co., Ltd. (湖南三一智慧新能源設計有限公司)	(i)&(vi)	73,833	24,786
SANY SOUTHERN AFRICA (PTY) LTD	(i)&(vi)	67,666	—
PT.SANY INDONESIA MACHINERY (印度尼西亞三一機械有限公司)	(i)&(vi)	60,807	—
SANY HEAVY MACHINERY CANADA LTD	(i)&(vi)	59,221	408,424
SANY IMPORTACAO E EXPORTACAO DA AMERICA DO SUL LTDA	(i)&(vi)	48,114	—
Huzhou Sany Loader Co., Ltd. (湖州三一裝載機有限公司)	(i)&(vi)	37,178	54,378
Putzmeister Makine Sanayi ve Ticare Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(vi)	36,794	2,031
SANYMX EQUIPMENT&TECHNOLOGY SA DECV Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(vi)	28,701	—
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(vi)	17,324	14,159
SANY COLOMBIA S.A.S	(i)&(vi)	16,096	—
Sany Environmental Industry Co., Ltd. (三一環境產業有限公司)	(i)&(vi)	16,027	12,038
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(i)&(vi)	15,148	115,965
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(vi)	14,054	—
		10,931	—
		9,907	—
		8,531	—

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of products to : (continued)			
Sany Heavy Energy Equipment Co., Ltd. (三一重能有限公司)	(i)&(vi)	8,486	3,274
SANY GUINEA MACHINERY PUBLIC LIMITE (三一幾內亞機械有限公司)	(i)&(vi)	8,399	16,981
Sany Construction Technology (Miluo) Co., Ltd. (三一築工科技(汨羅)有限公司)	(i)&(vi)	8,340	—
Hunan Sany Zhongyang Machinery Co., Ltd. (湖南三一中陽機械有限公司)	(i)&(vi)	7,071	7,646
Sany Holding Company (Brazil)	(i)&(vi)	6,438	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(vi)	6,068	102,143
Sany Equipment Zimbabwe (Pvt) Ltd.	(i)&(vi)	3,031	—
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(i)&(vi)	2,517	139,230
SANY PERU S.A.	(i)&(vi)	2,443	—
Chenzhou Zhongren Machinery Manufacturing Co., Ltd. (郴州市中仁機械製造有限公司)	(i)&(vi)	1,907	—
SANY NIGERIA COMPANY LIMITED	(i)&(vi)	1,876	—
Sany Supply Chain Technology (Shanghai) Co., Ltd. (三一供應鏈科技(上海)有限公司)	(i)&(vi)	1,816	20,315
Sany Angola Co., Ltd (三一安哥拉有限公司)	(i)&(vi)	1,726	—
Sany Heavy Energy Equipment (Chenzhou) Co., Ltd. (三一重能裝備(郴州)有限公司)	(i)&(vi)	1,327	—
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(vi)	1,124	150
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(i)&(vi)	1,115	4,621
Shenzhen Haixing Zhijia Technology Co., Ltd. (深圳海星智駕科技有限公司)	(i)&(vi)	1,027	—
Sany Heavy Industry (Thailand) Co., Ltd.	(i)&(vi)	1,020	—
Shengjing Intelligent Technology (Jiaxing) Co., Ltd. (盛景智能科技(嘉興)有限公司)	(i)&(vi)	652	—
Zhuzhou Clover Environmental Development Co., Ltd. (株洲三葉草環境事業發展有限公司)	(i)&(vi)	628	—
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(i)&(vi)	458	11,040

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of products to : (continued)			
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(vi)	303	15,809
Sany Heavy Industry (Vietnam) Co., Ltd. (三一重工(越南)有限公司)	(i)&(vi)	226	—
Hunan Sany Zhongyi Machinery Co., Ltd. (湖南三一中益機械有限公司)	(i)&(vi)	156	13,878
Hunan Sany Tower Lifting Machinery Co., Ltd. (湖南三一塔式起重機械有限公司)	(i)&(vi)	147	303
Henan Sany New Energy Equipment Co., Ltd. (河南三一新能源裝備有限公司)	(i)&(vi)	147	—
Hunan Sany Huayuan Machinery Co., Ltd. (湖南三一華源機械有限公司)	(i)&(vi)	107	1,534
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(vi)	39	8,951
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(i)&(vi)	28	2,644
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(i)&(vi)	—	37,551
SANY SOUTHERN AFRICA (PTY) LTD. (三一南非有限公司)	(i)&(vi)	—	13,546
Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司)	(i)&(vi)	—	7,238
PT.SANY.PERKASA	(i)&(vi)	—	4,000
Sany Energy Equipment Co., Ltd. (三一能源裝備有限公司)	(i)&(vi)	—	3,167
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(vi)	—	1,934
Hunan Trinity Industrial Vocational and Technical College (湖南三一工業職業技術學院)	(i)&(vi)	—	44
Others	(i)&(vi)	356	1,434
		2,112,763	1,366,795

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of raw materials to:			
Sany Hongxiang Battery Co., Ltd. (三一紅象電池有限公司)	(i)&(vi)	7,992	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(vi)	3,019	—
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(vi)	439	64
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(i)&(vi)	380	172
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(i)&(vi)	270	56
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(vi)	183	—
Hunan Sanyi Huayuan Machinery Co., Ltd. (湖南三一華源機械有限公司)	(i)&(vi)	160	—
Hunan Sany Zhongyi Machinery Co., Ltd. (湖南三一中益機械有限公司)	(i)&(vi)	124	—
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(vi)	57	31
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(vi)	53	15
Chenzhou Zhongren Machinery Manufacturing Co., Ltd. (郴州市中仁機械製造有限公司)	(i)&(vi)	51	—
Sany Environmental Industry Co., Ltd. (三一環境產業有限公司)	(i)&(vi)	43	—
SANY SOUTHERN AFRICA (PTY) LTD. (三一南非有限公司)	(i)&(vi)	—	542
Sany Automobile Lifting Machinery Co, Ltd. (三一汽車起重機械有限公司)	(i)&(vi)	—	479
PT.SANY INDONESIA MACHINERY (印度尼西亞三一機械有限公司)	(i)&(vi)	—	339

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of raw materials to: (continued)			
Sany Heavy Industry India Pvt Ltd (三一印度)	(i)&(vi)	—	323
Sany Energy Equipment Co., Ltd. (三一能源裝備有限公司)	(i)&(vi)	—	286
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(i)&(vi)	—	250
SANY KENYA COMPANY LIMITED	(i)&(vi)	—	84
SANY COLOMBIA S.A.S	(i)&(vi)	—	82
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(i)&(vi)	—	14
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(i)&(vi)	—	5
Others	(i)&(vi)	196	619
		12,967	12,295

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchases of raw materials from:			
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(ii)&(vi)	163,796	126,754
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(vi)	75,096	49,507
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(ii)&(vi)	45,274	20,798
Changsha Dilian Industrial Control Technology Co., Ltd. (長沙帝聯工控科技有限公司)	(ii)&(vi)	33,279	4,434
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(ii)&(vi)	24,733	1,874
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(ii)&(vi)	22,408	62,800
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(ii)&(vi)	22,286	24,307
Guangzhou Ygp Industrial Trading Co., Ltd. (廣州市易工品貿易有限公司)	(ii)&(vi)	18,886	—
Hunan Deutz AG Power Co., Ltd. (湖南道依茨動力有限公司)	(ii)&(vi)	11,328	—
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(ii)&(vi)	10,306	25,252
Shengjing Intelligent Technology (Jiaxing) Co., Ltd. (盛景智能科技(嘉興)有限公司)	(ii)&(vi)	8,386	3,524
Sany Hoisting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(ii)&(vi)	5,389	12,880
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(vi)	5,296	8,051
Hunan Sany Culture Co. Ltd. (湖南三一文化產業有限公司)	(ii)&(vi)	4,244	2,914
Hangzhou Lilong Hydraulic Co., Ltd. (杭州力龍液壓有限公司)	(ii)&(vi)	3,973	442
Shanghai Huaxing Digital Technology Co., Ltd. (上海華興數字科技有限公司)	(ii)&(vi)	3,519	1,542
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(ii)&(vi)	3,496	656

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchases of raw materials from: (continued)			
Sany Europe GmbH (三一歐洲)	(ii)&(vi)	1,321	205
Sany Group Co., Ltd. (三一集團有限公司)	(ii)&(vi)	1,272	—
SANY HEAVY INDUSTRY CO LTD (UAE)	(ii)&(vi)	1,051	—
Hunan Anren Sany Construction Technology Co., Ltd. (湖南安仁三一築工科技有限公司)	(ii)&(vi)	942	—
Jiangsu Sany Environmental Technology Co., Ltd. (江蘇三一環境科技有限公司)	(ii)&(vi)	910	—
Rootcloud Technology Co., Ltd. (樹根互聯股份有限公司)	(ii)&(vi)	900	—
Shenzhen Haixing Zhijia Technology Co., Ltd. (深圳海星智駕科技有限公司)	(ii)&(vi)	857	—
Sany Lithium Energy Co., Ltd. (三一鋰能有限公司)	(ii)&(vi)	503	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(ii)&(vi)	406	—
Chongqing Sany Heavy Machinery Co., Ltd. (三一重機(重慶)有限公司)	(ii)&(vi)	333	—
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	(ii)&(vi)	204	—
Hunan Sany Medium Lifting Machinery Co. Ltd. (湖南三一中型起重機械有限公司)	(ii)&(vi)	81	2,892
Hunan Sany Kuaierju Housing Industry Co., Ltd. (湖南三一快而居住宅工業有限公司)	(ii)&(vi)	—	104,045
Others	(ii)&(vi)	290	3,154
		470,765	456,031

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchases of equipment from:			
Sany Automobile Manufacturing Co., Ltd.	(ii)&(vi)	4,206	—
Shengjing Intelligent Technology (Jiaxing) Co., Ltd. (盛景智能科技(嘉興)有限公司)	(ii)&(vi)	3,995	1,972
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(ii)&(vi)	3,572	—
Sany Group Co., Ltd. (三一集團有限公司)	(ii)&(vi)	1,628	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(ii)&(vi)	940	—
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	(ii)&(vi)	880	—
Chongqing Sany Heavy Machinery Co., Ltd. (三一重機(重慶)有限公司)	(ii)&(vi)	491	—
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(ii)&(vi)	149	—
Chenzhou Zhongren Machinery Manufacturing Co., Ltd. (郴州市中仁機械製造有限公司)	(ii)&(vi)	127	—
Hunan Xingbida Network Technology Co., Ltd. (湖南行必達網聯科技有限公司)	(ii)&(vi)	90	—
Jiangsu Sany Environmental Technology Co., Ltd. (江蘇三一環境科技有限公司)	(ii)&(vi)	—	575
Others	(ii)&(vi)	233	217
		16,311	2,764

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Operating rental fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(vi)	—	2,544
Hunan Zhushengyuan Property Service Co., Ltd. (湖南竹勝園物業服務有限公司)	(iii)&(vi)	—	—
Others	(iii)&(vi)	—	803
		—	3,347
Right-of-use asset recognised from:			
Zhuzhou Sanyi Energy equipment Co., Ltd. (株洲三一能源裝備有限公司)	(iii)&(vi)	16,718	—
Kunshan Synnium Machinery Co., Ltd. (昆山新利恒機械有限公司)	(iii)&(vi)	5,248	—
		21,966	—
Agency fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(vi)	7,619	6,359
Others	(iv)&(vi)	47	61
		7,666	6,420

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Utility charges paid to:			
Sany Group Co., Ltd. (三一集團有限公司)	(iv)&(vi)	—	1,666
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(vi)	—	1,509
Others	(iv)&(vi)	—	1,713
		—	4,888
Administrative service fee paid to:			
SANY Europe GmbH	(iv)&(vi)	3,134	—
SANY HEAVY INDUSTRY CO LTD (UAE)	(iv)&(vi)	2,592	—
Sany Group Co., Ltd. (三一集團有限公司)	(iv)&(vi)	1,562	—
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(vi)	635	—
Hunan Zhushengyuan Property Service Co., Ltd. (湖南竹勝園物業服務有限公司)	(iv)&(vi)	629	—
Beijing Sany Heavy Machinery Co., Ltd. (北京市三一重機有限公司)	(iv)&(vi)	627	—
Chenzhou Zhongren Machinery Manufacturing Co., Ltd. (郴州市中仁機械製造有限公司)	(iv)&(vi)	463	—
Sany Heavy Energy Equipment Co., Ltd. (三一重能股份有限公司)	(iv)&(vi)	444	—
Hunan Sany Vocational and Technical College of Industry (湖南三一工業職業技術學院)	(iv)&(vi)	381	—
Others	(iv)&(vi)	655	—
		11,122	—

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Technical service income from:			
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機股份有限公司)	(iii)&(vi)	5,844	16,677
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(iii)&(vi)	2,738	16,398
Hunan Sany Zhongyi Machinery Co., Ltd. (湖南三一中益機械有限公司)	(iii)&(vi)	819	—
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(iii)&(vi)	252	—
Chenzhou Zhongren Machinery Manufacturing Co., Ltd. (郴州市中仁機械製造有限公司)	(iii)&(vi)	142	—
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(iii)&(vi)	103	—
Hunan Sany Medium Lifting Machinery Co. Ltd (湖南三一中型起重機械有限公司)	(iii)&(vi)	99	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	(iii)&(vi)	—	1,471
Sany Special Purpose Vehicle Co., Ltd. (三一專用汽車有限責任公司)	(iii)&(vi)	—	82
Others	(iii)&(vi)	10	68
		10,007	34,696

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(iv)&(vi)	63,331	245,850
Sany Supply Chain Technology (Shanghai) Co., Ltd (三一供應鏈科技(上海)有限公司)	(iv)&(vi)	15,676	—
		79,007	245,850
Balance of deposits with:			
Sanxiang Bank (湖南三湘銀行股份有限公司)	(v)&(vi)	545,304	470,000
Interests provided by:			
Sanxiang Bank (湖南三湘銀行股份有限公司)	(v)&(vi)	5,326	10,864
Sales of parts and equipment under financial guarantee contracts with:			
Sany Financial Leasing Co., Ltd. (三一融資租賃有限公司)	(i)&(vi)	1,083,281	229,658
Sany Auto Finance Co., Ltd. (三一汽車金融有限公司)	(i)&(vi)	180,854	—
Fuhong Capital (Hunan) Financial Leasing Co., Ltd. (富鴻資本(湖南)融資租賃有限公司)	(i)&(vi)	140,916	—
China Kangfu International Leasing Co., Ltd. (中國康富國際租賃股份有限公司)	(i)&(vi)	3,540	—
		1,408,571	229,658

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Provision of financial guarantee under financial guarantee contracts with:			
Sany Financial Leasing Co., Ltd. (三一融資租賃有限公司)	(i)&(vi)	999,484	194,628
Sany Auto Finance Co., Ltd. (三一汽車金融有限公司)	(i)&(vi)	180,395	—
Fuhong Capital (Hunan) Financial Leasing Co., Ltd. (富鴻資本(湖南)融資租賃有限公司)	(i)&(vi)	135,448	—
China Kangfu International Leasing Co., Ltd. (中國康富國際租賃股份有限公司)	(i)&(vi)	2,864	—
		1,318,191	194,628

Notes:

- (i) The sales to companies owned and controlled by the Controlling Shareholders* were made at prices and on conditions as mutually agreed.
- (ii) The purchases from companies owned and controlled by the Controlling Shareholders* were made at prices and on conditions as mutually agreed.
- (iii) The rentals were made according to the prevailing market rent.
- (iv) The services were made at prices and on conditions as mutually agreed.
- (v) The Group deposited RMB545,304,000 at the interest rates between 1.95% and 3.45% per annum, with the deposit agreements due from 15 November 2027 to 30 June 2028.
- (vi) The above companies are owned and controlled by the Controlling Shareholders*.

* The Controlling Shareholders refer to 17 individual shareholders: Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Zhao Xiangzhang, Wang Zuochun, Duan Dawei, Zhai Xian, Liang Linhe, Zhai Chun and Huang Jianlong, Beijing Sany commonweal foundation (北京三一公益基金會) and Beijing Deqing commonweal foundation (北京德清公益基金會), who hold 56.38%, 8.70%, 7.95%, 7.95%, 4.72%, 3.48%, 2.98%, 2.98%, 0.99%, 0.99%, 0.68%, 0.60%, 0.50%, 0.40%, 0.08%, 0.31% and 0.31% of the equity interests in Sany BVI, respectively.

In the opinion of the Directors, the above transactions were carried out in the ordinary course of business of the Group and will continue in future.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Administrative service fee paid to:		
Sany Group Co., Ltd. (三一集團有限公司)	—	3,112
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	—	849
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	—	40
	—	4,001
Utility charges paid to:		
Sany Group Co., Ltd. (三一集團有限公司)	607	—
Others	575	—
	1,182	—
Other service fee paid to:		
Hunan Deutz AG Power Co., Ltd (湖南道依茨動力有限公司)	1,774	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)	1,579	—
Hunan Sany Building Co., Ltd. (湖南三一快而居住宅工業有限公司)	1,090	1,271
Kunshan Xinliheng Machinery Co., Ltd. (崑山新利恒機械有限公司)	1,027	—
Rootcloud Technology Co., Ltd. (樹根互聯股份有限公司)	718	—
Sany Heavy Energy Equipment Co., Ltd. (三一重能有限公司)	—	77
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	—	1,905
Sany Europe GmbH (三一歐洲)	—	1,749
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	—	828
Hunan Sany Vocational and Technical College of Industry (湖南三一工業職業技術學院)	—	295
Others	478	828
	6,666	6,953

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Rental fee received from:			
Shenyang sanyiyuan Construction Machinery Co., Ltd. (瀋陽三益源工程機械有限公司)		85	156
Sany Hydrogen Energy Technology Co., Ltd. (三一氫能科技有限公司)		73	—
Beijing Sany Technology Co., Ltd. (北京三一智造科技有限公司)		29	21
Others		105	18
		292	195
Supervisor fee paid to:			
Hunan Xingxiang Construction Consultation Co., Ltd. (湖南興湘建設監理諮詢有限公司)		49	—
Rental fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)		5,274	—
Sany Heavy Energy Equipment Co., Ltd. (三一重能股份有限公司)		3,063	—
Chenzhou Zhongren Machinery Manufacturing Co., Ltd. (郴州市中仁機械製造有限公司)		836	—
Hunan Zhongtai Equipment Engineering Co., Ltd. (湖南中泰設備工程有限公司)		—	1,232
Hunan Zhushengyuan Property Service Co., Ltd. (湖南竹勝園物業服務有限公司)		577	—
Beijing Sany Heavy Machinery Co., Ltd. (北京市三一重機有限公司)		396	—
Sany Northwest Heavy Industry Co., Ltd. (三一西北重工有限公司)		146	—
Others		139	—
		11,187	1,232

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

34. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions (continued)

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loans from related parties:			
Sany Group Co., Ltd. (三一集團有限公司)	(i)	269,000	—
Interests paid to related parties:			
Sany Group Co., Ltd. (三一集團有限公司)	(i)	373	—

Note:

- (i) A loan of RMB269,000,000 was borrowed from Sany Group Co., Ltd. ("Sany Group"), at an interest rate of 4.05% per annum, and was repayable on demand.

The other transactions were made at prices and on conditions as mutually agreed.

(3) Compensation of key management personnel

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, allowances, and benefits in kind	13,931	10,884
Employee retirement benefits and other staff welfare	583	128
Share option and share award expenses	7,302	7,383
Total compensation paid to key management personnel	21,816	18,395

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets				
Trade receivables, non-current portion	961,718	888,356	961,718	888,356
Bills receivable	1,061,848	1,011,765	1,061,848	1,011,765
Financial assets at fair value through profit or loss	2,248,755	2,087,646	2,248,755	2,087,646
	4,272,321	3,987,767	4,272,321	3,987,767
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	4,862,189	2,691,178	4,679,073	2,571,504
Derivative financial instruments	1,673	1,106	1,673	1,106
	4,863,862	2,692,284	4,680,746	2,572,610

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

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

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of trade receivable and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2023 were assessed to be insignificant.

The fair values of bills receivable measured at fair value through other comprehensive income, which were previously classified as loans and receivables, have been estimated using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group invests in unlisted investments, which represent wealth management products and securities investment funds issued by banks, trusts and funds in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with various counterparties. Derivative financial instruments, mainly including interest rate swaps, are measured using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2023	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Bills receivable	—	1,061,848	—	1,061,848
Financial assets at fair value through profit or loss	—	2,248,755	—	2,248,755
	—	3,310,603	—	3,310,603

As at 31 December 2022	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Bills receivable	—	1,011,765	—	1,011,765
Financial assets at fair values through profit or loss	—	2,087,646	—	2,087,646
	—	3,099,411	—	3,099,411

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Liabilities measured at fair value:

As at 30 June 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Derivative financial Instruments	—	1,673	—	1,673

As at 31 December 2022

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Derivative financial Instruments	—	1,106	—	1,106

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial assets and liabilities (six months ended 30 June 2022: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Assets for which fair values are disclosed:

As at 30 June 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Trade receivables, non-current portion	—	961,718	—	961,718

As at 31 December 2022

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Trade receivables, non-current portion	—	888,356	—	888,356

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Liabilities for which fair values are disclosed:

As at 30 June 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Interest-bearing bank and other borrowings, non-current portion	—	4,679,073	—	4,679,073

As at 31 December 2022

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Interest-bearing bank and other borrowings, non-current portion	—	2,571,504	—	2,571,504

36. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 31 August 2023.