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SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED
三一重裝國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 631)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors ("**Board**") of Sany Heavy Equipment International Holdings Company Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017, together with comparative figures for the preceding financial year ended 31 December 2016. These annual results have been reviewed by the audit committee of the Company (the "**Audit Committee**"), comprising solely the independent non-executive Directors, one of whom chairs the Audit Committee.

FINANCIAL SUMMARY

For the year ended 31 December 2017, the Group recorded revenue of approximately RMB2,481.4 million (the year ended 31 December 2016: approximately RMB1,841.8 million), representing an increase of approximately 34.7% as compared with the year ended 31 December 2016. The increase was mainly due to (1) the notable increase in the sales of coal mining machinery products along with the significant improvement in the coal industry; and (2) the significant increase in international revenue of port machinery products.

For the year ended 31 December 2017, the Group's profit margin before tax was approximately 12.7%, representing a year-on-year increase of approximately 51.1 percentage points as compared with loss margin before tax of approximately 38.4% for the year ended 31 December 2016. The change was mainly due to (1) increase in revenue; (2) increase in gross profit margin of coal machinery products; (3) successful cost control measures; and (4) the improvement in trade receivables collection due to coal mining industry recovery has led to the reduction in impairment losses recognised for the year ended 31 December 2017.

For the year ended 31 December 2017, profit attributable to owners of the parent recorded by the Group was approximately RMB229.4 million, and the loss attributable to owners of the parent recorded by the Group was approximately RMB644.4 million for the year ended 31 December 2016.

The turnover days of trade and bills receivables as at 31 December 2017 were approximately 389.2 days, representing a decrease of 205.8 days from approximately 595.0 days as at 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4	**2,481,365**	1,841,834
Cost of sales		**(1,743,814)**	(1,565,670)
Gross profit		**737,551**	276,164
Other income and gains	4	**339,304**	179,358
Selling and distribution expenses		**(299,483)**	(321,115)
Administrative expenses		**(341,851)**	(314,047)
Other expenses		**(118,313)**	(526,164)
Finance costs	6	**(2,634)**	(2,208)
Profit/(loss) before tax	5	**314,574**	(708,012)
Income tax expense	7	**(83,637)**	49,732
PROFIT/(LOSS) FOR THE YEAR		**230,937**	(658,280)
Attributable to:			
Owners of the parent		**229,436**	(644,375)
Non-controlling interests		**1,501**	(13,905)
		230,937	(658,280)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB Yuan)	9	**0.08**	(0.21)
Diluted (RMB Yuan)	9	**0.07**	(0.18)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**230,937**	(658,280)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,999)**	2,108
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(3,999)**	2,108
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(3,999)**	2,108
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**226,938**	(656,172)
Attributable to:		
Owners of the parent	**225,437**	(642,267)
Non-controlling interests	**1,501**	(13,905)
	226,938	(656,172)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,584,817**	2,756,773
Prepaid land lease payments		**561,964**	679,438
Goodwill		**1,129,520**	1,129,520
Intangible assets		**–**	21,366
Trade receivables	11	**46,609**	81,996
Available-for-sale investments		**10,636**	10,636
Non-current prepayments		**1,332,808**	736,305
Deferred tax assets		**435,561**	476,692
Total non-current assets		**6,101,915**	5,892,726
CURRENT ASSETS			
Inventories	10	**1,246,415**	915,140
Trade receivables	11	**1,559,621**	1,556,871
Bills receivable	11	**265,696**	213,315
Prepayments, deposits and other receivables		**268,059**	310,665
Available-for-sale financial investments		**682,200**	390,000
Pledged deposits		**15,345**	27,200
Cash and cash equivalents		**814,221**	833,162
		4,851,557	4,246,353
Assets of a disposal group classified as held for sale		**245,578**	–
Total current assets		**5,097,135**	4,246,353
CURRENT LIABILITIES			
Trade and bills payables	12	**1,192,789**	955,559
Other payables and accruals		**1,318,215**	944,138
Tax payable		**296,863**	289,509
Provision for warranties		**4,872**	9,485
Government grants		**97,026**	69,800
		2,909,765	2,268,491
Liabilities directly associated with the assets classified as held for sale		**8,941**	–

	Notes	**2017** **RMB'000**	2016 RMB'000
Total current liabilities		**2,918,706**	2,268,491
NET CURRENT ASSETS		**2,178,429**	1,977,862
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,280,344**	7,870,588
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**34,170**	20,160
Interest-bearing bank and other borrowings	*13*	**429,127**	161,422
Government grants		**1,454,876**	1,554,870
Total non-current liabilities		**1,918,173**	1,736,452
Net assets		**6,362,171**	6,134,136
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	**302,214**	302,214
Reserves		**6,001,499**	5,774,965
		6,303,713	6,077,179
Non-controlling interests		**58,458**	56,957
Total equity		**6,362,171**	6,134,136

NOTES TO FINANCIAL STATEMENTS
31 December 2017

1. CORPORATE AND GROUP INFORMATION

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations) issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. Assets classified as held for sale are stated at the lower of their carrying amounts and fair value less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 Included in *Annual Improvements to IFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the* Scope of IFRS 12

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

3. OPERATING SEGMENT INFORMATION

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

(a) Coal mining equipment segment

The coal mining equipment segment engages in the production and sale of roadheaders, CCMU, mining transport equipment (including underground and surface equipment) and spare parts, and the provision of related services; and

(b) Port machinery segment

The port machinery segment engages in the production and sale of large-size port machinery (including gantry cranes, ship to shore cranes and yard cranes), small-size port machinery (including reach stackers, empty container handlers and heavy duty forklift trucks) spare parts, and the provision of related services.

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

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

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

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

Year ended 31 December 2017

	Coal mining equipment *RMB'000*	Port machinery *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to customers	**1,202,009**	**1,279,356**	**2,481,365**
Other revenue	**66,419**	**238,749**	**305,168**
Revenue from operations	**1,268,428**	**1,518,105**	**2,786,533**
Segment results	**116,261**	**166,811**	**283,072**
Interest income			**34,136**
Finance costs			**(2,634)**
Profit before tax			**314,574**
Income tax expense			**(83,637)**
Profit for the year			**230,937**
Segment assets	**7,612,593**	**4,239,313**	**11,851,906**
Reconciliation:			
Elimination of intersegment receivables			**(1,918,362)**
Corporate and other unallocated assets			**1,265,506**
Total assets			**11,199,050**
Segment liabilities	**2,221,181**	**3,772,370**	**5,993,551**
Reconciliation:			
Elimination of intersegment payables			**(1,918,362)**
Corporate and other unallocated liabilities			**761,690**
Total liabilities			**4,836,879**
Other segment information:			
Gain/(loss) on disposal of items of property, plant and equipment	**957**	**(1,109)**	**(152)**
Impairment losses (reversed)/recognised in profit or loss	**(56,377)**	**90,115**	**33,738**
Depreciation and amortisation	**168,778**	**80,056**	**248,834**
Other non-cash expense	**592**	**505**	**1,097**
Capital expenditure*	**79,104**	**113,461**	**192,565**

Year ended 31 December 2016

	Coal mining equipment *RMB'000*	Port machinery *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to customers	727,772	1,114,062	1,841,834
Other revenue	66,053	101,595	167,648
Revenue from operations	793,825	1,215,657	2,009,482
Segment results	(886,853)	169,339	(717,514)
Interest income			11,710
Finance costs			(2,208)
Loss before tax			(708,012)
Income tax expense			49,732
Loss for the year			(658,280)
Segment assets	6,815,124	3,590,316	10,405,440
Reconciliation:			
Elimination of intersegment receivables			(1,603,415)
Corporate and other unallocated assets			1,337,054
Total assets			10,139,079
Segment liabilities	1,581,505	3,555,762	5,137,267
Reconciliation:			
Elimination of intersegment payables			(1,603,415)
Corporate and other unallocated liabilities			471,091
Total liabilities			4,004,943
Other segment information:			
Gain/(loss) on disposal of items of property, plant and equipment	1,815	(98)	1,717
Impairment losses recognised in profit or loss	803,730	38,294	842,024
Depreciation and amortisation	162,931	35,810	198,741
Other non-cash expense	510	830	1,340
Capital expenditure*	18,404	204,289	222,693

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

Geographical information

As over 91% of the Group's revenue (2016: 94%) is derived from customers based in Mainland China and most of the Group's identifiable assets and liabilities are located in Mainland China, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

None of the revenue (2016: RMB198,912,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

Revenue of approximately RMB402,813,000 (2016: RMB740,345,000) was derived from sales to a fellow subsidiary, 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, other income and gains is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**2,421,381**	1,821,948
Rendering of services	**59,984**	19,886
	2,481,365	1,841,834
Other income		
Bank interest income	**8,174**	5,237
Other interest income	**26,912**	6,473
Gain on disposal of items of property, plant and equipment	**–**	1,717
Profit from sale of scrap materials	**2,284**	–
Government grants	**283,200**	150,255
Foreign exchange differences, net	**–**	1,928
Others	**18,734**	13,748
	339,304	179,358

5. PROFIT/(LOSS) BEFORE TAX

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

	Note	2017 RMB'000	2016 RMB'000
Cost of inventories sold		**1,493,807**	1,234,224
Cost of services provided		**249,055**	11,055
Depreciation		**211,976**	160,397
Amortisation of land lease prepayments**		**15,492**	15,492
Amortisation of intangible assets**		**21,366**	22,852
Auditors' remuneration		**2,480**	2,910
Reversal of warranties*		**(607)**	(146)
Research and development costs**		**118,013**	106,685
Loss on inventories due to typhoon***		**20,045**	–
Loss on property, plant and equipment due to typhoon***		**39,959**	–
Minimum lease payments under operating leases		**4,231**	4,831
Employee benefit expenses (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**213,262**	208,771
Equity-settled share option expense		**1,097**	1,340
Employee retirement benefits		**22,718**	20,377
Other staff welfare		**11,398**	10,444
		248,475	240,932
Foreign exchange differences, net***		**14,888**	(1,928)
Impairment of trade receivables***		**14,905**	462,113
Impairment of other receivables***		**17,881**	59,520
Provision against slow-moving and obsolete inventories****	*10*	**952**	320,391
Loss/(gain) on disposal of items of property, plant and equipment***		**152**	(1,717)

* Included in "Selling and distribution expenses" in the consolidated statement of profit or loss

** Included in "Administrative expenses" in the consolidated statement of profit or loss

*** Included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss

**** Included in "Cost of sales" in the consolidated statement of profit or loss

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on interest-bearing bank and other borrowings	**2,069**	1,422
Interest on documentary bills	**2**	496
Interest on discounted bills	**563**	290
	2,634	2,208

7. INCOME TAX

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China were subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the year ended 31 December 2017.

Three of the Group's principal operating companies, Sany Heavy Equipment Co., Ltd. ("Sany Heavy Equipment"), Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") and Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry"), were recognised as High and New Technology Enterprise and were therefore subject to CIT at a rate of 15% in 2017.

	2017	2016
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**28,496**	15,709
Deferred	**55,141**	(65,441)
Total tax charge/(credit) for the year	**83,637**	(49,732)

A reconciliation of the income tax expense applicable to profit/loss before tax at the statutory rate for the location in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Profit/(Loss) before tax	**314,574**		(708,012)	
Tax at the statutory tax rate	**78,643**	**25.0**	(177,003)	25.0
Entities subject to lower statutory income tax rates	**(36,331)**	**(11.6)**	59,746	(8.4)
Expenses not deductible for tax	**8,224**	**2.6**	284	–
Tax losses utilised from previous periods	**(3,581)**	**(1.1)**	(3,509)	0.5
Different tax rate when temporary difference is realised	**25,036**	**8.0**	43,892	(6.2)
Super-deduction of research and development costs	**(8,794)**	**(2.8)**	(8,098)	1.1
Adjustments in respect of current tax of previous periods	**4,950**	**1.6**	(1,089)	0.2
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**14,040**	**4.4**	3,902	(0.6)
Tax losses not recognised	**1,450**	**0.5**	32,143	(4.5)
Tax charge at the Group's effective tax rate	**83,637**	**26.6**	(49,732)	7.1

8. DIVIDEND

	2017	2016
	HK$'000	*HK$'000*
Proposed special dividend – HK$0.18 (2016: Nil) per ordinary share	**547,385**	–
Proposed special dividend – HK$0.18 (2016: Nil) per preference share	**86,361**	–
	633,746	–
Equivalent to RMB'000	**518,791**	**–**

The proposed special dividend was approved by the board of directors on 23 January 2018.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the year ended 31 December 2017 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (2016: 3,041,025,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year ended 31 December 2017 attributable to ordinary equity holders of the parent, adjusted to reflect the preferred distribution on the convertible preference shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/loss 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.

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**229,436**	(644,375)
Preferred distribution to the convertible preference shares	**48**	48
Profit/(loss) attributable to ordinary equity holders of the parent, used in the diluted earnings/(loss) per share calculation	**229,484**	(644,327)

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/loss per share calculation	**3,041,025,000**	3,041,025,000
Effect of dilution-convertible preference shares	**479,781,034**	479,781,034
Weighted average number of ordinary shares used in the diluted earnings/loss per share calculation	**3,520,806,034**	3,520,806,034

The Company's share options had no dilution effect for the years ended 31 December 2017 and 2016.

10. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**580,943**	494,612
Work in progress	**456,917**	263,443
Finished goods	**610,176**	512,709
Less: Loss on inventories due to typhoon (note 5)*	**(45,045)**	–
	1,602,991	1,270,764
Less: Provision against slow-moving and obsolete inventories	**(356,576)**	(355,624)
	1,246,415	915,140

* After deducting the insurance indemnity of RMB25,000,000 received by the Group for the loss on inventories due to typhoon in 2017, a net loss on inventories of RMB20,045,000 has been recorded in other expenses in the consolidated statements of profit or loss.

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**355,624**	35,233
Charge for the year (note 5)	**952**	320,391
At 31 December	**356,576**	355,624

11. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**2,366,171**	2,445,963
Impairment	**(759,941)**	(807,096)
	1,606,230	1,638,867
Less: Trade receivables due after one year	**(46,609)**	(81,996)
	1,559,621	1,556,871
Bills receivable	**265,696**	213,315

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 19% (2016: 34%) of the Group's trade receivables due from a single 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 RMB296,666,000 as at 31 December 2017 (2016: RMB515,503,000) for sales of products by the Group, which accounted for 18% (2016: 25%) 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 provision, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 180 days	**484,983**	645,072
181 to 365 days	**599,372**	179,762
1 to 2 years	**262,071**	486,262
2 to 3 years	**155,521**	271,852
Over 3 years	**104,283**	55,919
	1,606,230	1,638,867

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**807,096**	443,887
Impairment losses recognised	**14,905**	462,113
Amount written off as uncollectible	**(62,060)**	(98,904)
At 31 December	**759,941**	807,096

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB759,941,000 as at 31 December 2017 (2016: RMB807,096,000) with a carrying amount before provision of RMB773,358,000 (2016: RMB1,003,679,000). As at 31 December 2017, trade receivables with a gross amount of RMB323,140,000 (2016: RMB331,751,000) were under litigation filed by the Group against customers and were fully impaired by the Group. The Directors of the Company consider that there is no adverse impact to the Group relating to these litigations.

The individually impaired trade receivables relate to customers that were in financial difficulties or in default in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			Within 1 year	1 to 2 years	Over 2 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017	1,606,230	1,091,524	308,671	94,617	111,418
31 December 2016	1,638,867	934,373	382,731	243,511	78,252

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The Directors are of the opinion that no provision for impairment is necessary in respect of these balances as they were subsequently settled before the date of these financial statements or there has not been a significant change in credit quality and the balances are still considered fully recoverable based on past experience. Included in the balances which were past due but not impaired, the Group holds collaterals over balances due from certain customers amounting to RMB84,393,000.

The maturity profile of the bills receivable of the Group as at the end of the reporting period is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within six months	**201,747**	201,937
Over six months	**63,949**	11,378
	265,696	213,315

Included in the bills receivable was an amount of RMB17,400,000 as at 31 December 2017 (2016: Nil) which was pledged for the issuance of letter of guarantee.

Included in the bills receivable was an amount of RMB8,100,000 as at 31 December 2017 (2016: RMB6,500,000) which was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2017, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB88,995,000 (2016: RMB53,833,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB88,995,000 (2016: RMB53,833,000) as at 31 December 2017.

Transferred financial assets that are derecognised in their entirety

At 31 December 2017, 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 RMB290,567,000 (2016: RMB266,041,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

12. 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:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**476,607**	257,432
31 to 90 days	**286,856**	349,348
91 to 180 days	**269,208**	235,606
181 to 365 days	**72,737**	40,883
Over 1 year	**87,381**	72,290
	1,192,789	955,559

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 RMB137,523,000 as at 31 December 2017 (2016: RMB108,989,000) for purchasing raw materials by the Group.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Non-current						
Bank loans – unsecured	**0.6**	**2019**	**429,127**			
Other borrowings – unsecured	**1.18**		**–**	1.18	2020-2026	161,422

(a) The non-current bank loans of RMB429,127,000 are denominated in Euro.

(b) On 8 March 2016, two subsidiaries of the Group, Sany Marine Heavy Industry and Sany Marine Industry International Holdings Co., Ltd. ("Sany Marine Industry"), one fellow subsidiary of the Group, Sany Group Co., Ltd. ("Sany Group") and National Development Fund Co., Ltd. ("National Development Fund") entered into an investment agreement, pursuant to which National Development Fund agreed to invest an amount of RMB160 million (the "Investment") in Sany Marine Heavy Industry, which bears interest at a fixed rate of 1.2% per annum (the "Investment Agreement"). This agreement will expire in 2026. According to the Investment Agreement, National Development Fund does not appoint any director to Sany Marine Heavy Industry and has no right to influence the daily operation of Sany Marine Heavy Industry. National Development Fund has the right to adopt any of three different approaches of exit upon and after 13 March 2019. Further details of the Investment have been set out in the announcements of the Company dated 8 March 2016 and 21 March 2016 and the circular of the Company dated 6 May 2016.

On 14 March 2016, the Group received the amount of RMB160.0 million in cash from National Development Fund. According to a valuation report issued by an independent third party valuer on 18 March 2016, the Investment subscribed for 14.56% of the enlarged registered capital of Sany Marine Heavy Industry. In the opinion of the Directors, the Investment was recorded as financial liability of the Group.

On 15 September 2017, Sany Marine Heavy Industry, Sany Marine Industry, Sany Group and National Development Fund agreed to terminate the Investment Agreement as the Group's working capital status has been improving and for reduction of finance costs. Further details have been set out in the announcements of the Company dated 15 September 2017.

As at 31 December 2017, Sany Marine Heavy Industry has repaid the borrowings of RMB160.0 million and relevant interests of RMB2.9 million in cash to National Development Fund.

14. SHARE CAPITAL

Shares

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
4,461,067,880 (2016: 4,461,067,880) ordinary shares of HK$0.10 each	**446,107**	446,107
538,932,120 (2016: 538,932,120) convertible preference shares of HK$0.10 each	**53,893**	53,893
Total authorised capital	**500,000**	500,000
Issued and fully paid:		
3,041,025,000 (2016: 3,041,025,000) ordinary shares of HK$0.10 each	**304,103**	304,103
479,781,034 (2016: 479,781,034) convertible preference shares of HK$0.10 each	**47,978**	47,978
Total issued and fully paid capital	**352,081**	352,081
Equivalent to RMB'000	**302,214**	302,214

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.

Movements of issued capital were as follows:

	Issued ordinary shares	**Issued convertible preference shares**	**Share premium**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016 and 31 December 2017	264,366	37,848	2,239,502	2,541,716

15. COMMITMENTS

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

	2017	2016
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Buildings	**46,421**	200,084
Plant and machinery	**3,523,278**	3,741,689
	3,569,699	3,941,773

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The income from sales of coal mining machinery products and port machinery products of the Group for the year ended 31 December 2017 increased because (1) the coal mining industry recovered during 2017 due to in-depth national supply-side reform, and coal prices increased accordingly, which in turn stimulated the demand for coal mining machinery; (2) the Group timely seized the opportunity of the emerging global container shipping industry and actively expanded its international market share for port marine machinery; and (3) the Group has been attaching importance to the research and development and promotion of new products, such as mining transport equipment and heavy duty forklift truck, to tailor for the market trend.

The profit margin of the coal mining machinery products increased due to the enhanced manufacturing efficiency because the Group has optimized the manufacturing management and capacity monitoring and timely adjusted procurement of raw materials, which facilitated to increase the utilization rate of the Group's manufacturing resources and reduced the manufacturing costs. In addition, the management fees decreased as a result of further enhanced internal control, including cost control.

Major products

The Group divides its products into two categories, namely (1) the energy equipment business sector, which includes coal machinery business products, such as roadheaders (all types of soft rock, hard rock roadheader and integrated excavation, bolting and self-protection machine) and CCMU (hydraulic support system, coal mining machines (shearer), scraper conveyor (Armored-Face Conveyer), etc.); and the non-coal business products, such as mining transport equipment (mechanical drive off-highway dump truck, electric drive off-highway dump truck, articulated truck and underground coal mining vehicle) and excavation equipment (tunnel and excavation series) and other relevant products; and (2) the marine engineering business sector, which includes port machinery products (reach stacker, empty container handler and quayside gantry crane) and offshore heavy machineries.

Research and development capability

As a leading enterprise spearheading the industry's technological advances, the Group considered research and development ("**R&D**") as one of its most important competitive strengths and a main drive to provide customers with products of higher quality at a more reasonable price, which differentiates the Group from the peers in the industry. During the year under review, the Group achieved remarkable achievements in its R&D. As for energy equipment sector, the Group completed the development of machine tool of the large inclined angle shearer, scraper conveyor and support system, a large inclined comprehensive mining product which integrated three machines; launched 730 shearer, integrated excavation, bolting and self-protection machine, SRT55S, and SRT55D new mine tub for sales in the market; and completed the R&D design of STR200 and STR260 roadheader, SCR318 mining excavator and other roadheaders. As for the port machinery sector, the Group successfully developed a railway crane for railway systems; completed the development of RTG for US railway, STS4038 lightweight quayside container crane, STS5048 medium-weighted quayside container crane products, SRSC45S front loader, SDCY90K8S container stacking machine as well as SCP160S and SCP100S heavy-duty forklift truck. In the meantime, 10T telehandler mainly for European and American markets has entered the design finalization stage. As of 31 December 2017, the Group obtained 36 invention patents, 4 utility model patents, 1 national outstanding patent award and 6 copyrights.

Production and Manufacturing

The Group has production and manufacturing bases in Shenyang, Zhuhai and Changsha, respectively. There are 8 plants in the coal machinery industrial park located in the Economic and Technological Development Zone of Shenyang with a total area of approximately 629,000 sq.m. The industrial park for large port machinery is located in Gaolan Port Economic Area of Zhuhai and commenced operation on 6 May 2015. Phase 1 of the project occupies an area of 800 mu, equipped with a deep-water dock with a coastline of 3.5 km which has currently reached the production capability of full range large-scale port machinery. The industrial park for small port equipment is located in the Changsha Industrial Zone with an area of approximately 100,000 sq.m., with several plants and commissioning fields. The Group focused on enhancement of processing and assembly techniques, and adopted various measures to cut production costs.

Marketing and Service

The Group will adhere to its service philosophy of "All For Customers, All From Innovations", by providing first-class service and highly efficient response to meet customers' needs and raise customers' satisfaction and addressing any concerns of our customers. The Group's superior product quality, attentive after-sales service and efficient response have achieved a high recognition from our customers.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group recorded revenue of approximately RMB2,481.4 million (the year ended 31 December 2016: approximately RMB1,841.8 million), representing an increase of approximately 34.7% as compared with the year ended 31 December 2016. The increase was mainly due to (1) the notable increase in the sales of coal mining machinery products along with the significant improvement in the coal industry; and (2) the significant increase in international revenue of port machinery products.

Other income and gains

For the year ended 31 December 2017, the Group's other income and gains was approximately RMB339.3 million (the year ended 31 December 2016: approximately RMB179.4 million), representing an increase of approximately 89.2%. The increase was mainly due to more government subsidies received by the Group during the current year.

Cost of sales

For the year ended 31 December 2017, the Group's cost of sales was approximately RMB1,743.8 million (the year ended 31 December 2016: approximately RMB1,565.7 million), representing an increase of approximately 11.4%. The increase of cost of sales was in line with the increase in product revenue.

Gross profit and gross profit margin

The gross profit of the Group was approximately RMB737.6 million for the year ended 31 December 2017 (the year ended 31 December 2016: approximately RMB276.2 million).

The gross profit of the Group excluding the impairment provisions for inventories provided for the year ended 31 December 2017 was RMB738.5 million (the year ended 31 December 2016: approximately RMB596.6 million).

The gross profit margin of the Group excluding the impairment provisions for inventories provided for the year ended 31 December 2017 was approximately 29.8%, representing a decrease of 2.6 percentage points against approximately 32.4% for the year ended 31 December 2016. The change of gross profit margin was mainly due to the net impact of the following reasons (1) reduced fixed costs per product unit resulting from increase in product sales; (2) increase in the proportion of sales of coal machinery product with high margin; (3) successful cost control measures; and (4) increase in purchase prices for raw materials of small port machinery.

Selling and distribution expenses

For the year ended 31 December 2017, the selling and distribution expenses of the Group were approximately RMB299.5 million (the year ended 31 December 2016: approximately RMB321.1 million), representing a year-on-year decrease of approximately 6.7%. For the year ended 31 December 2017, the ratio of the Group's selling and distribution expenses to revenue was approximately 12.1%, representing a year-on-year decrease of approximately 5.3 percentage points as compared with the year ended 31 December 2016 (the year ended 31 December 2016: approximately 17.4%). Such change was mainly due to successful cost control measures and improved marketing efficiency.

R&D expenses

For the year ended 31 December 2017, the R&D expenses of the Group were approximately RMB118.0 million (the year ended 31 December 2016: approximately RMB106.7 million), representing a year-on-year increase of approximately 10.6%. For the year ended 31 December 2017, its ratio to revenue was approximately 4.8%, representing a decrease of approximately 1.0 percentage point as compared with the year ended 31 December 2016 (the year ended 31 December 2016: approximately 5.8%). Such changes were mainly due to the impacts from (1) the increase in the R&D expenses arising from the increase in the Group's investment in the R&D for new coal machinery, mining transport equipment and port machinery products with an aim to adapt to market demand for products and improve the market competitiveness of products; and (2) the decline in the proportion of R&D expenses against total revenue in view of the increase in sales volume.

Administrative expenses

For the year ended 31 December 2017, administrative expenses of the Group were approximately RMB341.9 million (the year ended 31 December 2016: approximately RMB314.0 million). The administrative expenses excluding R&D expenses were approximately RMB223.9 million (the year ended 31 December 2016: approximately RMB207.3 million), representing a year-on-year decrease in the proportion of revenue by approximately 2.3 percentage points to approximately 9.0% (year ended 31 December 2016: approximately 11.3%). Such changes were mainly due to successful cost control measures and improved management efficiency.

Finance costs

For the year ended 31 December 2017, finance costs of the Group were approximately RMB2.6 million (the year ended 31 December 2016: approximately RMB2.2 million), and the increase was mainly due to: (1) new foreign currency borrowings of EUR55.0 million during the year; and (2) the refund of the principal of RMB160.0 million and interests of RMB2.9 million to National Development Fund during the year. See paragraph "Interest-bearing bank and other borrowings" in this announcement.

Profit/(loss) margin before tax

For the year ended 31 December 2017, the Group's profit margin before tax was approximately 12.7%, representing a year-on-year increase of approximately 51.1 percentage points as compared with loss margin before tax of approximately 38.4% for the year ended 31 December 2016. The change was mainly due to (1) increase in revenue; (2) increase in gross profit margin of coal machinery products; (3) successful cost control measures; and (4) the improvement in trade receivables collection due to coal mining industry recovery has led to the reduction in impairment losses recognised for the year ended 31 December 2017.

Taxation

For the year ended 31 December 2017, the Group's effective tax rate was 26.6% (the year ended 31 December 2016: 7.0%). For details regarding income tax, please refer to note 7 on pages 13 and 14 of this announcement.

Profit/(loss) attributable to owners of the parent

For the year ended 31 December 2017, profit attributable to owners of the parent recorded by the Group was approximately RMB229.4 million, as compared with the loss attributable to owners of the parent recorded by the Group of RMB644.4 million for the year ended 31 December 2016. For the main reasons of such change, please refer to the above paragraphs headed "Revenue", "Gross profit and gross profit margin" and "Profit/(loss) before tax".

Liquidity and financial resources

As at 31 December 2017, total current assets of the Group were approximately RMB5,097.1 million (31 December 2016: RMB4,246.4 million). As at 31 December 2017, total current liabilities of the Group were approximately RMB2,918.7 million (31 December 2016: RMB2,268.5 million).

As at 31 December 2017, total assets of the Group were approximately RMB11,199.1 million (31 December 2016: approximately RMB10,139.1 million), and total liabilities were approximately RMB4,836.9 million (31 December 2016: approximately RMB4,004.9 million). As at 31 December 2017, the gearing ratio (the asset to liability ratio) of the Group was approximately 43.2% (31 December 2016: 39.5%).

Trade and bills receivables

As at 31 December 2017, the Group's trade receivables and bills receivables recorded a decrease of approximately 1.0% to approximately RMB2,631.9 million as compared with approximately RMB2,659.3 million as at 31 December 2016, among which trade receivables decreased by approximately 3.3% to approximately RMB2,366.2 million as compared with approximately RMB2,446.0 million as at 31 December 2016; and bills receivables increased by approximately 24.6% to RMB265.7 million as compared with RMB213.3 million as at 31 December 2016. Such changes were mainly due to that the management of the Group insisted on the implementation of "value sales policy" (sales to customers with good cooperation records and high credibility), strengthened the management and control of trade receivables risk, enhanced the collection ability, and reduced trade receivables risks accordingly.

Interest-bearing bank and other borrowings

As at 31 December 2017, interest-bearing bank and other borrowings of the Group were approximately RMB429.1 million (31 December 2016: RMB161.4 million). Such change was due to (1) a new foreign currency borrowing of RMB429.1 million from China Construction Bank Corporation Macau Branch; (2) termination of the investment agreement entered into with National Development Fund, pursuant to which the Group refunded in full the investment amount of RMB160.0 million plus interest of RMB2.9 million, representing the interest accrued at the annual interest of 1.2% to National Development Fund. For further details, please refer to the announcement dated 15 September 2017.

Cash flow

As at 31 December 2017, cash and cash equivalents of the Group, investment deposits and deposits with maturity of three months or more were approximately RMB814.6 million in total.

For the year ended 31 December 2017, the net cash inflow of the Group from operating activities was approximately RMB607.1 million (the year ended 31 December 2016: excluding factoring effects, net cash inflow of approximately RMB325.9 million). Such change was mainly due to: improvement in receivables attributable to that the management of the Group insisted on the implementation of "value sales policy", strengthened the management and control of trade receivable risk, enhanced the ability to recovery funds, and further caused the increase of net cash inflow from recovered trade receivables.

For the year ended 31 December 2017, the net cash outflow to investing activities of the Group was approximately RMB887.9 million (the year ended 31 December 2016: net cash outflow of approximately RMB544.5 million). Such change was mainly due to the acquisition of land use right by the Group in Zhuhai to improve the employees' housing.

For the year ended 31 December 2017, the net cash inflow of the Group from financing activities was approximately RMB266.3 million (the year ended 31 December 2016: net cash outflow of approximately RMB474.2 million). Such change was mainly due to the increase in foreign currency borrowings of the Group.

Turnover days

Excluding the impairment losses for inventories provided, the Group's average turnover days of inventory were approximately 305.6 days as at 31 December 2017, representing a decrease of approximately 58.7 days from 364.3 days as at 31 December 2016, which was mainly because the Company has implemented stricter inventory control during manufacturing process during the current year and the sharp increase in sales orders also accelerated the inventory turnover.

The turnover days of trade and bills receivables as at 31 December 2017 were approximately 389.2 days, representing a decrease of 205.8 days from approximately 595.0 days as at 31 December 2016. Please refer to the above paragraphs headed "Revenue" and "Trade and bills receivables" for the main reasons of such decrease.

Excluding the impairment losses for inventories provided, turnover days of trade and bills payables decreased by approximately 38.4 days from approximately 263.4 days as at 31 December 2016 to approximately 225.0 days as at 31 December 2017, which was mainly because the Company speeded up the payment to suppliers during the current year to ensure sufficient raw materials for the increasing sales orders.

Contingent liabilities

As at 31 December 2017, the Group had contingent liability of RMB90.6 million, being the financial guarantee provided by Hunan Sany Port Equipment under financing lease arrangement (31 December 2016: RMB156.8 million).

Capital commitment

As at 31 December 2017, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB3,569.7 million (31 December 2016: approximately RMB3,941.8 million).

Employees and remuneration policy

The Group persists in training and developing talents. Accordingly, it provides internal training, external training and correspondence courses to its staff according to their ranking and at different times with an aim to self-improving and enhancing their skills relevant to work as well as strengthening their senses of belonging. In addition, the Group paid year-end bonuses to staff to reward them for their contributions and dedication to the Group. The remuneration of the directors of the Group was determined with reference to their positions, responsibilities and experience and prevailing market conditions.

Material acquisition and disposal

Reference is made to the announcement dated 5 December 2017, pursuant to which, the Group agreed to dispose Shanxi Sany Coal Mining Equipment Co., Ltd.* (山西三一煤機裝備有限公司), a wholly-owned subsidiary of the Group, to an independent third party for a consideration of RMB127.2 million and such buyer also agreed to undertake the shareholder's loan amounting to RMB116.9 million. As at the date of this announcement, the disposal has not been completed yet.

There were no significant investments held, no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the year.

Pledge on assets

As at 31 December 2017, the Group recorded pledged deposits with an aggregate value of approximately RMB15.3 million (31 December 2016: approximately RMB27.2 million), for the purpose of issuing bills payable. As at 31 December 2017, none of the Group's bank loans were secured by property, plant and equipment and prepaid land lease payments (31 December 2016: Nil).

Foreign exchange risk

As at 31 December 2017, the Group's cash and bank balances denominated in foreign currency such as US$ and Euro were equivalent to approximately RMB89.9 million. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

Social responsibility

The Group has a high sense of social responsibility. Apart from its commitment to business growth, it also actively participates in social activities to support public welfare, striving to contribute to the local economy, people's livelihood and harmonious environment. In addition to cash donations to charity organizations, the management and staff of the Group provides human and material resources to help and support local community development. During the Spring Festival, the Group launched activities to give warmth and help staff mitigate their financial stress. The management visited staff with family difficulties and provided them with consolation money and items; presented family package insurance to staff; and organised staff health check. The Group also raised funds for staff requiring assistance and spread love and care to staff who were in need of support.

FUTURE DEVELOPMENT

Looking ahead, the global economy will continue to recover, which benefit the energy equipment and port machinery industry overall. Under the positive external environment, the Company will adhere to the principle of seeking progress amidst stability, focus on improving its operating capabilities, build the core competitiveness, and proceed with the research and development of flagship products, business system reshaping, process streamlining, treasure talent, value marketing and in-depth internationalization. The Company will strive for sound, efficient and sustainable operations, turning a new page for the development of the Group.

DIVIDENDS

Special Dividend

On 23 January 2018, the Board resolved the declaration and payment of the special dividend of HK$0.18 per ordinary share of the Company, amounting to approximately HK$547,384,500 in total, to be payable to the shareholders of the Company whose names appear on the Company's register of members at the close of business on Monday, 12 February 2018. Such special dividend has been distributed on 15 March 2018.

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

As of 23 January 2018 and up to the date of this announcement, there were 479,781,034 outstanding Convertible Preference Shares registered under the name of Sany Hongkong Group Limited. Accordingly, the holder of the outstanding Convertible Preference Shares are entitled to (a) the Preferred Distribution of approximately HK$289,164.0, representing the preferred distribution accumulated from the issue date of the Convertible Preference Shares to 31 December 2017, and (b) the special dividend of HK$0.18 per Convertible Preference Share, amounting to approximately HK$86,360,586.1, both of which will be paid on a date as otherwise agreed by the Company and the holder of the Convertible Preference Shares.

Final Dividend

The Board does not recommend any final dividend for the year ended 31 December 2017.

CORPORATE GOVERNANCE

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

Except for the code provision A.2.1, the Company has complied with the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules from 1 January 2017 to 31 December 2017. In accordance with code provision A.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. Further, the division of responsibilities between the chairman and chief executive officer should be clearly established. Since 6 August 2015, Mr. Qi Jian had been appointed as both of the chairman of the Board and the chief executive officer. The Board considers that vesting the role of both chairman of the Board and the chief executive officer in Mr. Qi Jian providing the Company with consistent leadership, facilities effective and efficient planning and implementation of business decisions and strategies. Thus, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Wednesday, 6 June 2018. A notice convening the annual general meeting will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 31 May 2018 to Wednesday, 6 June 2018, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to attend and vote at the annual general meeting is Wednesday, 6 June 2018. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 6 June 2018, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 30 May 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company (2016: nil).

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the period under review, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they had complied with the Model Code for the year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in place in compliance with the Corporate Governance 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 reviewed the consolidated annual results of the Group for the full year ended 31 December 2017, including the accounting principles and standard practices adopted by the Group and selection and appointment of the external auditors.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2017, but represents an extract from those accounts.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, the Company had maintained sufficient public float throughout the year ended 31 December 2017.

PUBLICATION OF INFORMATION ON THE WEBSITES

The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at http://www.sanyhe.com in due course.

By the Order of the Board
Sany Heavy Equipment International Holdings Company Limited
Qi Jian
Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the executive Directors are Mr. Qi Jian, Mr. Fu Weizhong and Mr. Zhang Zhihong, the non-executive Directors are Mr. Tang Xiuguo, Mr. Xiang Wenbo and Mr. Mao Zhongwu, and the independent non-executive Directors are Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan.