SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED
三一重裝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 631)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board ("**Board**") of directors (the "**Directors**") of Sany Heavy Equipment International Holdings Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018. These interim 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 six months ended 30 June 2018, the Group recorded revenue of approximately RMB2,196.0 million, representing an increase of approximately RMB995.5 million, or 82.9%, from approximately RMB1,200.5 million for the six months ended 30 June 2017. Such increase was mainly attributable to the fact that: (1) the Group had taken enhanced measures on innovation and after-sales service, which resulted in stability in quality of products and improvement in customer satisfaction, thus facilitating a steady increase in market share of major products; (2) the Group actively expanded international market and thus sales revenue derived overseas increased significantly; and (3) with the recovery of the coal mining industry market, coal prices remained at high level, leading to a substantial increase in the Group's coal mining machinery orders during the six months ended 30 June 2018. The sales revenue of integrated coal mining products for the six months ended 30 June 2018 increased by approximately 300% as compared with that for the six months ended 30 June 2017.

For the six months ended 30 June 2018, the Group's profit margin before tax was approximately 20.3%, as compared to that of approximately 15.4% for the six months ended 30 June 2017. Such change was mainly due to (1) the significant increase in the revenue and gross profit margin of integrated coal mining products and large-scale port machinery; and (2) reduced administrative expenses as a percentage of total revenue as a result of further enhanced internal control by the Group, including the costs controls.

For the six months ended 30 June 2018, the research and development expenses of the Group were approximately RMB85.2 million, representing an increase of approximately 87.7% as compared to approximately RMB45.4 million for the six months ended 30 June 2017. For the six months ended 30 June 2018, the ratio of research and development expenses to revenue was approximately 3.9%, representing an increase of approximately 0.1 percentage point as compared to approximately 3.8% for the six months ended 30 June 2017. Such change was mainly due to the increase in the investment in R&D on new products, including smart mines, intelligentised terminals, pure water hydraulic support, excavation equipment, electric truck, RTG and wide-bodied vehicles, by the Group.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**2,196,043**	1,200,529
Cost of sales		**(1,485,939)**	(803,697)
Gross profit		**710,104**	396,832
Other income and gains	*4*	**182,265**	87,653
Selling and distribution expenses		**(205,099)**	(114,676)
Administrative expenses		**(206,252)**	(150,985)
Other expenses		**(28,923)**	(32,715)
Finance costs	*6*	**(7,156)**	(1,778)
Profit before tax	*5*	**444,939**	184,331
Income tax expense	*7*	**(86,008)**	(52,773)
PROFIT FOR THE PERIOD		**358,931**	131,558
Attributable to:			
Owners of the parent		**357,998**	131,961
Non-controlling interests		**933**	(403)
		358,931	131,558
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB Yuan)	*9*	**0.12**	0.04
Diluted (RMB Yuan)	*9*	**0.10**	0.04

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**358,931**	131,558
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,831**	(1,809)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**3,831**	(1,809)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**3,831**	(1,809)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**362,762**	129,749
Attributable to:		
Owners of the parent	**361,829**	130,152
Non-controlling interests	**933**	(403)
	362,762	129,749

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,505,361**	2,584,817
Prepaid land lease payments		**1,199,347**	561,964
Goodwill		**1,129,520**	1,129,520
Trade receivables	*11*	**78,163**	46,609
Equity investments at fair value through profit or loss		**10,636**	–
Available-for-sale investments		**–**	10,636
Non-current prepayments		**841,326**	1,332,808
Deferred tax assets		**437,371**	435,561
Total non-current assets		**6,201,724**	6,101,915
CURRENT ASSETS			
Inventories	*10*	**1,213,840**	1,246,415
Trade receivables	*11*	**1,855,923**	1,559,621
Bills receivable	*11*	**384,527**	265,696
Prepayments, deposits and other receivables		**725,701**	268,059
Financial investments at fair value through profit or loss		**465,500**	–
Available-for-sale financial investments		**–**	682,200
Pledged deposits		**40,410**	15,345
Cash and cash equivalents		**449,517**	814,221
		5,135,418	4,851,557
Assets of a disposal group classified as held for sale		**–**	245,578
Total current assets		**5,135,418**	5,097,135

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*12*	**1,514,467**	1,192,789
Other payables and accruals		**1,162,154**	1,318,215
Interest-bearing bank and other borrowings	*13*	**160,000**	–
Tax payable		**327,520**	296,863
Provision for warranties		**6,800**	4,872
Government grants		**81,880**	97,026
		3,252,821	2,909,765
Liabilities directly associated with the assets classified as held for sale		**–**	8,941
Total current liabilities		**3,252,821**	2,918,706
NET CURRENT ASSETS		**1,882,597**	2,178,429
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,084,321**	8,280,344
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**18,572**	34,170
Interest-bearing bank and other borrowings	*13*	**420,833**	429,127
Government grants		**1,424,545**	1,454,876
Total non-current liabilities		**1,863,950**	1,918,173
Net assets		**6,220,371**	6,362,171

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	**302,214**	302,214
Reserves		**5,858,766**	6,001,499
		6,160,980	6,303,713
Non-controlling interests		**59,391**	58,458
Total equity		**6,220,371**	6,362,171

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

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"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of roadheader, combined coal mining unit ("CCMU"), mining transport equipment (including underground and surface equipment), port machinery and spare parts and the provision of related service 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 statements for six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the revised International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations that the Group has adopted for the first time for the current period as disclosed below.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as further explained below, the adoption of the new and revised IFRSs has had no significant financial impact on the interim condensed consolidated financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. The standard introduces new requirements for classification and measurement and impairment. The Group has applied the transitional provisions set out in IFRS 9 without restating comparative information.

(a) Classification and measurement

Financial assets are classified as measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income (either with recycling to profit or loss for debt instruments or without recycling to profit or loss for equity investments). The classification of debt instruments is based on two criteria: the Group's business model for managing the instruments and their contractual cash flow characteristics, i.e. whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount (the "SPPI" criterion).

The new classification and measurement of the Group's financial assets are as follows:

- Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables, bills receivable, financial assets included in prepayments, deposits and other receivables, pledged deposits and cash and cash equivalents.

- Equity investments in non-listed companies previously classified as available-for-sale investments are now classified and measured as equity instruments at fair value through profit or loss. The Group intends to dispose these investments in the near future.

- Financial assets at fair value through profit or loss include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, such debt instruments were classified as available-for-sale financial investments.

There are no significant changes in classification and measurement for the Group's financial liabilities in the interim condensed consolidated financial statements.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets. The IAS 39's incurred loss approach was replaced by a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to record a loss allowance for ECLs for financial assets not held at fair value through profit or loss.

Since 1 January 2018, the Group has applied the simplified approach and recorded lifetime ECLs on trade receivables, and general approach and recorded 12-month ECLs on financial assets included in prepayments, deposits and other receivables. The Group concluded that the adoption of IFRS 9 has had no material impact on the impairment provisions of the Group's financial assets.

IFRS 15 ***Revenue from Contracts with Customers***

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with its customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group has adopted IFRS 15 using the modified retrospective method of adoption and elected to apply the new method only to contracts that were not completed before 1 January 2018. The Group reviewed and assessed the new recognition requirements of revenue and concluded that the adoption of IFRS 15 had no material impact on the interim condensed consolidated financial statements.

2.3 Issued But Not Yet Effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the interim condensed consolidated financial statements:

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 19	*Plan Amendments, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Apply to plan amendments, curtailment or settlement that occur on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not in a position to state whether these new and revised IFRSs will have a significant impact on the Group's results of operations and financial position.

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) Energy equipment segment

The energy 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) and spare parts and the provision of related services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/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.

	Energy equipment *RMB'000*	Port machinery *RMB'000*	Total *RMB'000*
Period ended 30 June 2018 (Unaudited)			
Segment revenue			
Sales to customers	**1,240,159**	**955,884**	**2,196,043**
Other revenue	**63,790**	**95,025**	**158,815**
Revenue from operations	**1,303,949**	**1,050,909**	**2,354,858**
Segment results	**236,933**	**191,712**	**428,645**
Interest income			**23,450**
Finance costs			**(7,156)**
Profit before tax			**444,939**
Income tax expense			**(86,008)**
Profit for the period			**358,931**
Segment assets	**7,328,587**	**4,801,950**	**12,130,537**
Reconciliation:			
Elimination of intersegment receivables			**(1,720,693)**
Corporate and other unallocated assets			**927,298**
Total assets			**11,337,142**
Segment liabilities	**2,062,649**	**3,847,512**	**5,910,161**
Reconciliation:			
Elimination of intersegment payables			**(1,720,315)**
Corporate and other unallocated liabilities			**926,925**
Total liabilities			**5,116,771**
Other segment information:			
Gain/(loss) on disposal of items of property, plant and equipment	**665**	**(4,471)**	**(3,806)**
Impairment losses (reversed)/recognised in profit or loss	**(43,316)**	**36,282**	**(7,034)**
Depreciation and amortisation	**76,190**	**35,998**	**112,188**
Capital expenditure*	**13,837**	**185,314**	**199,151**

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and prepayment for a parcel of land included in "non-current prepayments" in the interim condensed consolidated statement of financial position.

	Energy equipment *RMB'000*	Port machinery *RMB'000*	Total *RMB'000*
Period ended 30 June 2017 (Unaudited)			
Segment revenue			
Sales to customers	532,070	668,459	1,200,529
Other revenue	48,399	22,575	70,974
Revenue from operations	580,469	691,034	1,271,503
Segment results	36,446	132,984	169,430
Interest income			16,679
Finance costs			(1,778)
Profit before tax			184,331
Income tax expense			(52,773)
Profit for the period			131,558
Segment assets	7,024,369	4,061,518	11,085,887
Reconciliation:			
Elimination of intersegment receivables			(1,812,063)
Corporate and other unallocated assets			1,544,155
Total assets			10,817,979
Segment liabilities	1,438,677	4,174,918	5,613,595
Reconciliation:			
Elimination of intersegment payables			(1,812,063)
Corporate and other unallocated liabilities			752,562
Total liabilities			4,554,094
Other segment information:			
Depreciation and amortisation	85,190	39,582	124,772
Capital expenditure*	69	363,361	363,430
Gain on disposal of items of property, plant and equipment	2,247	–	2,247
Impairment losses recognised in profit or loss	–	30,526	30,526

Geographical information

As over 80% of the Group's revenue (2017: 91%) is derived from customers based in Mainland China, the revenue derived from a single country or region is not greater than 10%, 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

Revenue of approximately RMB243,412,000 (six months ended 30 June 2017: RMB161,015,000) 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:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**2,174,363**	1,185,179
Rendering of services	**21,680**	15,350
	2,196,043	1,200,529
Other income		
Government grants	**122,914**	63,517
Interest income	**23,450**	16,679
Other service income	**13,051**	–
Others	**18,985**	5,210
	178,400	85,406
Gains		
Gain on disposal of a subsidiary	**3,865**	–
Gain on disposal of items of property, plant and equipment	**–**	2,247
	182,265	87,653

5. Profit Before Tax

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

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cost of inventories sold		**1,473,053**	716,417
Cost of services provided		**12,886**	87,280
Depreciation		**105,637**	106,194
Amortisation of land lease prepayments**		**6,551**	7,745
Amortisation of intangible assets**		**–**	10,833
Auditors' remuneration		**430**	430
Accrual/(reversal) of warranties*		**6,396**	(85)
Research and development costs**		**85,154**	45,400
Minimum lease payments under operating leases:		**2,216**	4,279
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		**128,146**	118,704
Equity-settled share-based payment		**11,536**	–
Employee retirement benefits		**18,839**	11,073
Other staff welfare		**9,580**	5,370
		168,101	135,147
Foreign exchange differences, net***		**6,839**	3,456
Impairment of trade receivables***	*11*	**19,619**	28,439
Impairment of other receivables***		**1,188**	285
Loss from sale of scrap materials***		**–**	533
(Write back)/provision against slow-moving and obsolete inventories#		**(27,841)**	1,802
Gain on disposal of items of property, plant and equipment***		**(3,806)**	(2,247)

* *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 "Cost of sales" in the interim condensed consolidated statement of profit or loss.*

6. Finance Costs

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	**7,006**	956
Interest on discounted bills	**150**	822
	7,156	1,778

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.

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 30 June 2018.

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% for six months ended 30 June 2018.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	103,416	18,680
Deferred	(17,408)	34,093
Total tax charge for the period	86,008	52,773

8. Dividend

A special dividend of HK$0.18 cents per share, totaling of HK$633,746,000 (equivalent to RMB518,791,000), was approved by the board of directors on 23 January 2018. RMB442,999,000 of the dividend was subsequently distributed during the six months ended 30 June 2018 and the rest was recorded in "other payables and accruals" in the interim condensed consolidated statement of financial position.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

9. Earnings Per Share Attributable to Ordinary Equity Holders of The Parent

The calculation of the basic earnings per share is based on the profit for six months ended 30 June 2018 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (six months ended 30 June 2017: 3,041,025,000) in issue during the period.

The calculation of the diluted earnings per share is based on the profit for six months ended 30 June 2018 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.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**357,998**	131,961
Preferred distribution to the convertible preference shares	**24**	24
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**358,022**	131,985

	Number of shares	
	30 June 2018	30 June 2017
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,041,025,000**	3,041,025,000
Effect of dilution-convertible preference shares	**479,781,034**	479,781,034
Effect of dilution-share options	**63,542,982**	–
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,584,349,016**	3,520,806,034

The Company's share options have no dilution effect for six months ended 30 June 2017.

10. Inventories

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Raw materials	**592,807**	580,943
Work in progress	**340,690**	456,917
Finished goods	**609,622**	610,176
Less: Loss on inventories due to typhoon	**–**	(45,045)
	1,543,119	1,602,991
Less: Provision against slow-moving and obsolete inventories	**(329,279)**	(356,576)
	1,213,840	1,246,415

11. Trade and Bills Receivables

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Trade receivables	**2,695,018**	2,366,171
Impairment	**(760,932)**	(759,941)
	1,934,086	1,606,230
Less: Trade receivables due after one year	**(78,163)**	(46,609)
	1,855,923	1,559,621
Bills receivable	**384,527**	265,696

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 30 June 2018, the Group had certain concentrations of credit risk as 12% (31 December 2017: 19%) of the Group's trade receivables were 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 RMB265,079,000 as at 30 June 2018 (31 December 2017: RMB296,666,000) for sales of products by the Group, which accounted for 14% (31 December 2017: 18%) of the Group's trade receivables at the end of the reporting period. Trade receivables are non-interest-bearing.

An aged 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:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 180 days	**1,330,575**	484,983
181 to 365 days	**105,517**	599,372
1 to 2 years	**241,746**	262,071
2 to 3 years	**159,349**	155,521
Over 3 years	**96,899**	104,283
	1,934,086	1,606,230

For the balances as at 31 December 2017

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

	31 December 2017
	RMB'000
	(Audited)
At 1 January	807,096
Impairment losses recognised	14,905
Amount written off as uncollectible	(62,060)
At 31 December	759,941

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	31 December 2017
	RMB'000
	(Audited)
Neither past due nor impaired	1,091,524
Past due but not impaired:	
Within 1 year past due	308,671
1 to 2 years past due	94,617
Over 2 years past due	111,418
	1,606,230

For the balances as at 30 June 2018

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

	30 June 2018
	RMB'000
	(Unaudited)
At 1 January	**759,941**
Impairment losses recognised	**19,619**
Amount written off as uncollectible	**(18,628)**
At 30 June	**760,932**

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within six months	**264,569**	201,747
Over six months	**119,958**	63,949
	384,527	265,696

Included in the bills receivable was an amount of RMB139,692,000 as at 30 June 2018 (31 December 2017: RMB17,400,000) which was pledged for the issuance of a letter of guarantee.

Included in the bills receivable was an amount of RMB2,300,000 as at 30 June 2018 (31 December 2017: RMB8,100,000) which was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

Transfer of financial assets that are not derecognized in their entirety

At 30 June 2018, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB77,700,000 (31 December 2017: RMB88,995,000) 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 recognize 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 RMB77,700,000 (31 December 2017: RMB88,995,000) as at 30 June 2018.

Transfer of financial assets that are derecognized in their entirety

At 30 June 2018, 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 RMB574,948,000 (31 December 2017: RMB290,567,000). 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 derecognized 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 aged 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 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within 30 days	**623,699**	476,607
31 to 90 days	**303,885**	286,856
91 to 180 days	**435,979**	269,208
181 to 365 days	**83,713**	72,737
Over 1 year	**67,191**	87,381
	1,514,467	1,192,789

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

The bills payable are all due within 180 days.

Included in the trade and bills payables was an amount due to fellow subsidiaries in aggregate of RMB129,639,000 as at 30 June 2018 (31 December 2017: RMB137,523,000) for purchasing raw materials by the Group.

13. Interest-Bearing Bank and Other Borrowings

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – unsecured	**4**	**2018**	**50,000**	–	–	–
Bank loans – secured	**4**	**2018**	**110,000**	–	–	–
			160,000			–
Non-current						
Bank loans – secured	**0.6**	**2019**	**420,833**	0.6	2019	429,127
			420,833			429,127

(a) Financial investments at fair value through profit or loss of RMB10,000,000 has been pledged for the Group's bank loans of RMB10,000,000 at the end of the reporting period (31 December 2017: Nil).

(b) Certain of the Group's Standby Letter of Credit has been pledged for the Group's bank loans of RMB100,000,000 at the end of the reporting period (31 December 2017: Nil).

(c) The non-current bank loans of RMB420,833,000 are denominated in Euro (31 December 2017: RMB429,127,000), and the current bank loans of RMB160,000,000 are denominated in RMB.

14. Share Capital

	30 June 2018 ***HK$'000*** **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Authorised:		
4,461,067,880 (31 December 2017: 4,461,067,880) ordinary shares of HK$0.10 each	**446,107**	446,107
538,932,120 (31 December 2017: 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 (31 December 2017: 3,041,025,000) ordinary shares of HK$0.10 each	**304,103**	304,103
479,781,034 (31 December 2017: 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

15. **Commitments**

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Buildings	**158,481**	46,421
Plant and machinery	**3,476,667**	3,523,278
	3,635,148	3,569,699

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2018, the steady growth of the overall economy of the PRC has driven the continued increase in profits of coal enterprises as well as the significant growth of the Group's energy equipment business. Meanwhile, with the recovery of the global shipping industry and the increase in the proportion of logistics containerization, the Group's port machinery business and overseas sales also maintained a substantial growth momentum.

The Group continues to build its core competitiveness with emphasis on R&D and innovation and achieve intelligent and automated upgrades. The successful launching of new products such as automated terminal equipment, gripper, telehandler, electric truck and mining transport equipment to the market brought new profit growth opportunities to the Group. Also, the Group focuses on improving the quality of operations and products, thereby steadily improving product competitiveness and market share of major products.

Major products

The Group divides its products into two categories, namely (1) the energy equipment business sector, which includes coal mining machinery business products, such as roadheaders (all types of soft rock, hard rock roadheader and integrated excavation, bolting and self-protection machine) and mining equipment (hydraulic support system, coal mining machines (shearer), scraper conveyor (ArmoredFace Conveyer), etc.); and the non-coal business products, such as mining transport equipment (mechanical drive off-highway dump truck and electric drive off-highway dump truck) 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

The Group actively promoted the strategy of drawing on the driving force of research and development and innovation, and implemented a strategy of ace models based on the demand from the market and customers as well as the knowledge on the future trend of technology development. In the first half of

2018, as for energy equipment sector, the Group developed 200 series integrated excavation, bolting and self-protection machine, which resulted in a more efficient and safer excavating operation. With its extremely high cost effectiveness, 730C thin-seam coal mining series coal mining machines gained the recognition of customers, resulting in a significant increase in the number of orders. The pioneer CS pure water hydraulic support made several breakthroughs in core technologies and realized green mining, and the Group successfully entered into a sales contract of hundred million yuan with a globally renowned coal enterprise. SCR260 and SCR520 coal mining machineries brought revolutionary changes to the traditional mining technique and were massively introduced to the international market so as to double the efficiency of mining and significantly decrease the costs. SRT55D mine tub with minimal energy consumption as highly recognized by the customers from the international markets such as India and Argentina, and built up competitive edges.

For the port machinery sector, SRSC45V front loader gained the access to the market with its extremely well controllability, low fuel consumption and high level of safety and built up competitive edges. SMH40 gripper quickly gained the access to international markets such as Thailand and Indonesia due to its superior performance and low operating costs. The newly developed electric truck for port gained the access to Qingdao Port and built up competitive edges with its strong endurance and low operating costs. STS8070, the newly developed and the largest quayside container crane in the world, was put into operation in Qingdao Port, representing the future trend of technology development on quayside container crane. Since its delivery and operation, Hutchison Whampoa's STS7065 heavy-weighted quayside container crane set the highest record of Mean Time Between Failures of quayside container crane for HIT wharf. The newly developed RTG made several breakthroughs in core technologies and exceeded the targets of reduction of one-third of weight and 20% of energy consumption. The automated container yard RMG container crane had gained orders from major ports such as Tianjin, Tangshan, Hangzhou and Suzhou. For the six months ended 30 June 2018, the Group obtained 13 authorized patents, including 11 invention patents, 1 utility model patent and 1 software copyright.

Production and Manufacturing

Currently, the Group has production and manufacturing bases in Shenyang, Zhuhai and Changsha respectively. There are eight plants in the energy equipment industrial park located in Shenyang Economic and Technological Development Zone covering a total area of approximately 950 mu. The industrial park for large port equipment is located in Zhuhai Gaolan Port Economic Area 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 Changsha Industrial Zone with covering a total area of approximately 150 mu, 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 has reshaped the marketing service concept into "going beyond customer expectations and industry standards", so as to create the best customer experience throughout the process. The Group provides customized services such as overhaul, maintenance and training for the actual needs of customers, and provides customers with a complete solution. The Group will adhere to its service philosophy of "All For Customers, All From Innovations", by providing first-class services and highly efficient responses to meet customers' needs and raise customers' satisfaction and addressing any concerns from our customers. The Group's superior product quality, attentive after-sales services and efficient responses have achieved high recognition from our customers.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, the Group recorded revenue of approximately RMB2,196.0 million, representing an increase of approximately RMB995.5 million, or 82.9%, from approximately RMB1,200.5 million for the six months ended 30 June 2017. Such increase was mainly attributable to the fact that: (1) the Group had taken enhanced measures on innovation and after-sales service, which resulted in stability in quality of products and improvement in customer satisfaction, thus facilitating a steady increase in market share of major products; (2) the Group actively expanded international market and thus sales revenue derived overseas increased significantly; and (3) with the coal mining industry market recovered, coal prices remained at high level, leading to a substantial increase in the Group's coal mining machinery orders during the six months ended 30 June 2018. The sales revenue of integrated coal mining products for the six months ended 30 June 2018 increased by approximately 300% as compared with that for the six months ended 30 June 2017.

Other income and gains

For the six months ended 30 June 2018, the Group's other income and gains was approximately RMB182.3 million, with an increase of approximately RMB94.6 million from approximately RMB87.7 million for the six months ended 30 June 2017. The change was mainly due to the increase in government subsidies, tax refund and financial product income.

Cost of sales

For the six months ended 30 June 2018, the Group's cost of sales was approximately RMB1,485.9 million, representing an increase of approximately 84.9% against approximately RMB803.7 million for the six months ended 30 June 2017. The increase was mainly due to increased sales as a result of a significant increase in the Group's product orders.

Gross profit margin

For the six months ended 30 June 2018, the gross profit margin of the Group was approximately 32.3%, representing a decrease of approximately 0.8 percentage point against approximately 33.1% for the six months ended 30 June 2017. Such decrease was mainly due to the change in the composition of product sales arising from the increase in the proportion of sales generated from integrated coal mining and large-scale port machinery products.

Profit margin before tax

For the six months ended 30 June 2018, the Group's profit margin before tax was approximately 20.3%, representing an increase of approximately 4.9 percentage points as compared with that of approximately 15.4% for the six months ended 30 June 2017. Such change was mainly due to (1) the significant increase in the revenue and gross profit margin of integrated coal mining products and large-scale port machinery;

and (2) reduced administrative expenses as a percentage of total revenue as a result of further enhanced internal control by the Group, including the costs controls.

Selling and distribution expenses

For the six months ended 30 June 2018, the selling and distribution expenses were approximately RMB205.1 million, representing an increase of approximately 78.9% against approximately RMB114.7 million for the six months ended 30 June 2017.

During the reporting period, the ratio of the Group's selling and distribution expenses to revenue was approximately 9.3%, representing a decrease of approximately 0.3 percentage point as compared with approximately 9.6% for the six months ended 30 June 2017. Such change was mainly due to (1) the integration of marketing channels by the Group; and (2) reduction of transportation costs through measures such as off-site production and optimization of loading technology.

Research and development expenses

For the six months ended 30 June 2018, the research and development expenses of the Group were approximately RMB85.2 million, representing an increase of approximately 87.7% as compared with approximately RMB45.4 million for the six months ended 30 June 2017. For the six months ended 30 June 2018, the ratio of research and development expenses to revenue was approximately 3.9%, representing an increase of approximately 0.1 percentage point as compared to approximately 3.8% for the six months ended 30 June 2017. Such change was mainly due to the increase in the investment in R&D on new products, including smart mines, intelligentised terminals, pure water hydraulic support, excavation equipment, electric truck, RTG and wide-bodied vehicles by the Group.

Administrative expenses

For the six months ended 30 June 2018, administrative expenses of the Group were approximately RMB206.3 million (for the six months ended 30 June 2017: approximately RMB151.0 million). The administrative expenses excluding research and development expenses were approximately RMB121.1 million (for the six months ended 30 June 2017: approximately RMB105.6 million), which accounted for approximately 5.5% of revenue, representing a decrease of approximately 3.3 percentage points against approximately 8.8% for the six months ended 30 June 2017. Such change was mainly attributable to the Group's strengthened cost controls by adopting measures such as designating detailed and specific costs to each responsible staff.

Finance costs

For the six months ended 30 June 2018, finance costs of the Group were approximately RMB7.2 million (for the six months ended 30 June 2017: approximately RMB1.8 million), mainly due to the increase in the Group's bank borrowings.

Taxation

For the six months ended 30 June 2018, the Group's effective tax rate was approximately 19.3% (for the six months ended 30 June 2017: the effective tax rate was approximately 28.6%). For details regarding income tax, please refer to note 7 on page 16 of this announcement.

Profit attributable to owners of the parent

For the six months ended 30 June 2018, the Group's profit attributable to owners of the parent was approximately RMB358.0 million, as compared to the Group's profit attributable to owners of the parent of approximately RMB132.0 million for the same period ended 30 June 2017. For main reasons of such change, please refer to the paragraphs of "Revenue", "Gross profit margin" and "Profit margin before tax".

Liquidity and financial resources

As at 30 June 2018, total current assets of the Group were approximately RMB5,135.4 million (as at 31 December 2017: RMB5,097.1 million). As at 30 June 2018, total current liabilities of the Group were approximately RMB3,252.8 million (as at 31 December 2017: RMB2,918.7 million).

As at 30 June 2018, total assets of the Group were approximately RMB11,337.1 million (as at 31 December 2017: approximately RMB11,199.1 million), and total liabilities were approximately RMB5,116.8 million (as at 31 December 2017: approximately RMB4,836.9 million). As at 30 June 2018, the gearing ratio (the asset to liability ratio) was approximately 45.1% (as at 31 December 2017: approximately 43.2%).

Trade and bills receivables

As at 30 June 2018, the Group's trade and bills receivables were approximately RMB2,318.6 million, representing an increase of approximately 23.9% as compared to approximately RMB1,871.9 million as at 31 December 2017, in which trade receivables increased by approximately 20.4% to approximately RMB1,934.1 million as compared with approximately RMB1,606.2 million as at 31 December 2017; and bills receivable increased by approximately 44.7% to approximately RMB384.5 million as compared to approximately RMB265.7 million as at 31 December 2017. Such change was mainly due to the increase in revenue. However, the increase in trade and bills receivables were far less than the increase in revenue, which was benefited from the receivable control carried out by the management through trading with customers in good reputation and timely collection.

Interest-bearing bank and other borrowings

As at 30 June 2018, interest-bearing bank and other borrowings of the Group were approximately RMB580.8 million (31 December 2017: approximately RMB429.1 million). Such change was mainly due to the increase in short-term bank borrowings.

Cash flow

As at 30 June 2018, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB449.5 million in total.

For the six months ended 30 June 2018, the net cash inflow of the Group from operating activities was approximately RMB66.8 million (for the six months ended 30 June 2017: net cash inflow of approximately RMB158.9 million). Such change was mainly due to (1) an increase of prepayment made to suppliers in order to secure stable purchase price; and (2) an increase of income tax paid in the current period, as the Group has used a majority portion of its deductible tax losses in the prior year.

For the six months ended 30 June 2018, the net cash outflow from investing activities was approximately RMB145.5 million (for the six months ended 30 June 2017: net cash outflow of approximately RMB314.4 million). The decrease in investing cash outflow during the six months ended 30 June 2018 was mainly due to: (1) a net cash inflow of RMB216.7 million from financial products in bank deposits; (2) a net cash outflow of RMB230.0 million as loans to a related company; and (3) a decrease in cash outflow of RMB128.1 million for acquisition of parcels of lands.

For the six months ended 30 June 2018, the net cash outflow of the Group from financing activities was approximately RMB290.2 million (for the six months ended 30 June 2017: net cash inflow of approximately RMB397.4 million) which was mainly comprised of the payment of a special dividend of approximately RMB443.0 million declared on 23 January 2018 and the inception of new bank loans of RMB160.0 million. For details, please refer to the announcement dated 23 January 2018 in relation to the declaration of a special dividend.

Turnover days

The Group's average turnover days of inventory were approximately 194.2 days as at 30 June 2018, representing a decrease of approximately 98.2 days from approximately 292.4 days as at 30 June 2017. Such change was mainly due to increased sales and the Group's strengthened control over inventories.

The turnover days of trade and bills receivables as at 30 June 2018 were approximately 234.1 days, representing a decrease of approximately 173.9 days from approximately 408.0 days as at 30 June 2017. Such change was mainly due to the overall improvement in coal mining industry, which resulted in the improvement in the collection of receivables stocks.

The turnover days of trade and bills payables as at 30 June 2018 were 164.0 days, representing a decrease of approximately 61.7 days from approximately 225.7 days as at 30 June 2017. Such change was mainly due to the shortened payment cycle to the suppliers in return for the best delivery time to meet the Group's strong production.

Contingent liabilities

As at 30 June 2018, the Group had contingent liability of approximately RMB64.5 million, being the financial guarantee under financing lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. (31 December 2017: approximately RMB90.6 million).

Capital commitment

As at 30 June 2018, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB3,635.1 million (31 December 2017: approximately RMB3,569.7 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, disposal and significant investment

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 RMB127.1 million and such buyer also agreed to undertake the shareholder's loan amounting to RMB116.9 million. As at 30 June 2018, the disposal has been completed.

There were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018, nor was there any plan authorized by the Board for other material investments or additions of capital assets at the date of this announcement.

Pledge on assets

As at 30 June 2018, the Group recorded pledged deposits with an aggregate value of approximately RMB40.4 million (as at 31 December 2017: approximately RMB15.3 million), for the purpose of issuing bills payable and banking facilities. As at 30 June 2018, none of the Group's bank loans was secured by property, plant and equipment and prepaid land lease payments (as at 31 December 2017: Nil).

Foreign exchange risk

As at 30 June 2018, the Group's cash and bank balances denominated in foreign currency such as HK$, EUR$ and US$ were equivalent to approximately RMB65.5 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. 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.

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 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 and responsible for 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 optimize return for Shareholders.

Except for the code provision A.2.1, the Company has complied with the code provisions under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") from 1 January 2018 to 30 June 2018.

In accordance with code provision A.2.1 of the CG Code, the roles of chairman 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. Mr. Qi Jian is both of the chairman of the Board and the chief executive officer of the Company. The Board considers vesting the role of both the chairman of the Board and the chief executive officer of the Company in Mr. Qi Jian because Mr. Qi Jian has in-depth knowledge in the business of the Company and can make appropriate decisions promptly and efficiently and this arrangement provides the Company with consistent leadership and facilitates effective and efficient planning and implementation of business decisions and strategies. The Board believes this structure did not impair the balance of power and authority between the Board and the management of the Company. As the Board comprises of experienced and qualified calibre (including sufficient number of independent non-executive Directors), balance between duty and right can be assured. The Board will continue to review the effectiveness of the Company's corporate governance structure to assess whether the separation of the positions of chairman of the Board and chief executive officer of the Company is necessary.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the review period, 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 during the six months ended 30 June 2018.

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 compliance with the CG Code. The Audit Committee consists of three members, namely Mr. Poon Chiu Kwok, Mr. Ng Yuk Keung and Mr. Hu Jiquan, all of whom are independent non-executive Directors. Mr. Poon Chiu Kwok, who has professional qualifications and experiences in the field of accounting, was appointed as the chairman of the Audit Committee. The Audit Committee has held 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 2018.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial results of the Group for the six months ended 30 June 2018 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 2018 (six months ended 30 June 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company (for the year ended 31 December 2017: Nil).

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 six months ended 30 June 2018.

PUBLICATION OF INFORMATION ON THE WEBSITES

The interim report of the Company for the six months ended 30 June 2018 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 of Hong Kong Limited and the website of the Company at www.sanyhe.com in due course.

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

Hong Kong, 15 August 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.