SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

三一重裝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 631)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board ("**Board**") of directors (the "**Directors**") of Sany Heavy Equipment International Holdings Company Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020, together with comparative figures for the financial year ended 31 December 2019. These annual results have been reviewed by the audit committee of the Company (the "**Audit Committee**"), comprising solely the independent non-executive Directors.

FINANCIAL SUMMARY

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB7,363.9 million, representing an increase of approximately 30.2% as compared with approximately RMB5,656.1 million for the year ended 31 December 2019. The increase was mainly due to (1) the continuous upgrading of the mining equipment sector towards intelligence and electrification and the increasing shares in the domestic and international markets of widebodied vehicles with their excellent performance, resulted in a substantial year-on-year growth in revenue; (2) products of the logistics equipment sector, such as front loaders and stacking machines continuing to maintain their leading positions in the industry, while electric and unmanned products were widely recognized by the market, realizing a continuous growth in sales revenue; and (3) the satisfactory development achieved by the new robotic business, contributing to a rapid growth in revenue.

For the year ended 31 December 2020, the research and development ("**R&D**") expenses of the Group were approximately RMB447.6 million, representing an increase of approximately 16.3% as compared with approximately RMB384.8 million for the year ended 31 December 2019. Such change was mainly due to (1) the increase in R&D investments for new businesses, including robots, electro-hydraulic control, unmanned driving, automated integrated mining and smart mines; and (2) the recruitment of more industry-leading talents for forming an elite R&D team such that the pool of R&D personnel being doubled during the year ended 31 December 2020, resulting in a substantial increase in their remuneration and bonus.

For the year ended 31 December 2020, the net cash inflow of the Group from operating activities was approximately RMB1,070.4 million (for the year ended 31 December 2019: approximately RMB801.1 million). Such change was mainly due to a significant improvement in operation efficiency, and trade receivables and inventory turnover days decreased.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
REVENUE	*4*	**7,363,859**	5,656,064
Cost of sales		**(5,403,087)**	(3,987,034)
Gross profit		**1,960,772**	1,669,030
Other income and gains	*4*	**456,307**	488,827
Selling and distribution expenses		**(430,465)**	(387,756)
Administrative expenses		**(706,904)**	(642,739)
Reversal of impairment on financial and contract assets, net	*5*	**74,205**	32,083
Other expenses		**(31,355)**	(4,246)
Finance costs	*6*	**(132,283)**	(85,473)
PROFIT BEFORE TAX	*5*	**1,190,277**	1,069,726
Income tax expense	*7*	**(138,728)**	(147,819)
PROFIT FOR THE YEAR		**1,051,549**	921,907
Attributable to:			
Owners of the parent		**1,045,144**	919,706
Non-controlling interests		**6,405**	2,201
		1,051,549	921,907
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic (RMB Yuan)		**0.34**	0.30
Diluted (RMB Yuan)		**0.29**	0.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**1,051,549**	921,907
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**16,997**	16,281
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**16,997**	16,281
OTHER COMPREHENSIVE INCOME, NET OF TAX	**16,997**	16,281
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**1,068,546**	938,188
Attributable to:		
Owners of the parent	**1,062,141**	935,987
Non-controlling interests	**6,405**	2,201
	1,068,546	938,188

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,591,455**	2,413,167
Right-of-use assets		**1,139,620**	1,026,736
Goodwill	*10*	**1,129,520**	1,129,520
Trade receivables	*12*	**261,116**	145,973
Non-current prepayments		**9,650**	144,689
Contract assets		**21,272**	—
Deferred tax assets		**295,585**	348,494
Total non-current assets		**5,448,218**	5,208,579
CURRENT ASSETS			
Inventories	*11*	**1,820,802**	1,438,272
Properties under development		**883,852**	760,002
Trade receivables	*12*	**3,287,799**	2,634,423
Bills receivable	*12*	**595,116**	424,485
Contract assets		**19,517**	—
Prepayments, other receivables and other assets		**359,040**	614,839
Financial assets at fair value through profit or loss	*13*	**4,023,670**	3,276,414
Pledged deposits	*14*	**455**	2,010
Cash and cash equivalents	*14*	**941,451**	1,103,171
		11,931,702	10,253,616
Assets of a disposal group classified as held for sale		**84,241**	84,241
Total current assets		**12,015,943**	10,337,857

	Notes	**2020**	2019
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*15*	**2,892,579**	1,831,552
Bonds payable		**499,655**	—
Other payables and accruals		**1,917,497**	1,535,126
Dividend payable	*8*	**72,584**	77,349
Interest-bearing bank and other borrowings	*16*	**2,145,112**	2,512,345
Tax payable		**196,533**	253,423
Provision for warranties		**32,009**	32,496
Government grants		**96,164**	94,231
Derivative financial instruments		**5,407**	3,864
		7,857,540	6,340,386
Liabilities directly associated with the assets classified as held for sale		**80,923**	80,923
Total current liabilities		**7,938,463**	6,421,309
NET CURRENT ASSETS		**4,077,480**	3,916,548
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,525,698**	9,125,127
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*16*	**492,754**	747,181
Government grants		**1,105,446**	1,195,142
Deferred tax liabilities		**68,597**	37,239
Total non-current liabilities		**1,666,797**	1,979,562
Net assets		**7,858,901**	7,145,565
EQUITY			
Equity attributable to owners of the parent			
Share capital	*17*	**309,707**	307,469
Reserves		**7,529,027**	6,824,334
		7,838,734	7,131,803
Non-controlling interests		**20,167**	13,762
Total equity		**7,858,901**	7,145,565

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for bills receivable, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. A disposal group classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the financial position and performance of the Group.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the financial position and performance of the Group.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance 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 (previously known as energy equipment segment) engages in the production and sale of coal mining machinery, non-coal mining machinery, mining transport equipment, robots, smart mines 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, 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 (other than lease liabilities), deferred tax liabilities, tax payables, bonds payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

Year ended 31 December 2020

	Mining equipment *RMB'000*	Logistics equipment *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to customers *(note 4)*	**4,846,103**	**2,517,756**	**7,363,859**
Intersegment sales	**7,434**	**1,629**	**9,063**
Other revenue	**300,874**	**119,259**	**420,133**
	5,154,411	**2,638,644**	**7,793,055**
Reconciliation:			
Elimination of intersegment sales			**(9,063)**
Revenue from operations			**7,783,992**
Segment results	**894,093**	**392,207**	**1,286,300**
Interest income			**36,174**
Finance costs (other than interest on lease liabilities)			**(132,197)**
Profit before tax			**1,190,277**
Income tax expense			**(138,728)**
Profit for the year			**1,051,549**
Segment assets	**10,984,235**	**9,248,212**	**20,232,447**
Reconciliation:			
Elimination of intersegment receivables			**(4,005,777)**
Corporate and other unallocated assets			**1,237,491**
Total assets			**17,464,161**
Segment liabilities	**4,195,513**	**6,512,528**	**10,708,041**
Reconciliation:			
Elimination of intersegment payables			**(4,005,777)**
Corporate and other unallocated liabilities			**2,902,996**
Total liabilities			**9,605,260**
Other segment information:			
Loss/(gain) on disposal of items of property, plant and equipment	**375**	**(674)**	**(299)**
Reversal of impairment of trade receivables, net	**(71,133)**	**(1,391)**	**(72,524)**
(Reversal of impairment)/impairment of other receivables, net	**(2,697)**	**261**	**(2,436)**
Impairment of contract assets, net	**—**	**755**	**755**
(Write-back of provision)/provision against slow-moving and obsolete inventories	**(28,046)**	**3,110**	**(24,936)**
Depreciation	**157,039**	**92,006**	**249,045**
Other non-cash expenses	**7,568**	**4,605**	**12,173**
Capital expenditure*	**54,293**	**540,537**	**594,830**

Year ended 31 December 2019

	Mining equipment *RMB'000*	Logistics equipment *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to customers *(note 4)*	3,422,996	2,233,068	5,656,064
Intersegment sales	—	4,250	4,250
Other revenue	298,685	131,953	430,638
Revenue from operations	3,721,681	2,369,271	6,090,952
Reconciliation:			
Elimination of intersegment sales			(4,250)
Revenue from operations			6,086,702
Segment results	678,747	418,023	1,096,770
Interest income			58,189
Finance costs (other than interest on lease liabilities)			(85,233)
Profit before tax			1,069,726
Income tax expense			(147,819)
Profit for the year			921,907
Segment assets	10,905,170	7,576,465	18,481,635
Reconciliation:			
Elimination of intersegment receivables			(4,388,874)
Corporate and other unallocated assets			1,453,675
Total assets			15,546,436
Segment liabilities	4,430,834	5,555,906	9,986,740
Reconciliation:			
Elimination of intersegment payables			(4,388,874)
Corporate and other unallocated liabilities			2,803,005
Total liabilities			8,400,871
Other segment information:			
(Gain)/loss on disposal of items of property, plant and equipment	(5,204)	14	(5,190)
Reversal of impairment of trade receivables, net	(29,853)	(24,812)	(54,665)
Impairment of other receivables, net	22,049	533	22,582
(Write-back of provision)/provision against slow-moving and obsolete inventories	(28,706)	5,911	(22,795)
Depreciation and amortisation	161,404	88,080	249,484
Other non-cash expense	8,208	8,351	16,559
Capital expenditure*	35,487	224,604	260,091

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

Geographical information

(a) Revenue from external customers

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**6,003,242**	4,594,926
Asia (excluding Mainland China)	**707,566**	587,645
European Union	**137,302**	69,208
United States of America	**237,522**	138,656
Other countries/regions	**278,227**	265,629
Total revenue from contracts with customers	**7,363,859**	5,656,064

The revenue information above is based on the locations of the customers.

(b) All of the Group's non-current assets, excluding deferred tax assets, are located in Mainland China.

Information about major customers

Revenue of approximately RMB803,908,000 (2019: RMB401,122,000) 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:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**7,363,859**	5,656,064

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	**Mining equipment** *RMB'000*	**Logistics equipment** *RMB'000*	**Total** *RMB'000*
Types of goods or services			
Sale of industrial products	**4,740,490**	**2,438,486**	**7,178,976**
Installation services	**—**	**45,367**	**45,367**
Maintenance and other services	**105,613**	**33,903**	**139,516**
Total revenue from contracts with customers	**4,846,103**	**2,517,756**	**7,363,859**
Geographical markets			
Mainland China	**4,401,560**	**1,601,682**	**6,003,242**
Asia (excluding Mainland China)	**298,629**	**408,937**	**707,566**
European Union	**3,851**	**133,451**	**137,302**
United States of America	**—**	**237,522**	**237,522**
Other countries/regions	**142,063**	**136,164**	**278,227**
Total revenue from contracts with customers	**4,846,103**	**2,517,756**	**7,363,859**
Timing of revenue recognition			
Goods transferred at a point in time	**4,740,490**	**2,483,853**	**7,224,343**
Services transferred over time	**105,613**	**33,903**	**139,516**
Total revenue from contracts with customers	**4,846,103**	**2,517,756**	**7,363,859**

For the year ended 31 December 2019

<u>Segments</u>	Mining equipment *RMB'000*	Logistics equipment *RMB'000*	Total *RMB'000*
Types of goods or services			
Sale of industrial products	3,360,893	2,173,150	5,534,043
Maintenance and other services	62,103	59,918	122,021
Total revenue from contracts with customers	3,422,996	2,233,068	5,656,064
Geographical markets			
Mainland China	3,106,255	1,488,671	4,594,926
Asia (excluding Mainland China)	125,120	462,526	587,646
European Union	—	69,208	69,208
United States of America	—	138,656	138,656
Other countries/regions	191,621	74,007	265,628
Total revenue from contracts with customers	3,422,996	2,233,068	5,656,064
Timing of revenue recognition			
Goods transferred at a point in time	3,360,893	2,173,150	5,534,043
Services transferred over time	62,103	59,918	122,021
Total revenue from contracts with customers	3,422,996	2,233,068	5,656,064

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2020 ***RMB'000***	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**590,809**	694,787

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon customer acceptance for the industrial products and payment is generally within one year from customer acceptance, except for new customers, where payment in advance is normally required.

Installation services

The performance obligation is satisfied upon customer acceptance for the services rendered and payment is generally due upon completion of installation and customer acceptance, except for new customers, where payment in advance is normally required.

Maintenance and other services

The performance obligation is satisfied over time as services are rendered. Maintenance and other service contracts are for periods of one year or less, or are billed based on the time incurred.

	2020	2019
	RMB'000	*RMB'000*
Other income		
Bank interest income	**27,320**	28,800
Other interest income	**8,854**	29,389
Government grants	**200,028**	285,511
Rental income	**8,762**	8,357
Exchange gain	**—**	19,918
Others	**28,603**	28,319
	273,567	400,294
Gains		
Fair value gain, net	**182,441**	83,343
Gain on disposal of items of property, plant and equipment, net	**299**	5,190
	182,740	88,533
	456,307	488,827

5. PROFIT BEFORE TAX

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

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Cost of inventories sold		**5,330,714**	3,924,110
Cost of services provided		**97,309**	85,719
Depreciation of property, plant and equipment		**223,072**	223,511
Depreciation of right-of-use assets		**25,973**	25,973
Auditors' remuneration		**2,555**	2,555
Provision of warranties*		**16,352**	31,440
Research and development costs**		**447,552**	384,826
Lease payments not included in the measurement of lease liabilities		**7,145**	7,211
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		**633,220**	488,753
Share option and share award expenses		**12,173**	16,559
Employee retirement benefits		**11,160**	22,347
Other staff welfare		**11,226**	13,822
		667,779	541,481
Foreign exchange differences, net***		**31,355**	(19,918)
Reversal of impairment on financial and contract assets, net****:			
Reversal of impairment of trade receivables, net	*12*	**(72,524)**	(54,665)
Impairment of contract assets, net		**755**	—
(Reversal of impairment)/impairment of other receivables, net		**(2,436)**	22,582
		(74,205)	(32,083)
Write-back of provision against slow-moving and obsolete inventories*****	*11*	**(24,936)**	(22,795)
Gain on disposal of items of property, plant and equipment***		**(299)**	(5,190)
(Gains)/loss from sales of scrap materials***		**(421)**	4,246
Fair value (gains)/losses, net***:			
Financial assets at fair value through profit or loss — mandatorily classified as such		**(182,486)**	(85,445)
Derivative instruments — transactions not qualifying as hedges		**45**	2,102
		(182,441)	(83,343)

*	Included in "Selling and distribution expenses" in the consolidated statement of profit or loss
**	Included in "Administrative expenses" in the consolidated statement of profit or loss
***	Included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss
****	Included in "Reversal of impairment on financial and contract assets, net" in the consolidated statement of profit or loss
*****	Included in "Cost of sales" in the consolidated statement of profit or loss

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on interest-bearing bank and other borrowings (other than lease liabilities)	**117,627**	79,688
Interest on bond	**5,230**	—
Interest on lease liabilities	**86**	240
Interest on discounted bills	**9,340**	5,545
	132,283	85,473

7. INCOME TAX

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China were subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the year ended 31 December 2020.

Four of the Group's principal operating companies, Sany Heavy Equipment, Hunan Sany Port Equipment, Sany Marine Heavy Industry and Sany Intelligent Mining, were recognised as High and New Technology Enterprises and were therefore subject to CIT at a rate of 15% in 2020.

	2020	2019
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**65,680**	75,248
(Overprovision)/under provision in prior years	**(11,219)**	8,781
Deferred	**84,267**	63,790
Total tax charge for the year	**138,728**	147,819

8. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Proposed final dividend — HK$0.15 (2019: HK$0.12) per ordinary share	**469,097**	372,091
Proposed final dividend — HK$0.15 (2019: HK$0.12) per preference share	**71,967**	57,574
	541,064	429,665
Equivalent to RMB'000	**453,162**	390,302

The proposed final dividend for the year is subject to the approval of the Company's shareholders (the "**Shareholders**") at the forthcoming annual general meeting.

A special dividend of HK$0.18 per share, totalling HK$633,746,000, was approved by the board of directors on 23 January 2018. HK$547,505,000 of the dividend was subsequently distributed during the year ended 31 December 2018 and the rest of HK$86,241,000 (equivalent to RMB72,584,000 as at 31 December 2020 and RMB77,349,000 as at 31 December 2019) was recorded in "dividend payable" in the consolidated statement of financial position as at 31 December 2020 and 2019.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the year ended 31 December 2020 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,111,383,038 (2019: 3,080,554,141) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year ended 31 December 2020 attributable to ordinary equity holders of the parent, adjusted to reflect the preferred distribution on the convertible preference shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings 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.

	2020	2019
	RMB'000	*RMB'000*
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,045,144**	919,706
Preferred distribution to the convertible preference shares	**81**	85
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**1,045,225**	919,791

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,111,383,038**	3,080,554,141
Effect of dilution — convertible preference shares	**479,781,034**	479,781,034
Effect of dilution — share options and share awards	**26,813,856**	41,477,729
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,617,977,928**	3,601,812,904

10. GOODWILL

	RMB'000
At 31 December 2019 and 31 December 2020:	
Cost	1,129,520
Accumulated impairment	—
Net carrying amount	1,129,520

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the following cash-generating unit for impairment testing:

- Logistics equipment cash-generating unit

The carrying amount of goodwill allocated to the logistics equipment cash-generating unit is as follows:

	2020
	RMB'000
Carrying amount of goodwill	**1,129,520**

The recoverable amount of goodwill has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 17% (2019: 17%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2019: 3%), which was the same as the long-term average growth rate of the industry. The goodwill was not impaired based on the result of the above impairment testing.

Assumptions were used in the value in use calculation for 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected market development.

Discount rate — The discount rate used is before tax and reflects specific risk relating to the relevant unit.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

11. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**572,953**	513,293
Work in progress	**594,717**	403,660
Finished goods	**758,991**	652,114
	1,926,661	1,569,067
Less: Provision against slow-moving and obsolete inventories	**(105,859)**	(130,795)
	1,820,802	1,438,272

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

	2020	2019
	RMB'000	*RMB'000*
At 1 January	**130,795**	270,598
Charged for the year *(note 5)*	**39,953**	—
Write-back for the year *(note 5)*	**(64,889)**	(22,795)
Write-off	**—**	(117,008)
At 31 December	**105,859**	130,795

12. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**3,973,124**	3,344,547
Impairment	**(424,209)**	(564,151)
	3,548,915	2,780,396
Less: Trade receivables due after one year	**(261,116)**	(145,973)
	3,287,799	2,634,423
Bills receivable	**595,116**	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 6% (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 RMB355,709,000 as at 31 December 2020 (2019: RMB283,324,000) for sales of products by the Group, which accounted for 9% (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:

	2020	2019
	RMB'000	*RMB'000*
Within 180 days	**2,107,968**	1,562,378
181 to 365 days	**985,333**	776,888
1 to 2 years	**384,728**	357,836
2 to 3 years	**61,935**	57,257
Over 3 years	**8,951**	26,037
	3,548,915	2,780,396

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**564,151**	688,357
Reversal of impairment, net *(note 5)*	**(72,524)**	(54,665)
Amount written off as uncollectible	**(67,418)**	(69,541)
At end of year	**424,209**	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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Ageing				
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**1.54%**	**14.09%**	**49.26%**	**96.58%**	**10.68%**
Gross carrying amount (RMB'000)	**3,141,555**	**447,806**	**122,055**	**261,708**	**3,973,124**
Expected credit losses (RMB'000)	**48,254**	**63,078**	**60,119**	**252,758**	**424,209**

As at 31 December 2019

	Ageing				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	2.37%	18.05%	38.77%	93.78%	16.87%
Gross carrying amount (RMB'000)	2,396,078	436,671	93,507	418,291	3,344,547
Expected credit losses (RMB'000)	56,812	78,835	36,250	392,254	564,151

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:

	2020	2019
	RMB'000	*RMB'000*
Within six months	**456,376**	244,801
Over six months	**138,740**	179,684
	595,116	424,485

Included in the bills receivable was an amount of RMB118,034,000 as at 31 December 2020 (2019: RMB43,987,000) which was pledged for the issuance of a letter of guarantee.

Included in the bills receivable was an amount of RMB3,900,000 as at 31 December 2020 (2019: RMB450,000) which was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	*RMB'000*
Unlisted investments		
Financial investments at fair value through profit or loss	**4,023,670**	3,276,414

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

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020	2019
	RMB'000	*RMB'000*
Cash and bank balances	**397,234**	665,982
Time deposits	**544,672**	439,199
	941,906	1,105,181
Less: Pledged time deposits for banking facilities	**(455)**	(2,010)
Cash and cash equivalents	**941,451**	1,103,171
Cash and cash equivalents, time deposits and pledged deposits denominated in		
— RMB	**879,075**	948,334
— Hong Kong dollar ("HK$")	**24,300**	116,875
— United States dollar ("US$")	**37,751**	30,162
— Euro ("EUR")	**235**	9,810
— Australian Dollar ("AUD")	**545**	—
	941,906	1,105,181

At the end of the reporting period, the cash and bank balances of the Group were denominated in RMB, HK$, US$, EUR and AUD. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Pledged bank deposits represent balances pledged to banks for the issuance of the Group's bills payable and letters of credit.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2020, bank balances of RMB230,000,000 (2019: RMB280,000,000) are deposited in Sanxiang Bank, a related company of the Group.

15. 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:

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**1,057,094**	521,693
31 to 90 days	**884,439**	811,072
91 to 180 days	**724,199**	393,677
181 to 365 days	**150,052**	49,141
Over 1 year	**76,795**	55,969
	2,892,579	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 RMB1,463,131,000 as at 31 December 2020 (2019: RMB93,821,000) for purchasing raw materials by the Group.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans — secured	**3.00**	**2021**	**507,969**	4.00	2020	200,000
Bank loans — unsecured	**1.14–3.70**	**2021**	**1,637,143**	2.92–4.35	2020	2,308,954
Lease liabilities	**—**	**—**	**—**	4.75	2020	3,391
			2,145,112			2,512,345
Non-current						
Bank loans — unsecured	**2.92–3.40**	**2023**	**492,754**	4.17–4.28	2022	747,181

	2020	2019
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**2,145,112**	2,508,954
In the third to fifth years, inclusive	**492,754**	747,181
	2,637,866	3,256,135
Other borrowings:		
Within one year	**—**	3,391
	2,637,866	3,259,526

(a) As at 31 December 2020, financial investments at fair value through profit or loss of RMB300,000,000 and RMB250,000,000 have been pledged for the Group's bank loans of RMB300,000,000 from The Export-Import Bank of China and RMB207,968,583 from Industrial Bank Co., Ltd at the end of the reporting period, respectively.

As at 31 December 2019, financial investments at fair value through profit or loss of RMB208,000,000 have been pledged for the Group's bank loans of RMB200,000,000 from China Construction Bank Co., Ltd. at the end of the reporting period.

(b) As at 31 December 2020, Sany Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB1,513,722,000 (2019: RMB1,186,136,000) as at the end of the reporting period.

(c) Except for a secured bank loan of RMB775,051,000 which is denominated in United States dollars, all borrowings are in RMB (2019: Nil).

17. SHARE CAPITAL

Shares

	2020 *HK$'000*	2019 *HK$'000*
Authorised:		
4,461,067,880 (2019: 4,461,067,880) ordinary shares of HK$0.10 each	**446,107**	446,107
538,932,120 (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:		
3,125,981,250 (2019: 3,100,762,500) ordinary shares of HK$0.10 each	**312,598**	310,076
479,781,034 (2019: 479,781,034) convertible preference shares of HK$0.10 each	**47,978**	47,978
Total issued and fully paid capital	**360,576**	358,054
Equivalent to RMB'000	**309,707**	307,469

On 19 December 2014, the Company issued 479,781,034 convertible preference shares ("CPS") of HK$0.10 each at an issue price of HK$2.009 per share. Each CPS is convertible into one ordinary share of the Company at any time after issuance (subject to standard anti-dilution adjustments) and has the same right to receive dividends and other distributions as ordinary shares. The CPS are redeemable by the Company at any time after the third anniversary of the date of the issue of the CPS at the issue price or the fair market value of the CPS, whichever the higher. The holders of CPS are entitled to a preferred distribution at the rate of 0.01% per annum on the issue price.

18. COMMITMENTS

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

	2020	2019
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Buildings	**212,608**	188,497
Plant and machinery	**1,625,730**	3,269,088
	1,838,338	3,457,585

(b) **Operating lease commitments as at 31 December 2020**

At 31 December 2020, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2020
	RMB'000
Within one year	**153**

19. EVENTS AFTER THE REPORTING PERIOD

On 26 January 2021, the Group acquired a 70% interest in Sany Construction Robot (Xi'an) Research Institute Co., Ltd., a fellow subsidiary of the Group, which is engaged in the research and development, manufacture and sales of robots and automation equipment, to further expedite the Group's development of advanced technological equipment with automatic control and accelerate the Group's research and development in smart technologies. The purchase consideration of RMB17,822,000 for the acquisition was in the form of cash and was fully paid in January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The coal industry continued to flourish in 2020, with a sustained rebound in volume and price of coal, as well as a continuous improvement in the profitability of the industry, embarking on an accelerating period of computerization in the operation of coal mining. China's export trade recovered rapidly and the volume of exports showed a substantial increase. Meanwhile, upgrades in driving equipment of smart and green terminals expedited. The Group's R&D and innovation achieved significant results, as the manufacturing process of a range of electric and intelligent products were completed. Competitiveness of integrated coal mining products, widebodied vehicles and large port machinery products strengthened, resulting in a rapidly increasing market share, while growth in overseas sales revenue continued to increase. At the same time, the Group's robotic business grew rapidly, and products such as pure water hydraulic supports, electric widebodied vehicles and intelligent transtainers gained recognition from customers, injecting new impetus into the continuous development of the Company.

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 (coal mining machines (shearer), hydraulic support system, scraper conveyor (Armored-Face Conveyer), etc.); non-coal mining machinery products, such as tunnel roadheader and mining machine; mining transport equipment (mechanical drive off-highway dump truck and electric drive off-highway dump truck) and widebodied vehicle and other relevant products; robotic products, such as robotic system integration, mobile robots and electric forklifts; and smart mine products, such as unmanned driving, automated integrated mining and smart mine operation systems; 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.).

* Note: Container equipment include large-scale port machinery products (such as quayside gantry crane) and small-scale port machinery products (such as front loader and stacking machine).

Research and development capability

The Company adheres to a R&D and innovation strategy and continuously increases its R&D investments, with a view to developing its digitalized R&D capabilities and constructing a trial and simulation system. The Company has an elite team for R&D of intelligent, digital and electric products. The pool of R&D personnel was doubled during the year ended 31 December 2020, giving a significant boost to its products' competitiveness.

For mining equipment, 22 intelligent and electric new products (including products from new categories) were developed. New products, including EBZ160i/EBZ260i intelligent roadheader, SCR520\SCR630 mining machine and EBZ280D steep slope roadheader were launched into the market. Manufacturing of MG730i intelligent shearer, which embodies self-learning memory cutting technology, was completed. 70T, 80T and 100T large tonnage product series were developed, while SKT90E pure electric widebodied vehicle and SKT90Ei intelligent unmanned electric widebodied vehicle were put into use. Pure water supports underwent technical upgrades and became more steady and sophisticated, enabling the Group to secure orders from CHN Energy Shendong Coal Mine once again.

For logistics equipment, the Group completed the development of 13 electric and automated products for ports, and electrification upgrades of front loaders/stacking machines, which have been sold to the European market. Three models of telehandlers were successfully developed, and achieved bulk sales in the North American market. The Group received orders from multiple key customers for electric trucks and unmanned trucks, wining bids for automated terminal projects at the Port of Tianjin, Taicang, Yueyang, Port of Ningbo, and COSCO, the designs of which were completed and delivered. The Group also developed automation technologies such as fully automatic container grabbing and releasing system, electronic anti-sway technology, vehicle collision avoidance, and lifting and positioning, which have been applied in the products.

The integration of robotic business focuses on system integration, mobile robots and electric forklifts. Planning and design of three production lines were finalized, while design of more than 30 automation projects were also completed. 2T forklift AGV and 1T, 3T and 5T unit load AGVs were developed. R&D for electric 2T warehousing and 2T transporting forklifts were completed, and a small batch of 21 units were produced.

Smart mine business includes automated integrated mining, unmanned mining transport equipment and smart mines. R&D and design of three electro-hydraulic control and automated integrated mining products were completed. R&D for two types of electric and fuel-driven unmanned mining transport equipment, as well as six dispatch systems for unmanned mining transport equipment and management systems for mine operation were successful.

WPZ-45 mine entry roadway repair machine was launched and gained good reputation from customers, marking the Group's expansion in product categories. R&D and manufacturing of SLG100C8 sand production plant were completed.

For the year ended 31 December 2020, the Group obtained 58 invention patents, 133 utility model patents, 10 design patents, and 20 copyrights.

Production and Manufacturing

The Group has production and manufacturing bases in Shenyang, Zhuhai and Changsha, respectively. There are 8 plants in the mining equipment industrial park located in the Economic and Technological Development Zone of Shenyang with a total area of approximately 636,000 sq.m. The industrial park for large port machinery is located in Gaolan Port Economic Area of Zhuhai and commenced operation on 6 May 2015. Phase 1 of the project occupies an area of 800 mu, equipped with a deep-water dock with a coastline of 3.5 km which has currently reached the production capability of full range large-scale port machinery. The industrial park for small port equipment is located in the Changsha Industrial Zone with an area of approximately 100,000 sq.m., with several plants and commissioning fields.

During the year ended 31 December 2020, driven by the strategy of digitalization, the Group actively promoted the construction of "Lighthouse Factories". Four lighthouse factory projects, namely widebodied vehicles, hydraulic supports, small port machinery and large port machinery, are currently under construction. The lighthouse factories utilize big data, industrial internet and robotic technology to enhance automation in techniques, logistics and inspection, through which the workforce required for the manufacturing and assembling processes is minimalized and the manufacturing cycle is shortened, allowing the rapidly growing orders for the Group's anchor products to be met. Meanwhile, the Group achieved full computerization in office work, security, logistics and park facilities within the industrial parks, creating smart parks via smart connection.

Marketing and Service

The Group implements a targeted marketing policy tailored to each major customer to achieve crucial breakthroughs. Marketing is empowered by digitalization, such that its management efficiency is enhanced. The Group has been accelerating its internationalization progress and enhancing its competitiveness in overseas markets. It adopts a specific policy for each country while adhering to its strategy of "focusing on both key products and key regions". It has implemented a "dual-driver" approach propelled by product R&D and marketing services. It has expanded its market share in overseas markets through allocating more resources to international markets, providing more support to overseas agents and cultivating more agents.

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

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB7,363.9 million, representing an increase of approximately 30.2% as compared with approximately RMB5,656.1 million for the year ended 31 December 2019. The increase was mainly due to (1) the continuous upgrading of the mining equipment sector towards intelligence and electrification and the increasing shares in the domestic and international markets of widebodied vehicles with their excellent performance, resulted in a substantial year-on-year growth in revenue; (2) products of the logistics equipment sector, such as front loaders and stacking machines continuing to maintain their leading positions in the industry, while electric and unmanned products were widely recognized by the market, realizing a continuous growth in sales revenue; and (3) the satisfactory development achieved by the new robotic business, contributing to a rapid growth in revenue.

Other income and gains

For the year ended 31 December 2020, the Group's other income and gains was approximately RMB456.3 million, representing a decrease of approximately 6.6% as compared with approximately RMB488.8 million for the year ended 31 December 2019. The change was mainly due to the decrease in government subsidies and exchange gain during the year ended 31 December 2020.

Cost of sales

For the year ended 31 December 2020, the Group's cost of sales was approximately RMB5,403.1 million, representing an increase of approximately 35.5% as compared with approximately RMB3,987.0 million for the year ended 31 December 2019. The increase in cost of sales was mainly due to the increase in revenue from product sales.

Gross profit and gross profit margin

The gross profit of the Group was approximately RMB1,960.8 million for the year ended 31 December 2020 (for the year ended 31 December 2019: approximately RMB1,669.0 million).

The gross profit margin of the Group for the year ended 31 December 2020 was approximately 26.6%, representing a decrease of 2.9 percentage points against approximately 29.5% for the year ended 31 December 2019. The decrease was mainly attributed to a change in product mix in a way that sales proportion of lower margin products (such as widebodied vehicles, robotic integration and procurement products) increased.

Selling and distribution expenses

For the year ended 31 December 2020, the selling and distribution expenses of the Group were approximately RMB430.5 million, representing an increase of approximately 11.0% as compared with approximately RMB387.8 million for the year ended 31 December 2019. For the year ended 31 December 2020, the Group's selling and distribution expenses to revenue ratio was approximately 5.8%, representing a decrease of approximately 1.1 percentage points as compared with approximately 6.9% for the year ended 31 December 2019. Such changes were mainly due to (1) more resources being devoted to establishing marketing channels and providing after-sales services; and (2) the improvement in operation efficiency and management standards through digital marketing strategies.

R&D expenses

For the year ended 31 December 2020, the R&D expenses of the Group were approximately RMB447.6 million, representing an increase of approximately 16.3% as compared with approximately RMB384.8 million for the year ended 31 December 2019. Such change was mainly due to (1) the increase in R&D investments for new businesses, including robots, electro-hydraulic control, unmanned driving, automated integrated mining and smart mines; and (2) the recruitment of more industry-leading talents for forming an elite R&D team such that the pool of R&D personnel being doubled during the year ended 31 December 2020, resulting in a substantial increase in their remuneration and bonus.

Administrative expenses

For the year ended 31 December 2020, administrative expenses of the Group were approximately RMB706.9 million (for the year ended 31 December 2019: approximately RMB642.7 million). The administrative expenses excluding R&D expenses were approximately RMB259.4 million (for the year ended 31 December 2019: approximately RMB257.9 million), representing a year-on-year decrease in the proportion of revenue by approximately 1.1 percentage points to approximately 3.5% (for the year ended 31 December 2019: approximately 4.6%). Such changes were mainly due to the remarkable cost control efforts resulting from digital upgrades, application of data management and construction of smart industrial parks by the Group.

Finance costs

For the year ended 31 December 2020, finance costs of the Group were approximately RMB132.3 million (for the year ended 31 December 2019: approximately RMB85.5 million). The increase of RMB46.8 million was mainly due to the increase of average amount of bank loans during the year ended 31 December 2020. The Group's financing mainly aimed at preparing for potential capital investments and acquisition opportunities and meeting operational needs of the Group. As at the date of this announcement, the Group has not entered into any letter of intention or definitive agreement for capital investments and acquisition.

Profit margin before tax

The Group's profit margin before tax for the year ended 31 December 2020 was approximately 16.2%, representing a decrease of approximately 2.7 percentage points as compared with approximately 18.9% for the year ended 31 December 2019. Such change was mainly attributable to (1) lower gross profit margin due to a change in product mix; (2) the decrease in government subsidies; and (3) the increase in R&D investments for new businesses.

Taxation

For the year ended 31 December 2020, the Group's effective tax rate was 11.7% (for the year ended 31 December 2019: 13.8%). The lower effective tax rate during the current year was mainly due to more R&D expenses were deducted in the current year as the Group constantly increased the investment in R&D.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent recorded by the Group for the year ended 31 December 2020 was approximately RMB1,045.1 million, as compared with approximately RMB919.7 million for the year ended 31 December 2019. For the main reasons of such change, please refer to the above paragraphs headed "Revenue", "Gross profit and gross profit margin" and "Profit margin before tax".

Liquidity and financial resources

As at 31 December 2020, total current assets of the Group were approximately RMB12,015.9 million (31 December 2019: RMB10,337.9 million). As at 31 December 2020, total current liabilities of the Group were approximately RMB7,938.5 million (31 December 2019: RMB6,421.3 million).

As at 31 December 2020, total assets of the Group were approximately RMB17,464.2 million (31 December 2019: approximately RMB15,546.4 million), and total liabilities were approximately RMB9,605.3 million (31 December 2019: approximately RMB8,400.9 million). As at 31 December 2020, the gearing ratio (the liability to asset ratio) of the Group was approximately 55.0% (31 December 2019: 54.0%).

Trade and bills receivables

As at 31 December 2020, the Group's gross balance of trade receivables and bills receivables recorded approximately RMB4,568.2 million, representing an increase of approximately 21.2% as compared with approximately RMB3,769.0 million as at 31 December 2019, among which trade receivables recorded approximately RMB3,973.1 million, representing an increase of approximately 18.8% as compared with approximately RMB3,344.5 million as at 31 December 2019; and bills receivables recorded approximately RMB595.1 million, representing an increase of approximately 40.2% as compared with RMB424.5 million as at 31 December 2019. Such changes were mainly due to (1) the increase in revenue from product sales; and (2) the decrease of the Company's making payments to suppliers by endorsement of bills receivable.

Interest-bearing bank and other borrowings

As at 31 December 2020, interest-bearing bank and other borrowings of the Group were approximately RMB2,637.9 million (31 December 2019: RMB3,259.5 million). The main reason of such change was that the Company controlled the size of its liabilities.

Cash flow

As at 31 December 2020, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB941.5 million in total.

For the year ended 31 December 2020, the net cash inflow of the Group from operating activities was approximately RMB1,070.4 million (for the year ended 31 December 2019: approximately RMB801.1 million). Such change was mainly due to a significant improvement in operation efficiency, and trade receivables and inventory turnover days decreased.

For the year ended 31 December 2020, the net cash outflow from investing activities of the Group was approximately RMB647.4 million (for the year ended 31 December 2019: approximately RMB2,310.6 million). Such change was mainly due to the increasing investments in financial products.

For the year ended 31 December 2020, the net cash outflow of the Group from financing activities was approximately RMB601.7 million (for the year ended 31 December 2019: net cash inflow of approximately RMB1,526.5 million). Such change was mainly due to the decrease in bank borrowings.

Turnover days

Excluding the impairment losses for inventories provided, the Group's average turnover days of inventory were approximately 117.5 days as at 31 December 2020, representing a decrease of approximately 36.1 days from 153.6 days as at 31 December 2019, which was mainly because (1) the Company took effective measures to speed up the disposal of obsolete inventory; and (2) the Company enhanced the efficiency in its control on inventory through production process and managed to better utilize the accumulated inventory.

The turnover days of trade and bills receivables as at 31 December 2020 were approximately 206.6 days, representing a decrease of 24.9 days from approximately 231.5 days as at 31 December 2019. Please refer to the above paragraphs headed "Revenue" and "Trade and bills receivables" for the main reasons of such decrease.

Excluding the impairment losses for inventories provided, turnover days of trade and bills payables decreased by approximately 7.4 days from approximately 166.2 days as at 31 December 2019 to approximately 158.8 days as at 31 December 2020, which was mainly due to the shortened payment period to suppliers by the Company to secure sufficient raw material supply and more favourable purchasing prices.

Financing guarantee contracts

As at 31 December 2020, the financing guarantee contracts not provided for in the financial statements amounted to RMB1,002.0 million, being the financial guarantee under financing lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. and Sany Heavy Equipment Co., Ltd. (31 December 2019: RMB439.7 million).

Capital commitment

As at 31 December 2020, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB1,838.3 million (31 December 2019: approximately RMB3,457.6 million).

Employees and remuneration policy

The Group persists in training and developing talents. Accordingly, it provides regular internal training, external training and corresponding courses to its staff according to their ranking and working stage, with an aim to improving their skills relevant to work as well as enhancing their sense of belonging. The Group paid year-end bonuses to staff to reward them for their contributions and dedication to the Group. In addition, the Group implements a share award scheme for core employees to share the Company's development results. The remuneration of the directors of the Group was determined with reference to their positions, responsibilities, experience and prevailing market conditions.

Significant investments held, material acquisition and disposals of subsidiaries, associates and joint ventures

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020, nor was there any plan authorized by the Board for other material investments or additions of capital assets as of the date of this announcement.

Pledge on assets

As at 31 December 2020, the Group recorded pledged bank deposits of approximately RMB0.5 million (31 December 2019: approximately RMB2.0 million), for the purpose of issuing non-financing letters of credit. As at 31 December 2020, financial investments at fair value through profit or loss aggregated to RMB550,000,000 (2019: RMB208,000,000) have been pledged for the Group's bank loans aggregated to RMB507,968,583 (2019: RMB200,000,000).

Foreign exchange risk

As at 31 December 2020, the Group's cash and bank balances denominated in foreign currencies such as US$ and HK$ were equivalent to approximately RMB62.8 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. During the pandemic, the Group donated 3,000 protective suits to the Department of Commerce of Liaoning Province, and 50,000 masks to the Shenyang Development Zone Council. The management and staff of the Group provides human and material resources to help and support local community development. During the year ended 31 December 2020, the Group launched activities to help staff mitigate their financial stress. The management visited staff with family difficulties and provided them with consolation money and necessities. In addition, the Group organised staff health check regularly, raised funds for staff requiring assistance and spread love and care to staff who were in need of support.

FUTURE DEVELOPMENT

Looking ahead to 2021, there are still many uncertainties in the global economy. In 2020, the outbreak of COVID-19 spread across the globe and the Chinese government took public health emergency measures and actions, which have successfully contained the spread of COVID-19. Vaccination against COVID-19 has recently commenced in many countries, contributing to the effective control of the spread of COVID-19. As virus mutation brings uncertainties to the prevention and control of the pandemic, the Company will closely monitor the COVID-19 situation and assess its impact on the operation and financial performance of the Company. The Company will continue to properly manage its production and operation, ensure the stability of its supply chain, drive the sales in various segment markets, promote efficient and intelligent production and implement various business strategies in a steady manner.

Regarding R&D innovation, more investment will be made in R&D, and abundant high-end R&D talents will be recruited with a view to doubling the pool of the Group's R&D personnel. For the mining equipment segment, the Group will actively facilitate the R&D of intelligent excavator and intelligent shearer series, further promote pure water supports, and complete the R&D of new widebodied vehicles with large tonnage, high performance and improved reliability, so as to enhance the brand's competitiveness. It aims to become a leader in "electric, computerized, whole-set and green excavation" technologies. For the logistics equipment segment, terminals and yards will reduce manpower or become unmanned on the whole with zero-emission by using computerized large port machinery and electrical small port machinery, and develop into an automated solution provider of high economic efficiency. For the robotic business, the emphasis is placed on system integration, mobile robots and electric forklifts, in addition to the empowerment of transformation and upgrades in electric, computerized and unmanned intelligent production. In relation to smart mine business, the Group will create digital mines through the three major segments of automated integrated mining, unmanned mining transport equipment and smart mines to achieve unmanned production in mines.

As for digitalization, the Group upgraded its R&D capabilities in computerization, researched and developed intelligent products, constructed a total of 4 lighthouse factories, namely widebodied vehicles, hydraulic supports, small port machinery and large port machinery in order to achieve "standardized, online, automated and computerized" business procedures. The application of eight major software which would optimize the technical processes, coupled with data collection and application, lower costs and expenses would be attained, facilitating a continued enhancement in operation efficiency and management standards and building up capabilities of digitalized services throughout their life cycles for customers.

With regard to internationalization, adhering to the principle of "autonomy, localization and services as priority", the focus for mining equipment is put on India, Indonesia and Russia, with a view to attaining extraordinary growth in mining transport equipment and excavators, the Group's two major products. The Group's logistics equipment breaks into the mainstream markets in Europe and the US and approaches mainstream customers of four major operators, thereby establishing its brand and expanding its market share. The Group will establish an international research institute, increase its investment in R&D and speed up the R&D of international products in order to fully satisfy its customers' demands. It will establish a model combining the three channels of direct sales, agency and joint venture so as to obtain customer resources and expand its market by maximizing the advantages of different channels according to the specific conditions of products, markets and customers.

DIVIDENDS

Final Dividend

On 18 March 2021, the Board resolved the declaration and payment of the final dividend of HK$0.15 per ordinary share of the Company, amounting to HK$469,096,388 in total based on the total number of 3,127,309,250 shares of the Company as at 28 February 2021, to be payable to the Shareholders whose names appear on the Company's register of members at the close of business on Wednesday, 2 June 2021. Should there be any change in the Company's total number of shares between 28 February 2021 and the record date for the dividend distribution, the dividend per ordinary share of the Company shall remain unchanged and the total dividends amount shall be adjusted accordingly. The final dividend is subject to the Shareholders' approval. Such final dividend is expected to be paid on or around 18 June 2021.

On 30 March 2020, the Board resolved the declaration and payment of the final dividend of HK$0.12 per ordinary share of the Company, amounting to HK$372,091,500 in total based on the total number of 3,100,762,500 shares of the Company as at 29 February 2020, to be payable to the shareholders of the Company whose names appear on the Company's register of members at the close of business on Wednesday, 3 June 2020. The declared dividend was paid out on 22 June 2020 amounting to HK$373,390,740 based on the total of 3,111,589,500 shares of the Company as at 3 June 2020.

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

As at the date of this announcement, there are 479,781,034 (31 December 2019: 479,781,034 shares) outstanding Convertible Preference Shares registered under the name of Sany Hongkong Group Limited. Accordingly, the holder of the outstanding Convertible Preference Shares are entitled to (a) the Preferred Distribution of approximately HK$96,388 (2019: HK$96,388), representing the preferred distribution accumulated from 1 January 2020 to 31 December 2020, and (b) the final dividend of HK$0.15 per Convertible Preference Share, amounting to approximately HK$71,967,155. The Preferred Distribution and the dividend for the Convertible Preference Shares are proposed to be distributed on or around 18 June 2021, on the same distribution date as the final dividend for ordinary shares.

On 30 March 2020, the final dividend of HK$0.12 per Convertible Preference Share, amounting to approximately HK$57,573,724 was declared which was paid on 22 June 2020.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible enterprise which is open and accountable to the shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards. The Board focuses on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency of all operations of the Company. The Company believes that effective corporate governance is the foundation for creating more values 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 returns for the Shareholders.

The Company has complied with the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Tuesday, 25 May 2021. A notice convening the annual general meeting will be published and dispatched to the Shareholders in due course pursuant to the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS — ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Thursday, 20 May 2021 to Tuesday, 25 May 2021, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to attend and vote at the annual general meeting is Tuesday, 25 May 2021. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 25 May 2021, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 18 May 2021.

CLOSURE OF REGISTER OF MEMBERS — FINAL DIVIDEND PAYMENT

The register of members of the Company will also be closed from Monday, 31 May 2021 to Wednesday, 2 June 2021, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to the proposed dividends is Wednesday, 2 June 2021. In order for the shareholders to be entitled to the proposed dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 28 May 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company (2019: Nil).

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Upon specific enquiries made with all Directors, each of them confirmed that, throughout the period under review, they had complied with the Model Code.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in place in compliance with the CG Code. The Audit Committee consists of three members, namely Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan, all of whom are independent non-executive Directors. Mr. Poon Chiu Kwok, who possesses professional accounting qualifications, was appointed as the chairman of the Audit Committee. The Audit Committee has reviewed the consolidated annual results of the Group for the full year ended 31 December 2020, including the accounting principles and standard practices adopted by the Group and selection and appointment of its external auditors.

REVIEW OF ANNUAL RESULTS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2020, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditor, Ernst & Young.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, the Company had maintained sufficient public float throughout the year ended 31 December 2020 and up to the date of this announcement.

PUBLICATION OF INFORMATION ON THE WEBSITES

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at http://www.sanyhe.com. The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the website of the Stock Exchange and the website of the Company in due course.

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

Hong Kong, 18 March 2021

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