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 2020

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 2020.

FINANCIAL SUMMARY

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB3,815.1 million, representing an increase of approximately RMB771.4 million, or 25.3%, from approximately RMB3,043.7 million for the six months ended 30 June 2019. Such increase was mainly attributable to the fact that: (1) following the gradual increase in market share of major products, the Group further consolidated its leading position in the industry, resulting in a continuous growth in revenue; (2) wide-bodied vehicles newly launched by the Group gained customers' recognition due to their high attendance rate, resulting in a significant growth in revenue by more than 300% as compared with last year; and (3) the significant increase in the overseas sales revenue of the logistics equipment of the Group.

For the six months ended 30 June 2020, the Group's profit attributable to owners of the parent was approximately RMB639.7 million, which is an increase of approximately 16.0% as compared with approximately RMB551.7 million for the six months ended 30 June 2019. For the main reasons of such change, please refer to the below paragraphs headed "Revenue", "Gross profit margin" and "Profit margin before tax".

For the six months ended 30 June 2020, the return on net assets of the Group was approximately 8.6%, representing an increase of 0.4 percentage point as compared with that of approximately 8.2% for the six months ended 30 June 2019. Such change was mainly due to the increase in sales revenue, the decrease in expense and the increase in the operating efficiency of the Company.

For the six months ended 30 June 2020, the net cash inflow of the Group from operating activities was approximately RMB648.6 million (for the six months ended 30 June 2019: net cash inflow of approximately RMB515.7 million). Such change was mainly due to (1) the Group implemented customer hierarchical management and strictly controlled transaction terms; (2) the Group strengthened its control over inventories, resulting in the continuous decline in inventories and increase in inventories turnover; and (3) the Group put greater efforts in the collection of trade receivables and those receivables aged over three years were gradually received.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) *RMB'000*	2019 (Unaudited) *RMB'000*
REVENUE	*4*	**3,815,076**	3,043,706
Cost of sales		**(2,784,980)**	(2,099,713)
Gross profit		**1,030,096**	943,993
Other income and gains	*4*	**234,681**	225,512
Selling and distribution expenses		**(179,567)**	(180,605)
Administrative expenses		**(310,842)**	(335,918)
Reversal of impairment losses on financial assets, net		**56,535**	19,798
Other expenses		**(1,793)**	1,831
Finance costs	*6*	**(75,158)**	(34,328)
PROFIT BEFORE TAX	*5*	**753,952**	640,283
Income tax expense	*7*	**(115,333)**	(87,520)
PROFIT FOR THE PERIOD		**638,619**	552,763
Attributable to:			
Owners of the parent		**639,705**	551,732
Non-controlling interests		**(1,086)**	1,031
		638,619	552,763
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic *(RMB Yuan)*	*9*	**0.21**	0.18
Diluted *(RMB Yuan)*	*9*	**0.18**	0.15

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**638,619**	552,763
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,788**	22,463
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**1,788**	22,463
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**1,788**	22,463
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**640,407**	575,226
Attributable to:		
Owners of the parent	**641,493**	574,195
Non-controlling interests	**(1,086)**	1,031
	640,407	575,226

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,380,142**	2,413,167
Right-of-use assets		**1,013,750**	1,026,736
Goodwill		**1,129,520**	1,129,520
Trade receivables	*11*	**144,385**	145,973
Non-current prepayments		**148,546**	144,689
Deferred tax assets		**282,506**	348,494
Total non-current assets		**5,098,849**	5,208,579
CURRENT ASSETS			
Inventories	*10*	**1,098,398**	1,438,272
Properties under development		**801,018**	760,002
Trade receivables	*11*	**3,536,465**	2,634,423
Bills receivable	*11*	**543,848**	424,485
Prepayments, other receivables and other assets		**441,848**	614,839
Financial assets at fair value through profit or loss	*12*	**4,715,037**	3,276,414
Pledged deposits		**30,458**	2,010
Cash and cash equivalents		**1,039,940**	1,103,171
		12,207,012	10,253,616
Assets of a disposal group classified as held for sale		**84,241**	84,241
Total current assets		**12,291,253**	10,337,857

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	*13*	**2,376,525**	1,831,552
Other payables and accruals		**1,675,028**	1,535,126
Dividend payable		**78,866**	77,349
Interest-bearing bank and other borrowings	*14*	**3,873,914**	2,508,954
Lease liabilities		**1,715**	3,391
Tax payable		**260,818**	253,423
Provision for warranties		**35,616**	32,496
Government grants	*15*	**86,858**	94,231
Derivative financial instruments		**5,571**	3,864
		8,394,911	6,340,386
Liabilities directly associated with the assets classified as held for sale		**80,923**	80,923
Total current liabilities		**8,475,834**	6,421,309
NET CURRENT ASSETS		**3,815,419**	3,916,548
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,914,268**	9,125,127
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**298,982**	747,181
Government grants	*15*	**1,161,398**	1,195,142
Deferred tax liabilities		**44,184**	37,239
Total non-current liabilities		**1,504,564**	1,979,562
Net assets		**7,409,704**	7,145,565
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**308,479**	307,469
Reserves		**7,088,549**	6,824,334
		7,397,028	7,131,803
Non-controlling interests		**12,676**	13,762
Total equity		**7,409,704**	7,145,565

1. CORPORATE INFORMATION

Sany Heavy Equipment International Holdings Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 23 July 2009. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business of the Company is located at No.25, 16 Kaifa Road, Economic and Technological Development Area, Shenyang City, Liaoning Province, the People's Republic of China (the "PRC"). During the period, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the manufacture and sale of roadheaders, combined coal mining units ("CCMU"), mining transport equipment (including underground and surface equipment), logistics 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 2020 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The interim condensed consolidated financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOUSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") and International Accounting Standards ("IASs") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The directors expect that the adoption of these revised standards has had no material impact on the interim condensed consolidated financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group 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 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 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs, as well as head office and corporate expenses are excluded from this measurement.

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

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

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

Six months ended 30 June 2020	**Mining equipment** *RMB'000* (Unaudited)	**Logistics equipment** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
Segment revenue *(note 4)*			
Sales to customers	**2,369,553**	**1,445,523**	**3,815,076**
Intersegment sales	**945**	**665**	**1,610**
Other revenue	**177,683**	**37,641**	**215,324**
	2,548,181	**1,483,829**	**4,032,010**
Reconciliation:			
Elimination of intersegment sales			**(1,610)**
Revenue from operations	**2,547,236**	**1,483,164**	**4,030,400**
Segment results	**560,558**	**249,132**	**809,690**
Interest income			**19,357**

Six months ended 30 June 2020	Mining equipment *RMB'000* (Unaudited)	Logistics equipment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Finance costs (other than interest on lease liabilities)			(75,095)
Profit before tax			753,952
Income tax expense			(115,333)
Profit for the period			638,619
Segment assets	12,529,615	8,924,456	21,454,071
Reconciliation:			
Elimination of intersegment receivables			(5,416,873)
Corporate and other unallocated assets			1,352,904
Total assets			17,390,102
Segment liabilities	5,065,357	6,151,283	11,216,640
Reconciliation:			
Elimination of intersegment payables			(5,416,873)
Corporate and other unallocated liabilities			4,180,631
Total liabilities			9,980,398
Other segment information:			
(Gain)/loss on disposal of items of property, plant and equipment	(5,306)	279	(5,027)
(Reversal of impairment)/impairment of trade receivables, net	(71,298)	7,017	(64,281)
Impairment of other receivables, net	7,462	284	7,746
(Write-back of provision)/provision against slow-moving and obsolete inventories	(29,694)	944	(28,750)
Depreciation and amortisation	77,805	46,451	124,256
Other non-cash expense	2,394	2,208	4,602
Capital expenditure*	83,368	16,874	100,242

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	254,423	649,102
Interest income			25,370
Finance costs (other than interest on lease liabilities)			(34,189)
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
Reversal of impairment of trade receivables, net	(2,361)	(31,232)	(33,593)
Impairment of other receivables, net	13,573	222	13,795
(Write-back of provision)/provision against slow-moving and obsolete inventories	(19,216)	4,056	(15,160)
Depreciation and amortisation	88,460	43,244	131,704
Other non-cash expense	5,392	5,477	10,869
Capital expenditure*	52,930	118,088	171,018

* 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 RMB344,309,000 (six months ended 30 June 2019: RMB279,051,000) was derived from sales to fellow subsidiaries, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold and services rendered, after allowances for returns and trade discounts.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**3,815,076**	3,043,706

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

Segments	**Mining equipment**	**Logistics equipment**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Types of goods or services			
Sale of industrial products	**2,325,173**	**1,424,001**	**3,749,174**
Maintenance services	**44,380**	**21,522**	**65,902**
Total revenue from contracts with customers	**2,369,553**	**1,445,523**	**3,815,076**
Geographical markets			
Mainland China	**2,157,577**	**878,931**	**3,036,508**
Asia (excluding Mainland China)	**130,974**	**306,242**	**437,216**
United States of America	**–**	**108,072**	**108,072**
European Union	**–**	**67,098**	**67,098**
Other countries/regions	**81,002**	**85,180**	**166,182**
Total revenue from contracts with customers	**2,369,553**	**1,445,523**	**3,815,076**
Timing of revenue recognition			
Goods transferred at a point in time	**2,325,173**	**1,424,001**	**3,749,174**
Services transferred over time	**44,380**	**21,522**	**65,902**
Total revenue from contracts with customers	**2,369,553**	**1,445,523**	**3,815,076**

For the six months ended 30 June 2019

Segments	Mining equipment *RMB'000* (Unaudited)	Logistics equipment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or services			
Sale of industrial products	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

Other income and gain

		For the six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
	Note	**(Unaudited)**	(Unaudited)
Other income			
Bank interest income		**13,265**	8,347
Other interest income		**6,092**	17,023
Government grants	*15*	**104,105**	151,502
Profit from sale of scrap materials		**–**	1,024
Rental income		**4,745**	2,582
Others		**13,488**	13,076
		141,695	193,554
Gains			
Fair value gains, net		**87,959**	31,958
Gain on disposal of items of property, plant and equipment, net		**5,027**	–
		92,986	31,958
		234,681	225,512

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories sold		**2,807,565**	2,089,359
Cost of services provided		**54,024**	39,196
Depreciation of property, plant and equipment		**111,270**	118,718
Depreciation of right-of-use assets		**12,986**	12,986
Auditors' remuneration		**500**	504
Provision of warranties*		**10,787**	9,408
Research and development costs**		**189,803**	209,156
Lease payments not included in the measurement of lease liabilities		**4,637**	3,008
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		**301,599**	244,885
Equity-settled share-based payment		**4,602**	10,869
Employee retirement benefits		**5,182**	12,073
Other staff welfare		**3,648**	7,150
		315,031	274,977
Foreign exchange differences, net***		**389**	1,263
(Reversal of impairment)/impairment of financial assets, net****:			
Reversal of impairment of trade receivables, net	*11*	**(64,281)**	(33,593)
Impairment of other receivables, net		**7,746**	13,795
		(56,535)	(19,798)
Write-back of provision against slow– moving and obsolete inventories*****	*10*	**(28,750)**	(15,160)
(Gain)/loss on disposal of items of property, plant and equipment***		**(5,027)**	532
Loss/(gain) from sales of scrap materials***		**1,404**	(1,024)
Fair value gains, net***:			
Financial assets at fair value through profit or loss – mandatorily classified as such		**(87,566)**	(31,958)
Derivative instruments – transactions not qualifying as hedges		**(393)**	–
		(87,959)	(31,958)

* 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 “Reversal of impairment losses on financial assets, net” in the interim condensed consolidated statement of profit or loss

*****Included in “Cost of sales” in the interim condensed consolidated statement of profit or loss

6. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	**69,926**	28,706
Interest on lease liabilities	**63**	139
Interest on discounted bills	**5,169**	5,483
	75,158	34,328

7. INCOME TAX

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China were subject to Corporate Income Tax (“CIT”) at a rate of 25% on their respective taxable income for the six months ended 30 June 2020.

Two (six months ended 30 June 2019: Two) of the Group’s principal operating companies, Hunan Sany Port Equipment Co., Ltd. (“Hunan Sany Port Equipment”) and Sany Marine Industry International Holdings Co., Ltd. (“Sany Marine Heavy Industry”), were recognised as High and New Technology Enterprises and were therefore subject to CIT at a rate of 15% for six months ended 30 June 2020.

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**42,400**	32,062
Deferred	**72,933**	55,458
Total tax charge for the period	**115,333**	87,520

8. DIVIDEND

The final dividend for the year ended 31 December 2019 of HK$0.12 cents per share, totaling HK$430,964,000 (equivalent to RMB394,052,000), was approved by the Company's shareholders at the annual general meeting on 25 May 2020, which was fully distributed during the six months ended 30 June 2020.

A special dividend of HK$0.18 per share, totalling 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 year ended 31 December 2018 and the rest was recorded in "dividend payable" in the consolidated statement of financial position as at 31 December 2019 and 30 June 2020.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,104,960,486 (six months ended 30 June 2019: 3,061,638,898) in issue during the period.

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**639,705**	551,732
Preferred distribution to the convertible preference shares	**44**	42
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**639,749**	551,774

	Number of shares	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,104,960,486**	3,061,638,898
Effect of dilution – convertible preference shares	**479,781,034**	479,781,034
Effect of dilution – share options	**35,972,440**	40,190,716
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,620,713,960**	3,581,610,648

10. INVENTORIES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**431,280**	513,293
Work in progress	**340,246**	403,660
Finished goods	**428,917**	652,114
	1,200,443	1,569,067
Less: Provision against slow-moving and obsolete inventories	**(102,045)**	(130,795)
	1,098,398	1,438,272

11. TRADE AND BILLS RECEIVABLES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**4,131,539**	3,344,547
Impairment	**(450,689)**	(564,151)
	3,680,850	2,780,396
Less: Trade receivables due after one year	**(144,385)**	(145,973)
	3,536,465	2,634,423
Bills receivable	**543,848**	424,485

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 3% (31 December 2019: 4%) 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 RMB294,471,000 as at 30 June 2020 (31 December 2019: RMB283,324,000) for sales of products by the Group, which accounted for 7% (31 December 2019: 10%) 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 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 180 days	**2,296,276**	1,562,378
181 to 365 days	**948,282**	776,888
1 to 2 years	**337,078**	357,836
2 to 3 years	**69,042**	57,257
Over 3 years	**30,172**	26,037
	3,680,850	2,780,396

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**564,151**	688,357
Reversal of impairment losses, net *(note 5)*	**(64,281)**	(54,665)
Amount written off as uncollectible	**(49,181)**	(69,541)
At 30 June/31 December	**450,689**	564,151

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

Bills receivable have been classified as financial assets at fair value through other comprehensive income. The maturity profile of the bills receivable of the Group as at the end of the reporting period is as follows:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within six months	**482,288**	244,801
Over six months	**61,560**	179,684
	543,848	424,485

Included in the bills receivable was an amount of RMB91,571,000 as at 30 June 2020 (31 December 2019: RMB43,987,000) which was pledged for the issuance of a letter of guarantee.

There was no bills receivable endorsed to fellow subsidiaries for purchasing raw materials by the Group during the period (31 December 2019: RMB450,000).

Transferred financial assets that are not derecognised in their entirety

At 30 June 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB280,808,000 (31 December 2019: RMB191,510,000) 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 RMB280,808,000 (31 December 2019: RMB191,510,000) as at 30 June 2020.

Transferred financial assets that are derecognised in their entirety

At 30 June 2020, 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 RMB546,334,000 (31 December 2019: RMB574,697,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted investments		
Financial investments at fair value through profit or loss	**4,715,037**	3,276,414

The above unlisted investments at 30 June 2020 were wealth management products issued by banks, trusts and funds in Mainland China with maturity periods within one year. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**440,757**	521,693
31 to 90 days	**482,824**	811,072
91 to 180 days	**561,483**	393,677
181 to 365 days	**791,656**	49,141
Over 1 year	**99,805**	55,969
	2,376,525	1,831,552

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 RMB55,050,000 as at 30 June 2020 (31 December 2019: RMB93,821,000) for purchasing raw materials by the Group.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Effective interest rate ***(%)***	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – secured	**2.25-4.00**	**2020-2021**	**324,829**	4.00	2020	200,000
Bank loans – unsecured	**1.14-4.35**	**2020-2021**	**3,549,085**	2.92-4.35	2020	2,308,954
			3,873,914			2,508,954
Non-current						
Bank loans – unsecured	**4.17**	**2022**	**298,982**	4.17-4.28	2022	747,181

	30 June 2020 ***RMB'000*** **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	**3,873,914**	2,508,954
In the second to third years, inclusive	**298,982**	747,181
	4,172,896	3,256,135

(a) As at 30 June 2020, financial assets at fair value through profit or loss of RMB250,000,000 (31 December 2019: Nil) have been pledged for the Group's bank loans of US$32,000,000 (RMB224,829,000) (31 December 2019: Nil) from Industrial Bank Co., Ltd. at the end of the reporting period.

(b) As at 30 June 2020, financial assets at fair value through profit or loss of RMB104,000,000 (31 December 2019: RMB208,000,000) have been pledged for the Group's bank loans of RMB100,000,000 (31 December 2019: RMB200,000,000) from China Construction Bank Co., Ltd. at the end of the reporting period.

(c) As at 30 June 2020, Sany Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB1,839,440,000 as at the end of the reporting period (31 December 2019: RMB1,186,136,000).

(d) Except for the secured bank loan of RMB224,829,000 and the unsecured bank loan of RMB589,294,000 which are denominated in US$, all borrowings are in RMB.

15. GOVERNMENT GRANTS

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**1,289,373**	1,388,920
Received during the period/year	**62,988**	185,964
Released to the statement of profit or loss during the period/year *(note 4)*	**(104,105)**	(285,511)
At 30 June/31 December	**1,248,256**	1,289,373
Current portion	**(86,858)**	(94,231)
Non-current portion	**1,161,398**	1,195,142

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

16. SHARE CAPITAL

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised:		
4,461,067,880 (31 December 2019: 4,461,067,880) ordinary shares of HK$0.10 each	**446,107**	446,107
538,932,120 (31 December 2019: 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:		
3,111,827,000 (31 December 2019: 3,100,762,500) ordinary shares of HK$0.10 each	**311,183**	310,076
479,781,034 (31 December 2019: 479,781,034) convertible preference shares of HK$0.10 each	**47,978**	47,978
Total issued and fully paid capital	**359,161**	358,054
Equivalent to RMB'000	**308,479**	307,469

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 2020	3,580,543,534	358,055	307,469	2,333,677	2,641,146
Issue of shares *(note)*	11,064,500	1,106	1,010	12,172	13,182
Realease of share-based compensation reserve to share premium upon exercise of share options *(note)*	–	–	–	4,319	4,319
At 30 June 2020	3,591,608,034	359,161	308,479	2,350,168	2,658,647

Note:

During the six months ended 30 June 2020, 11,064,500 new ordinary shares were issued for the share options exercised. Cash proceeds of HK$14,446,000 (equivalent to RMB13,182,000) were received with no transaction costs borne by the Company, and related share option reserve of RMB4,319,000 was transferred to share premium accordingly.

17. COMMITMENTS

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Buildings	**146,392**	188,497
Plant and machinery	**3,202,417**	3,269,088
	3,348,809	3,457,585

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2020, as the Coronavirus Disease 2019 ("**COVID-19**") pandemic continued its spread across the world, the global economy entered into a recession due to the shrinking demand. From the beginning of the second quarter, as COVID-19 was gradually kept under control, China's economy stabilized in general with signs of recovery. For the coal mining industry, following the implementation of supply side reform, efforts on capacity reduction made good progress with the overall production and demand turning stable and coal prices fluctuated in a positive trend, giving continued support to the profitability of the industry. With further computerization in the operation of coal mining, the demand for computerized, automated, green, safe and efficient coal machinery and equipment increased, and orders for coal machinery products of the Group increased as compared with last year. At the same time, the Group made more efforts in the research and development ("**R&D**") and promotion of its new mining equipment products, the sales revenue of its wide-bodied vehicles grew rapidly as a result. For the logistics equipment segment, the acceleration in the construction of smart terminals gave rise to upgrading of port stevedoring and transportation equipment towards computerization and automation. The rapid development of special railway construction, containerized transportation of bulk cargo and multi-modal transportation also brought rapid growth in the demand of freight handling equipment for railway containers, the share of the Group's front loaders and stacking machines in its major markets continued to increase with growth in sales revenue. In addition, the Group achieved significant breakthroughs in its overseas markets and the international sales revenue of logistics equipment increased significantly as compared with last year.

Major products

The Group divides its products into two categories, namely (1) the mining equipment business 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, 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 adheres to an innovation-driven strategy in its R&D and adapts to new market demand for computerized, automated, green and efficient equipment by upgrading products through technological innovation. In the first half of 2020, for the mining equipment sector, the SKT90E pure electric wide-bodied vehicle was the first product to use a serial dual-motor drive system, which reduces energy

* *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).*

consumption by approximately 75% on average. The prototype of SKT90Ei unmanned electric wide-bodied vehicle has been completed; our intelligent excavator featuring the functions of remote control, automatic cutting, efficient dust removal and precise positioning has maintained the leading position in technology in the industry; the SCR series mining machines, which received orders from South Africa, Southeast Asia, and Central Asia, changed the traditional mining methods and greatly improved mining efficiency; the STR318H engineering roadheaders featuring strong rock-breaking capability has significantly improved construction efficiency; our pure water supports received new sales orders due to its high recognition by customers. As for the logistics equipment sector, our self-developed core technologies such as the fully automatic container grabbing and releasing system and yard TCS system were successfully applied in automation projects which significantly enhanced the container loading efficiency; the development of fully automated RMG, combined RTG and full-function trolley RTG was completed which further enhanced the competitiveness of these products. The completion of the design and development of Euro V and China IV stackers will satisfy future demand for emission upgrade in the domestic and foreign markets, while completion of the development of three models in the G5 series front loaders will enable the Group to enter the high-end market in Europe.

For the six months ended 30 June 2020, the Group obtained 85 new authorized patents, including 12 invention patents, 69 utility model patents, 3 design patents 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 located in Zhuhai Gaolan Port Economic Area commenced operation on 6 May 2015. Occupying an area of 800 mu, phase one of the project is equipped with a deep-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 proceeds in full speed the construction of the “Lighthouse Factory”. It has automated eight major techniques, logistics and inspection manufacturing processes through the application of robots, automated guided vehicles and controlling technology. An intelligent island processing unit and smart logistics are built so as to strive to the establishment of top-tier smart manufacturing workshops.

The Group is committed to improving the level of production management. The Group's networking and computerization of production management is achieved through real-time and on-site remote monitoring of physical objects, and with the interconnection of production equipment and online data monitoring, real-time management of utilities including water, electricity, oil and gas is made possible, providing basic energy consumption data for us to optimize the technical process and reduce energy consumption.

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 adheres to its service philosophy of "All For Customers, Creating Values For Customers", and prioritizes customer needs to maximize values for its customers. The Group has accelerated the transformation and upgrading of digitalization and intellectualization with the combination of a digitalized mindset and means, striving to provide its customers with efficient and accurate quality services. Customers are provided with one-stop accessible services through the Root Cloud Platform, CRM, and the Customer Cloud Platform. In 2020, the digitization of service accessories will upgrade again, and the five core service solutions comprising large lecture halls, remote services, intelligent call centers, accessory malls, and visual logistics will bring customers an all-round enjoyable experience. With the vision of changing the world with quality, the Group's superior product quality, attentive after-sales services and prompt responses have won high recognition from customers. Sany services will escort the realization of Smart Mines and Smart Ports, which are safe and environmentally friendly.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB3,815.1 million, representing an increase of approximately RMB771.4 million, or 25.3%, from approximately RMB3,043.7 million for the six months ended 30 June 2019. Such increase was mainly attributable to the fact that: (1) following the gradual increase in market share of major products, the Group further consolidated its leading position in the industry, resulting in a continuous growth in revenue; (2) wide-bodied vehicles newly launched by the Group gained customers' recognition due to their high attendance rate, resulting in a significant growth in revenue by more than 300% as compared with last year; and (3) the significant increase in the overseas sales revenue of the logistics equipment of the Group.

Other income and gains

For the six months ended 30 June 2020, the Group's other income and gains were approximately RMB234.7 million, with an increase of approximately RMB9.2 million from approximately RMB225.5 million for the six months ended 30 June 2019. The change was mainly due to the increase in fair value gains on wealth management products.

Cost of sales

For the six months ended 30 June 2020, the Group's cost of sales was approximately RMB2,785.0 million, representing an increase of approximately 32.6% from approximately RMB2,099.7 million for the six months ended 30 June 2019. The increase was mainly due to a significant increase in the Group's sales revenue.

Gross profit margin

For the six months ended 30 June 2020, the gross profit margin of the Group was approximately 26.2%, representing a decrease of approximately 4.3 percentage points against approximately 30.5% for the six months ended 30 June 2019. Such decrease was mainly due to the increase in the sales proportion of new products with low gross profit margin such as wide-bodied vehicles, which resulted in a decrease in the overall gross profit margin.

Profit margin before tax

For the six months ended 30 June 2020, the Group's profit margin before tax was approximately 19.8%, representing a decrease of approximately 1.2 percentage points as compared with that of approximately 21.0% for the six months ended 30 June 2019. Such decrease was mainly due to the structural changes in the Group's product sales, which was caused mainly by the increase in the sales proportion of relatively low gross profit margin products, which resulted in a decrease in the overall gross profit margin.

Selling and distribution expenses

For the six months ended 30 June 2020, the selling and distribution expenses were approximately RMB179.6 million, representing a decrease of approximately 0.6% compared with that of approximately RMB180.6 million for the six months ended 30 June 2019.

During the reporting period, the ratio of the Group's selling and distribution expenses to revenue was approximately 4.7%, representing a decrease of approximately 1.2 percentage points as compared with approximately 5.9% for the six months ended 30 June 2019. Such decrease was mainly due to improvement in operation efficiency through digitalization and adoption of multiple cost reduction measures by the Group to reduce wastage and the percentage of expenses.

Research and development expenses

For the six months ended 30 June 2020, the R&D expenses of the Group were approximately RMB189.8 million, representing a decrease of approximately 9.3% as compared with approximately RMB209.2 million for the six months ended 30 June 2019. For the six months ended 30 June 2020, the ratio of R&D expenses against total revenue was approximately 5.0%, representing a decrease of approximately 1.9 percentage points as compared to approximately 6.9% for the six months ended 30 June 2019. Such decrease was mainly due to (1) the increase in sales revenue; and (2) that the Group enhanced its R&D efficiency through acceleration of digital transformation and application of digital methods for R&D.

Administrative expenses

For the six months ended 30 June 2020, administrative expenses of the Group were approximately RMB310.8 million compared with that for the six months ended 30 June 2019 of approximately RMB335.9 million. The administrative expenses (excluding R&D expenses) were approximately RMB121.0 million compared with that for the six months ended 30 June 2019 of approximately RMB126.7 million, which accounted for approximately 3.2% of total revenue, representing a decrease of approximately 1.0 percentage point compared with that of approximately 4.2% for the six months ended 30 June 2019. Such change was mainly attributable to the decrease in percentage of expenses resulted from the Group's adoption of strict cost control measures featuring individual responsibility, and clear distinction between incentives and penalties.

Finance costs

For the six months ended 30 June 2020, finance costs of the Group were approximately RMB75.2 million, representing an increase of 119.2% compared with that for the six months ended 30 June 2019 which was approximately RMB34.3 million. The increase was mainly due to the increase in the Group's bank borrowings.

Taxation

For the six months ended 30 June 2020, the Group's effective tax rate was approximately 15.3% (for the six months ended 30 June 2019: the effective tax rate was approximately 13.7%). For details regarding income tax, please refer to note 7 on page 15 of this announcement.

Profit attributable to owners of the parent

For the six months ended 30 June 2020, the Group's profit attributable to owners of the parent was approximately RMB639.7 million, which is an increase of approximately 16.0% as compared with approximately RMB551.7 million for the six months ended 30 June 2019. For the main reasons of such change, please refer to the paragraphs headed "Revenue", "Gross profit margin" and "Profit margin before tax".

Liquidity and financial resources

As at 30 June 2020, total current assets of the Group were approximately RMB12,291.3 million (as at 31 December 2019: RMB10,337.9 million). As at 30 June 2020, total current liabilities of the Group were approximately RMB8,475.8 million (as at 31 December 2019: RMB6,421.3 million).

As at 30 June 2020, total assets of the Group were approximately RMB17,390.1 million (as at 31 December 2019: approximately RMB15,546.4 million), and total liabilities were approximately RMB9,980.4 million (as at 31 December 2019: approximately RMB8,400.9 million).

As at 30 June 2020, the gearing ratio (the asset to liability ratio) was approximately 57.4% (as at 31 December 2019: approximately 54.0%).

Trade and bills receivables

As at 30 June 2020, the Group's trade and bills receivables (before impairment) were approximately RMB4,675.4 million, representing an increase of approximately 24.0% as compared to approximately RMB3,769.0 million as at 31 December 2019, in which the amount of trade receivables increased by approximately 23.5% to approximately RMB4,131.5 million as compared with approximately RMB3,344.5 million as at 31 December 2019. Such changes were mainly attributable to the increase in sales revenue. The bills receivables increased by approximately 28.1% to approximately RMB543.8 million as compared to approximately RMB424.5 million as at 31 December 2019. Such changes were mainly due to the increase in sales revenue.

Interest-bearing bank and other borrowings

As at 30 June 2020, interest-bearing bank and other borrowings of the Group were approximately RMB4,172.9 million (31 December 2019: approximately RMB3,256.1 million). Such change was mainly due to the increase in short term bank borrowings in preparation of the potential capital investments and acquisition opportunities and to meet R&D and operational needs of the Group as well. As at the date of this announcement, the Group has not entered into any letter of intention or definitive agreement for the capital investments and acquisitions.

Cash flow

As at 30 June 2020, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB1,070.4 million in total. For the six months ended 30 June 2020, the net cash inflow of the Group from operating activities was approximately RMB648.6 million (for the six months ended 30 June 2019: net cash inflow of approximately RMB515.7 million). Such change was mainly due to the fact that (1) the Group implemented customer hierarchical management and strictly controlled transaction terms; (2) the Group strengthened its control over inventories, resulting in the continuous decline in inventories and increase in inventories turnover; and (3) the Group put greater efforts in the collection of trade receivables and those receivables aged over three years were gradually received.

For the six months ended 30 June 2020, the net cash outflow from investing activities was approximately RMB1,180.5 million (for the six months ended 30 June 2019: net cash outflow of approximately RMB521.1 million). The increase in investing cash outflow during the six months ended 30 June 2020 was mainly due to the increase in the Group's purchase of wealth management products issued by third party banks, funds and trusts, by RMB1,294.1 million.

For the six months ended 30 June 2020, the net cash inflow of the Group from financing activities was approximately RMB466.9 million (for the six months ended 30 June 2019: net cash outflow of approximately RMB176.1 million). Such change was mainly due to the increase in new bank loans of approximately RMB918.5 million.

Turnover days

The Group's average turnover days of inventory were approximately 89.8 days as at 30 June 2020, representing a decrease of approximately 47.0 days from approximately 136.8 days as at 30 June 2019. Such change was mainly due to the increased sales and the Group's strengthened control over inventories, such as accelerating the process of disposaling obsolete inventories to activate sluggish inventories.

The turnover days of trade and bills receivables as at 30 June 2020 were approximately 202.0 days, representing a decrease of approximately 14.7 days from approximately 216.7 days as at 30 June 2019. Such change was mainly due to (1) the increase in sales revenue; (2) a value sales strategy adopted by the Group to manage customers at different levels, strictly control transaction conditions, and shorten the collection period; and (3) compulsory collection measures adopted by the Group for long ageing receivables resulting in a continuous decrease in receivables aged more than three years.

The turnover days of trade and bills payables as at 30 June 2020 were 136.5 days, representing a decrease of approximately 18.5 days from approximately 155.0 days as at 30 June 2019. Such decrease was mainly due to the Group's shortened payment cycle to the suppliers in return for ensuring a stable supply of raw materials and parts.

Financial guarantee contracts

As at 30 June 2020, the financial guarantee contracts not provided for in the financial statements amounted to RMB38.1 million, being the financial guarantee under equipment mortgage loan arrangements and finance lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. (31 December 2019: RMB39.1 million).

Capital commitment

As at 30 June 2020, the contracted capital commitments of the Group which were not provided for in the Group's financial statements were approximately RMB3,348.8 million (31 December 2019: approximately RMB3,457.6 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 on an ongoing basis so as 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 contribution 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 2020. As at the date of this announcement, the Board had not authorised any plan for other material investments or acquisition of capital assets.

Pledge on assets

As at 30 June 2020, the Group recorded pledged deposits with an aggregate value of approximately RMB30.5 million (as at 31 December 2019: approximately RMB2.0 million), for the purpose of issuing bills payable. As at 30 June 2020, RMB324,829,000 of the Group's bank loans were secured by financial assets at fair value through profit or loss of RMB354,000,000. As at 30 June 2020, none of the Group's bank loans was secured by property, plant and equipment and prepaid land lease payments (as at 31 December 2019: Nil).

Foreign exchange risk

As at 30 June 2020, the Group's cash and bank balances denominated in foreign currency such as HK$, Euro and US$ were equivalent to approximately RMB458.7 million. The Group will monitor the risk exposures and may consider hedging against material currency risk as appropriate.

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 and striving to contribute to the local economy, people's livelihood and community support. The management and staff of the Group provides manpower and materials to help and support local community development. During the Spring Festival, the Group launched activities to provide support and help staff mitigate their financial pressure. The management visited staff who had family with financial and medical difficulties and provided them with consolation money and items; purchased family insurance for staff; and organized staff health checks. The Group also raised funds to staff members who were in need of support.

At the beginning of 2020, COVID-19 has brought an unprecedented enormous challenge to the PRC and around the world. In view of the epidemic, the Group utilized its resources around the world for emergency procurement of medical resources which were in shortage. After estimating the shortage of protective masks among the community and its customers, the Group purchased protective masks from overseas and donated a total of more than 600,000 protective masks to the local community and its customers, which helped to combat the epidemic.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to be a transparent and responsible organization which is open and accountable to the shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency of the Group's operations. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to maximize returns for shareholders.

The Company has 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 2020 to 30 June 2020.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Upon specific enquiries made with all Directors, each of them has confirmed that he/she had complied with the Model Code during the six months ended 30 June 2020.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely Mr. 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 2020.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial results of the Group for the six months ended 30 June 2020 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 2020 (six months ended 30 June 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the six months ended 30 June 2020, 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 2019: 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 2020.

PUBLICATION OF INFORMATION ON THE WEBSITES

This announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) as well as the website of the Company (www.sanyhe.com). The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and made available for review on the same websites in due course.

By the Order of the Board
Sany Heavy Equipment International
Holdings Company Limited
Liang Zaizhong
Chairman

Hong Kong, 17 August 2020

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