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 2019

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 2019. 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 2019, the Group recorded revenue of approximately RMB3,043.7 million, representing an increase of approximately RMB847.7 million, or 38.6%, from approximately RMB2,196.0 million for the six months ended 30 June 2018. Such increase was mainly attributable to the fact that: (1) with the continuous increase in the demand for improvement and replacement of coal machinery equipment, and the coal industry’s accelerated development towards intelligent, unmanned, green and high-efficiency mining, the orders for coal machinery products of the Group increased significantly for the first half of 2019, and the competitiveness and market share of integrated coal mining products and roadheaders continued to enhance, which in turn led to a significant increase in the revenue of mining equipment segment; (2) the large-scale port machinery has entered into domestic mainstream ports and multiple river terminals, benefiting from the continuous improvement of brand influence, which in turn significantly increased the revenue derived from large-scale port machinery; (3) the Group focused on the R&D and innovation strategy in order to continuously optimize product performance and quality and accordingly enhance market competitiveness; and (4) the expansion to international market has achieved remarkable results.

For the six months ended 30 June 2019, the Group's profit margin before tax was approximately 21.0%, as compared to that of approximately 20.3% for the six months ended 30 June 2018. Such change was mainly due to that (1) the Group actively controlled costs and increased product gross profit margin. In particular, the gross profit margin of integrated mining products, roadheaders and stacking machines improved; and (2) the percentage of management expenses (excluding R&D expenses) against revenue and the percentage of selling expenses against revenue both decreased significantly as a result of digital transformation and improvement on internal operation efficiency.

For the six months ended 30 June 2019, the research and development expenses of the Group were approximately RMB209.2 million, representing an increase of approximately 145.5% as compared to approximately RMB85.2 million for the six months ended 30 June 2018. For the six months ended 30 June 2019, the ratio of research and development expenses to revenue was approximately 6.9%, representing an increase of approximately 3.0 percentage points as compared to approximately 3.9% for the six months ended 30 June 2018. Such change was mainly due to the increase in the investment in R&D on new products, including Smart Mine, Intelligent Terminal, tunnel roadheader, integrated excavation, bolting and self-protection machine, unmanned electric truck, telehandler, automatic bridge and wide-bodied vehicles by the Group.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2019

	Notes	**2019** **(Unaudited)** ***RMB'000***	2018 (Unaudited) *RMB'000*
REVENUE	*4*	**3,043,706**	2,196,043
Cost of sales		**(2,099,713)**	(1,485,939)
Gross profit		**943,993**	710,104
Other income and gains	*4*	**225,512**	182,265
Selling and distribution expenses		**(180,605)**	(205,099)
Administrative expenses		**(335,918)**	(206,252)
Other expenses		**21,629**	(28,923)
Finance costs	*6*	**(34,328)**	(7,156)
PROFIT BEFORE TAX	*5*	**640,283**	444,939
Income tax expense	*7*	**(87,520)**	(86,008)
PROFIT FOR THE PERIOD		**552,763**	358,931
Attributable to:			
Owners of the parent		**551,732**	357,998
Non-controlling interests		**1,031**	933
		552,763	358,931
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB Yuan)	*9*	**0.18**	0.12
Diluted (RMB Yuan)	*9*	**0.15**	0.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**552,763**	358,931
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**22,463**	3,831
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**22,463**	3,831
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**22,463**	3,831
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**575,226**	362,762
Attributable to:		
Owners of the parent	**574,195**	361,829
Non-controlling interests	**1,031**	933
	575,226	362,762

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,488,455**	2,462,871
Right-of-use assets		**1,042,116**	–
Prepaid land lease payments		**–**	1,678,377
Goodwill		**1,129,520**	1,129,520
Trade receivables	*11*	**24,144**	89,826
Non-current prepayments		**145,431**	144,709
Deferred tax assets		**349,671**	390,667
Total non-current assets		**5,179,337**	5,895,970
CURRENT ASSETS			
Inventories	*10*	**1,224,470**	1,534,274
Properties under development		**700,418**	–
Trade receivables	*11*	**2,734,237**	2,127,075
Bills receivable	*11*	**439,666**	498,997
Prepayments, other receivables and other assets		**852,143**	634,396
Financial investments at fair value through profit or loss		**1,205,671**	1,046,022
Pledged deposits		**1,418**	33,813
Cash and cash equivalents		**910,811**	1,069,906
		8,068,834	6,944,483
Assets of a disposal group classified as held for sale		**84,241**	84,241
Total current assets		**8,153,075**	7,028,724

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	12	**1,773,230**	1,819,648
Other payables and accruals		**1,476,624**	1,423,100
Dividend payable		**75,973**	75,675
Interest-bearing bank and other borrowings	13	**1,517,313**	1,399,951
Tax payable		**245,622**	267,725
Provision for warranties		**16,372**	9,888
Government grants		**90,584**	91,087
		5,195,718	5,087,074
Liabilities directly associated with the assets classified as held for sale		**81,699**	82,098
Total current liabilities		**5,277,417**	5,169,172
NET CURRENT ASSETS		**2,875,658**	1,859,552
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,054,995**	7,755,522
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**1,715**	–
Government grants		**1,248,913**	1,297,833
Deferred tax liabilities		**30,084**	15,622
Total non-current liabilities		**1,280,712**	1,313,455
Net assets		**6,774,283**	6,442,067

	Note	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**307,265**	302,214
Reserves		**6,454,426**	6,128,292
		6,761,691	6,430,506
Non-controlling interests		**12,592**	11,561
Total equity		**6,774,283**	6,442,067

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

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 mining equipment (including coal mining machinery, non-coal mining machinery and mining transport equipment), logistics equipment (including container equipment, bulk material equipment and general equipment) and spare parts and the provision of related services in Mainland China.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These financial information are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOUSURES

The accounting policies adopted in the preparation of these interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations effective as of 1January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(a) Adoption of IFRS 16

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for a production plant. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* **(Unaudited)**
Assets	
Increase in right-of-use assets	**1,698,857**
Decrease in prepaid land lease payments	**(1,678,377)**
Decrease in prepayments, other receivables and other assets	**(13,852)**
Increase in total assets	**6,628**
Liabilities	
Increase in interest-bearing bank and other borrowings	**6,628**
Increase in total liabilities	**6,628**

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 **(Unaudited)**
Operating lease commitments as at 31 December 2018	7,300
Less: value added tax included in the operating lease commitments	(347)
	6,953
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	6,628
Lease liabilities as at 1 January 2019	6,628

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank and other borrowings'), and the movement during the period are as follow:

	Right-of-use assets		
	Plant *RMB'000*	**Prepaid land lease payments** *RMB'000*	**Lease liabilities** *RMB'000*
As at 1 January 2019	**6,628**	**1,692,229**	**6,628**
Depreciation charge	**(1,657)**	**(11,329)**	**–**
Transferred to properties under development ("PUD")	**–**	**(643,755)**	**–**
Interest expense	**–**	**–**	**139**
Payments	**–**	**–**	**(1,739)**
As at 30 June 2019	**4,971**	**1,037,145**	**5,028**

(b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

(a) Mining equipment segment

The mining equipment segment (previously known as energy equipment segment) engages in the production and sale of coal mining machinery, non-coal mining machinery, mining transport equipment and spare parts and the provision of related services; and

(b) Logistics equipment segment

The logistics equipment segment (previously known as port machinery segment) engages in the production and sale of container equipment, bulk material equipment, general equipment and spare parts and the provision of related services.

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

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

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

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

Six months ended 30 June 2019	Mining equipment *RMB'000* (Unaudited)	Logistics equipment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(note 4)*			
Sales to customers	**1,808,991**	**1,234,715**	**3,043,706**
Other revenue	**120,237**	**79,905**	**200,142**
Revenue from operations	**1,929,228**	**1,314,620**	**3,243,848**
Segment results	**394,679**	**254,562**	**649,241**
Interest income			**25,370**
Finance costs			**(34,328)**
Profit before tax			**640,283**
Income tax expense			**(87,520)**
Profit for the period			**552,763**
Segment assets	**8,562,227**	**5,208,515**	**13,770,742**
Reconciliation:			
Elimination of intersegment receivables			**(1,717,221)**
Corporate and other unallocated assets			**1,278,891**
Total assets			**13,332,412**
Segment liabilities	**2,359,485**	**4,115,508**	**6,474,993**
Reconciliation:			
Elimination of intersegment payables			**(1,717,221)**
Corporate and other unallocated liabilities			**1,800,357**
Total liabilities			**6,558,129**
Other segment information:			
Loss on disposal of items of property, plant and equipment	**409**	**123**	**532**
Impairment losses reversed in profit or loss	**(8,004)**	**(26,954)**	**(34,958)**
Depreciation and amortization	**88,460**	**43,244**	**131,704**
Other non-cash expense	**5,392**	**5,477**	**10,869**
Capital expenditure*	**52,930**	**118,088**	**171,018**

Six months ended 30 June 2018	Mining equipment *RMB'000* (Unaudited)	Logistics equipment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(note 4)*			
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 amortization	76,190	35,998	112,188
Capital expenditure*	13,837	185,314	199,151

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

Information about major customers

Revenue of approximately RMB279,051,000 (six months ended 30 June 2018: RMB243,412,000) 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

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	**2,998,024**	2,174,363
Rendering of maintenance services	**45,682**	21,680
	3,043,706	2,196,043

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019

Segments	**Mining equipment**	**Logistics equipment**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Types of goods or services			
Sale of goods	**1,778,934**	**1,219,090**	**2,998,024**
Maintenance services	**30,057**	**15,625**	**45,682**
Total revenue from contracts with customers	**1,808,991**	**1,234,715**	**3,043,706**
Geographical markets			
Mainland China	**1,639,564**	**786,868**	**2,426,432**
Asia (excluding Mainland China)	**129,520**	**256,872**	**386,392**
European Union	**34,507**	**58,713**	**93,220**
United States of America	**–**	**92,455**	**92,455**
Other countries/regions	**5,400**	**39,807**	**45,207**
Total revenue from contracts with customers	**1,808,991**	**1,234,715**	**3,043,706**
Timing of revenue recognition			
Goods transferred at a point in time	**1,778,934**	**1,219,090**	**2,998,024**
Services transferred over time	**30,057**	**15,625**	**45,682**
Total revenue from contracts with customers	**1,808,991**	**1,234,715**	**3,043,706**

For the six months ended 30 June 2018

Segments	Mining equipment *RMB'000* (Unaudited)	Logistics equipment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or services			
Sale of goods	1,218,479	955,884	2,174,363
Maintenance services	21,680	–	21,680
Total revenue from contracts with customers	1,240,159	955,884	2,196,043
Geographical markets			
Mainland China	1,223,877	645,811	1,869,688
Asia (excluding Mainland China)	7,395	206,582	213,977
European Union	–	37,672	37,672
United States of America	–	26,687	26,687
Other countries/regions	8,887	39,132	48,019
Total revenue from contracts with customers	1,240,159	955,884	2,196,043
Timing of revenue recognition			
Goods transferred at a point in time	1,218,479	955,884	2,174,363
Services transferred over time	21,680	–	21,680
Total revenue from contracts with customers	1,240,159	955,884	2,196,043

Other income and gain

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**8,347**	5,823
Other interest income	**17,023**	2,662
Government grants	**151,502**	122,914
Profit from sale of scrap materials	**1,024**	–
Others	**15,658**	32,036
	193,554	163,435
Gains		
Fair value gain on financial assets at fair value through profit or loss, net	**31,958**	14,965
Gain on disposal of a subsidiary	**–**	3,865
	31,958	18,830
	225,512	182,265

5. PROFIT BEFORE TAX

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

	Note	For the six months ended 30 June **2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* (Unaudited)
Cost of inventories sold		**2,089,359**	1,473,053
Cost of services provided		**39,196**	12,886
Depreciation		**118,718**	105,637
Amortisation of right-of-use assets/land lease prepayments**		**12,986**	6,551
Auditors' remuneration		**504**	430
Addition of warranties*		**9,408**	6,396
Research and development costs**		**209,156**	85,154
Minimum lease payments under operating leases:		**1,825**	2,216
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		**244,885**	176,520
Equity-settled share-based payment		**10,869**	11,536
Employee retirement benefits		**12,073**	18,839
Other staff welfare		**7,150**	9,580
		274,977	216,475
Foreign exchange differences, net***		**1,263**	6,839
Impairment of financial assets, net:			
(Reversal of impairment)/impairment of trade receivables***, net	*11*	**(33,593)**	19,619
Impairment of other receivables***, net		**13,795**	1,188
Write-back of slow-moving and obsolete inventories#		**(15,160)**	(27,841)
Loss on disposal of items of property, plant and equipment***		**532**	3,806
Gain on disposal of a subsidiary		**–**	(3,865)

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

** Included in "Administrative expenses" and "Cost of sales" 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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	**28,845**	7,006
Interest on discounted bills	**5,483**	150
	34,328	7,156

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 six months ended 30 June 2019.

Two (2018: Three) of the Group's principal operating companies, Sany Heavy Equipment Co., Ltd ("Sany Heavy Equipment") and Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment"), 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 2019.

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**32,062**	103,416
Deferred	**55,458**	(17,408)
Total tax charge for the period	**87,520**	86,008

8. Dividend

The final dividend for the year ended 31 December 2018 of HK$0.10 cents per share, totaling HK$357,806,000 (equivalent to RMB321,223,000), was approved by the Company's shareholders at the annual general meeting on 10 May 2019, which was fully distributed during the six months ended 30 June 2019.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 2019 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,061,638,898 (six months ended 30 June 2018: 3,041,025,000) in issue during the period.

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**551,732**	357,998
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	**551,756**	358,022

	Number of shares	
	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,061,638,898**	3,041,025,000
Effect of dilution – convertible preference shares	**479,781,034**	479,781,034
Effect of dilution – share options	**40,190,716**	63,542,982
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,581,610,648**	3,584,349,016

10. INVENTORIES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**493,316**	679,644
Work in progress	**194,109**	522,134
Finished goods	**678,469**	603,094
	1,365,894	1,804,872
Less: Provision against slow-moving and obsolete inventories	**(141,424)**	(270,598)
	1,224,470	1,534,274

11. TRADE AND BILLS RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**3,382,767**	2,905,258
Impairment	**(624,386)**	(688,357)
	2,758,381	2,216,901
Less: Trade receivables due after one year	**(24,144)**	(89,826)
	2,734,237	2,127,075
Bills receivable	**439,666**	498,997

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 6% (31 December 2018: 7%) 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 RMB185,968,000 as at 30 June 2019 (31 December 2018: RMB271,943,000) for sales of products by the Group, which accounted for 7% (31 December 2018: 12%) of the Group's trade receivables at the end of the reporting period. Trade receivables are non-interest-bearing.

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 180 days	**1,688,982**	1,244,644
181 to 365 days	**565,113**	504,038
1 to 2 years	**310,768**	251,368
2 to 3 years	**165,816**	180,637
Over 3 years	**27,702**	36,214
	2,758,381	2,216,901

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of year	**688,357**	759,941
Impairment losses, net *(note 5)*	**(33,593)**	8,931
Amount written off as uncollectible	**(30,378)**	(80,515)
At 30 June/31 December	**624,386**	688,357

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

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within six months	**295,221**	407,866
Over six months	**144,445**	91,131
	439,666	498,997

Included in the bills receivable was an amount of RMB6,000,000 as at 30 June 2019 (31 December 2018: RMB124,924,000) which was pledged for the issuance of a letter of guarantee.

Included in the bills receivable was an amount of RMB19,120,000 as at 30 June 2019 (31 December 2018: RMB13,000,000) which was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 30 June 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB280,900,200 (31 December 2018: RMB236,616,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was RMB280,900,200 (31 December 2018: RMB236,616,000) as at 30 June 2019.

Transferred financial assets that are derecognised in their entirety

At 30 June 2019, 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 RMB448,536,243 (31 December 2018: RMB612,636,000). 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:

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Within 30 days	**503,035**	585,926
31 to 90 days	**473,821**	415,678
91 to 180 days	**549,579**	397,921
181 to 365 days	**139,706**	107,226
Over 1 year	**107,089**	312,897
	1,773,230	1,819,648

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 RMB91,944,657 as at 30 June 2019 (31 December 2018: RMB180,429,000) for purchasing raw materials by the Group.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019			31 December 2018		
	(Unaudited)			(Audited)		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – secured	**4.00**	**2020**	**100,000**	–	–	–
Bank loans – unsecured	**2.92-4.35**	**2019-2020**	**1,414,000**	2.92-4.35	2019	968,350
Current portion of long term bank loans-unsecured	**–**	**–**	**–**	0.6	2019	431,601
Current portion of lease liabilities	**4.75**	**2020**	**3,313**	–	–	–
			1,517,313			1,399,951
Non-current						
Lease liabilities	**4.75**	**2020**	**1,715**	–	–	–

(a) As at 30 June 2019, financial investments at fair value through profit or loss of RMB104,000,000 has been pledged for the Group's bank loans of RMB100,000,000 from China Construction Bank Co., Ltd at the end of the reporting period. All borrowing are in RMB.

(b) As at 31 December 2018, Sany Group Co., Ltd. and Hua Xia Bank Co., Ltd. (Shenyang branch) have guaranteed certain of the Group's bank loans up to RMB368,350,000 and RMB100,000,000 respectively as at the end of the reporting period. Except for the non-current bank loans of RMB431,601,000 which are denominated in EUR, all borrowings are in RMB.

14. SHARE CAPITAL

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised:		
4,461,067,880 (31 December 2018: 4,461,067,880) ordinary shares of HK$0.10 each	**446,107**	446,107
538,932,120 (31 December 2018: 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:		
3,098,485,500 (31 December 2018: 3,041,025,000) ordinary shares of HK$0.10 each	**309,849**	304,103
479,781,034 (31 December 2018: 479,781,034) convertible preference shares of HK$0.10 each	**47,978**	47,978
Total issued and fully paid capital	**357,827**	352,081
Equivalent to RMB'000	**307,265**	302,214

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital		Share premium	Total
			Equivalent to		
		HK$'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	3,520,806,034	352,081	302,214	2,239,502	2,541,716
Issue of shares *(note)*	57,460,500	5,746	5,051	62,293	67,344
Release of share-based compensation reserve to share premium upon exercise of share options *(note)*	–	–	–	25,245	25,245
At 30 June 2019	**3,578,266,534**	**357,827**	**307,265**	**2,327,040**	**2,634,305**

Note:

During the six months ended 30 June 2019, 57,460,500 new ordinary shares were issued for the share options exercised. Cash proceeds of HK$76,599,000 (equivalent to RMB67,344,000) were received with no transaction costs bored by the Company, and related share option reserve of RMB25,245,000 was transferred to share premium accordingly.

15. COMMITMENTS

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Buildings	**951,841**	716,449
Plant and machinery	**3,348,941**	3,490,597
	4,300,782	4,207,046

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half year of 2019, with the continuous increase in the demand for improvement and replacement of coal machinery equipment, and the coal industry's accelerated development towards intelligent, unmanned, green and high-efficiency mining, the orders for coal machinery products of the Group increased significantly, and the competitiveness and market share of integrated coal mining products and roadheaders continued to enhance, which in turn led to a significant increase in the revenue of mining equipment segment. Meanwhile, the large-scale port machinery has entered into domestic mainstream ports and multiple river terminals, benefiting from the continuous improvement of brand influence, which in turn significantly increased the revenue derived from large-scale port machinery. The Group also focused on the R&D and innovation strategy in order to continuously optimize product performance and quality and accordingly enhance market competitiveness. Various types of new automatic and electric products were successively launched to the market, which brought new profit growth opportunities. In particular, the SKT90S series widebody vehicles have been highly recognized by the mining customers with its outstanding performance, which in turn increased the revenue generated from mining vehicles significantly. In addition, the expansion to international market has achieved remarkable results with (a) successful breakthrough in attracting major international customers of ports and entering into strategic cooperation agreements and orders with them; (b) increase in the international sales of small-scale port machinery continued in countries or regions including Asian regions, Australia, India, Indonesia, the USA and European regions; and (c) integrated coal mining products achieving a major breakthrough in Ukraine. With the Group's efforts in improving the operation quality and enhancing the performance of its products, the product competitiveness has steadily improved and market share of its key products has increased as a result.

Major products

The Group divides its products into two categories, namely (1) the mining equipment business sector (previously known as energy equipment sector), which includes coal mining machinery products, such as roadheaders (all types of soft rock, hard rock roadheader and integrated excavation, bolting and self-protection machine) and mining equipment (hydraulic support system, coal mining machines (shearer), scraper conveyor (ArmoredFace Conveyer), etc.); non-coal mining machinery products, such as tunnel roadheader and mining machine; the mining transport equipment (mechanical drive off-highway dump truck and electric drive off-highway dump truck) and wide bodied vehicle and other relevant products; and (2) the logistics equipment business sector (previously known as port machinery sector), which includes container equipment* (front loader, stacking machine and quayside gantry crane, etc.), bulk material equipment (gripper, elevated hoisting arm, etc.) and general equipment (heavy-weight forklift, telehandler, etc.).

Research and development capability

The Group insists on developing R&D innovation-driven strategy, adapts to the new development of the industry, and keenly grasps the new demands from customers for intelligent, unmanned, green and high-efficient equipment, continuously increases R&D investment, and optimizes product structure and product performance. In the first half of 2019, commercial launching of the SCR200 and 260 series of coal mining machineries were made in the mining equipment sector, the EBZ160/200M bolting and self-protection machine were successfully launched in the market which directed the future development of intelligent excavation; and the new generation STR tunnel roadheades with outstanding stability and function achieved successful breakthrough in the railway and highway market. The SKT90S wide-bodied vehicles were launched with high attendance rate and low operating cost and were highly recognized by customers. As for logistics equipment sector, the unmanned electric truck has completed on-site testing, signifying that the Company will officially enter the port unmanned transportation market. The automation depot container crane has overcome many obstacles in key automation technologies and achieved the targets of remote control, intelligent identification, precise alignment, automatic loading and unloading, which greatly improved port operation efficiency and reduced operating costs. Especially for the North America region, the SCP130A series forklifts with excellent operational control, comfort and reliability have successfully entered the international high-end market. The STS656501 quayside container crane has been officially operated in Zhuhai Port. With the advantages of short delivery time and stable equipment performance, it was widely praised by customers and recognized among the industry.

For the six months ended 30 June 2019, the Group obtained 14 authorized patents, including 5 invention patents, 7 utility model patents, 1 design 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 mining 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 one of the project occupies an area of 800 mu, equipped with a deep-

* *Note:* Container equipment includes large port equipment products (e.g. quayside gantry crane, etc) and small port equipment products (e.g. front loader, stacking machine, etc).

water dock with a coastline of 3.5 km, and has currently reached the production capability of full range large-scale port machinery. The industrial park for small port equipment located in Changsha Industrial Zone covers a total area of approximately 150 mu with several plants and a commissioning field. The Group focuses on enhancement of processing and assembly techniques, and has adopted various measures to reduce production costs.

The Group actively promotes intelligent manufacturing, and realizes remote monitoring and visual management. With the networking of production equipment and intelligent monitoring system, real-time and on-site remote monitoring of physical objects was realized. The Group rationally allocates resources through intelligent dispatching platform based on production needs, and provides basic data for production management and energy management through the energy management platform. The Group also optimizes the production process and reduces energy consumption through the analysis of current, electrical energy, process parameters and other data.

Marketing and service

The Group implements a targeted marketing policy tailored to each major customer with support from our "power trio" team to achieve crucial breakthroughs. The Group has been accelerating its internationalization progress and enhancing its competitiveness in overseas markets. The Group adopts a specific policy for each country while adhering to our strategy of "focusing on both key products and key regions". We have maintained our leading position in the small port machinery sector in the Asia-Pacific region and actively explored the North American market with new products. We have enhanced our market share in overseas markets through allocating more resources in international markets, providing more support to overseas agents and cultivating more agents.

The Group implements the best customer experience strategy, adhering to its service philosophy of "All For Customers, All From Innovations" and reshaping the marketing service concept into "going beyond customer expectations and industry standards", so as to create the best customer experience throughout the process, by providing first-class services and highly efficient responses to meet customers' needs and up to their satisfaction, and eliminating worries from customers on after-sales support. At the same time, the Group has accelerated the transformation and upgrading of digitalization and intellectualization, providing customers with convenient, efficient, accessible and intimate after-sales problem solutions through the Sany Customer Cloud Platform. The Group's superior product quality, attentive after-sales services and prompt responses have won high recognition from customers.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, the Group recorded revenue of approximately RMB3,043.7 million, representing an increase of approximately RMB847.7 million, or 38.6%, from approximately RMB2,196.0 million for the six months ended 30 June 2018. Such increase was mainly attributable to the fact that: (1) with the continuous increase in the demand for improvement and replacement of coal machinery equipment, and the coal industry's accelerated development towards intelligent, unmanned, green and high-efficiency mining, the orders for coal machinery products of the Group increased significantly in the first half of 2019, and the competitiveness and market share of integrated coal mining products and roadheaders continued to enhance, which in turn led to a significant increase in the revenue of mining equipment segment; (2) the large-scale port machinery has entered into domestic mainstream ports and multiple river terminals, benefiting from the continuous improvement of brand influence of large-scale port machinery, which in turn significantly increased the revenue derived from large-scale port machinery; (3) the Group focused on the R&D and innovation strategy in order to continuously optimize product performance and quality and accordingly enhance market competitiveness; and (4) the expansion to international market has achieved remarkable results.

Other income and gains

For the six months ended 30 June 2019, the Group's other income and gains were approximately RMB225.5 million, with an increase of approximately RMB43.2 million from approximately RMB182.3 million for the six months ended 30 June 2018. The change was mainly due to the increase in government subsidies, interest income and fair value gains on wealth management products.

Cost of sales

For the six months ended 30 June 2019, the Group's cost of sales was approximately RMB2,099.7 million, representing an increase of approximately 41.3% from approximately RMB1,485.9 million for the six months ended 30 June 2018. The increase was mainly due to (1) a significant increase in the Group's sales orders; and (2) classification of transportation costs from selling and distribution expenses to cost of sales for the six months ended 30 June 2019.

Gross profit margin

For the six months ended 30 June 2019, the gross profit margin (excluding inventory impairment provision and including transportation costs) of the Group was approximately 30.5%, representing an increase of approximately 3.1 percentage points against approximately 27.4% for the six months ended 30 June 2018. Such increase was mainly because the Group had remarkable achievement on cost control and realized cost reduction through the optimization of processing flow of roadheaders, integrated mining products, front loaders and stacking machines etc..

Profit margin before tax

For the six months ended 30 June 2019, the Group's profit margin before tax was approximately 21.0%, representing an increase of approximately 0.7 percentage point as compared with that of approximately 20.3% for the six months ended 30 June 2018. Such change was mainly due to that (1) the Group had actively controlled cost and increased gross profit margin of products. In particular, the gross profit margin of integrated mining products, roadheaders and stacking machines improved; and (2) the percentage of management expenses (excluding R&D expenses) against revenue and the percentage of selling expenses against revenue both decreased significantly, as a result of further enhancement of internal control through digitalization by the Group.

Selling and distribution expenses

For the six months ended 30 June 2019, the selling and distribution expenses were approximately RMB180.6 million, representing a decrease of approximately 11.9% against approximately RMB205.1 million for the six months ended 30 June 2018.

During the reporting period, the ratio of the Group's selling and distribution expenses to revenue was approximately 5.9%, representing a decrease of approximately 3.4 percentage points as compared with approximately 9.3% for the six months ended 30 June 2018. Such change was mainly due to classification of transportation costs from selling and distribution expenses to cost of sales for the six months ended 30 June 2019.

Research and development expenses

For the six months ended 30 June 2019, the research and development expenses of the Group were approximately RMB209.2 million, representing an increase of approximately 145.5% as compared with approximately RMB85.2 million for the six months ended 30 June 2018. For the six months ended 30 June 2019, the ratio of research and development expenses against total revenue was approximately 6.9%, representing an increase of approximately 3.0 percentage points as compared to approximately 3.9% for the six months ended 30 June 2018. Such change was mainly due to the increase in the investment in R&D on new products, including Smart Mine, Intelligent Terminal, tunnel roadheader, integrated excavation, bolting and self-protection machine, unmanned electric truck, telehandler, automatic depot container crane and widebody vehicles, by the Group.

Administrative expenses

For the six months ended 30 June 2019, administrative expenses of the Group were approximately RMB335.9 million (for the six months ended 30 June 2018: approximately RMB206.3 million). The administrative expenses excluding research and development expenses were approximately RMB126.7 million (for the six months ended 30 June 2018: approximately RMB121.1 million), which accounted for approximately 4.2% of total revenue, representing a decrease of approximately 1.3 percentage points against approximately 5.5% for the six months ended 30 June 2018. Such change was mainly attributable to the Group's strengthened cost controls by adopting measures such as implementation of cost control for each department and project, and implementation of strict individual responsibility management.

Finance costs

For the six months ended 30 June 2019, finance costs of the Group were approximately RMB34.3 million (for the six months ended 30 June 2018: approximately RMB7.2 million), mainly due to the increase in the Group's bank borrowings.

Taxation

For the six months ended 30 June 2019, the Group's effective tax rate was approximately 13.7% (for the six months ended 30 June 2018: the effective tax rate was approximately 19.3%). For details regarding income tax, please refer to note 7 on page 19 of this announcement.

Profit attributable to owners of the parent

For the six months ended 30 June 2019, the Group's profit attributable to owners of the parent was approximately RMB551.7 million, as compared to that of approximately RMB358.0 million for the same period ended 30 June 2018. For the 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 2019, total current assets of the Group were approximately RMB8,153.1 million (as at 31 December 2018: RMB7,028.7 million). As at 30 June 2019, total current liabilities of the Group were approximately RMB5,277.4 million (as at 31 December 2018: RMB5,169.2 million).

As at 30 June 2019, total assets of the Group were approximately RMB13,332.4 million (as at 31 December 2018: approximately RMB12,924.7 million), and total liabilities were approximately RMB6,558.1 million (as at 31 December 2018: approximately RMB6,482.6 million). As at 30 June 2019, the gearing ratio (the asset to liability ratio) was approximately 49.2% (as at 31 December 2018: approximately 50.2%).

Trade and bills receivables

As at 30 June 2019, the Group's trade and bills receivables were approximately RMB3,822.4 million, representing an increase of approximately 12.3% as compared to approximately RMB3,404.3 million as at 31 December 2018, in which the amount of trade receivables increased by approximately 16.4% to approximately RMB3,382.8 million as compared with approximately RMB2,905.3 million as at 31 December 2018. Such changes were mainly attributable to the increase in revenue. However, the increase in trade receivables was far less than the increase in revenue, which was attributable to the strict control over transaction closing conditions, the increase in down payment ratio and shortened payback period. The bills receivables decreased by approximately 11.9% to approximately RMB439.7 million as compared to approximately RMB499.0 million as at 31 December 2018. Such changes were mainly due to the decrease in cash payment ratio as a result of the increase in the use of endorsement of bills by the Group.

Interest-bearing bank and other borrowings

As at 30 June 2019, interest-bearing bank and other borrowings of the Group were approximately RMB1,519.0 million (31 December 2018: approximately RMB1,400.0 million). Such change was mainly due to the increase in short-term bank borrowings.

Cash flow

As at 30 June 2019, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB910.8 million in total. For the six months ended 30 June 2019, the net cash inflow of the Group from operating activities was approximately RMB515.7 million (for the six months ended 30 June 2018: net cash inflow of approximately RMB66.8 million). Such change was mainly due to that (1) the Group has adopted effective measures in inventory management, which lowered its procurement expense; (2) the Group had strictly controlled the transaction closing conditions which led to increase in telegraphic transfer payback ratio; (3) the Group had increased the endorsement and usage of bills, which led to the decrease of cash payment; and (4) the Group has put greater efforts in the collection of trade receivables and those receivables aged over two years were gradually received.

For the six months ended 30 June 2019, the net cash outflow from investing activities was approximately RMB521.1 million (for the six months ended 30 June 2018: net cash outflow of approximately RMB145.5 million). The increase in investing cash outflow during the six months ended 30 June 2019 was mainly due to the increase of investment in wealth management products issued by third party banks by RMB361.6 million.

For the six months ended 30 June 2019, the net cash outflow of the Group from financing activities was approximately RMB176.1 million (for the six months ended 30 June 2018: net cash outflow of approximately RMB290.2 million). Such change was mainly due to decrease in dividend paid by RMB121.8 million.

Turnover days

The Group's average turnover days of inventory were approximately 136.8 days as at 30 June 2019, representing a decrease of approximately 57.4 days from approximately 194.2 days as at 30 June 2018. 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 2019 were approximately 216.7 days, representing a decrease of approximately 17.4 days from approximately 234.1 days as at 30 June 2018. Such change was mainly due to that the Group has put greater efforts in the collection of trade receivables, which resulted in the improvement in the collection of long aging receivables.

The turnover days of trade and bills payables as at 30 June 2019 were 155.0 days, representing a decrease of approximately 9.0 days from approximately 164.0 days as at 30 June 2018. Such change was mainly due to the shortened payment cycle to the suppliers in return for the best delivery time to meet the high demand for the Group's production.

Contingent liabilities

As at 30 June 2019, the Group had contingent liability of approximately RMB42.3 million, being the financial guarantee under financing lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. (31 December 2018: approximately RMB52.6 million).

Capital commitment

As at 30 June 2019, the contracted capital commitments of the Group which were not provided for in the financial statements were approximately RMB4,300.8 million (31 December 2018: approximately RMB4,207.0 million).

Employees and remuneration policy

The Group persists in training and developing talents. Accordingly, it provides internal training, external training and correspondent courses to its staff according to their ranking and at different times with an aim to improve and enhance their work-related skills as well as strengthen their senses of belonging. In addition, the Group pays year-end bonuses to staff to reward them for their contributions and dedication to the Group. The remuneration of the directors of the Group is determined with reference to their positions, responsibilities and experience and prevailing market conditions.

Material acquisition, disposal and significant investment

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2019, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at the date of this announcement.

Pledge on assets

As at 30 June 2019, the Group recorded pledged deposits with an aggregate value of approximately RMB1.4 million (as at 31 December 2018: approximately RMB33.8 million), for the purpose of issuing bills payable. As at 30 June 2019, none of the Group's bank loans was secured by property, plant and equipment and prepaid land lease payments (as at 31 December 2018: Nil).

Foreign exchange risk

As at 30 June 2019, the Group's cash and bank balances denominated in foreign currency such as HK$, Euro and US$ were equivalent to approximately RMB122.0 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 personnel visited staff with family difficulties and provided them with consolation money and items; presented family package insurance to staff; and organized staff health check. The Group also raised funds for staff who needed 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 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 2019 to 30 June 2019.

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 2019.

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, was appointed as the chairman of the Audit Committee, who is a Fellow of CPA Australia. 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 2019.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial results of the Group for the six months ended 30 June 2019 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 2019 (six months ended 30 June 2018: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company (for the six months ended 30 June 2018: 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 2019.

PUBLICATION OF INFORMATION ON THE WEBSITES

The interim report of the Company for the six months ended 30 June 2019 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, 21 August 2019

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.