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SANYI

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 2021

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 2021.

FINANCIAL SUMMARY

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB4,984.2 million, representing an increase of approximately RMB1,169.1 million, or approximately 30.6%, from approximately RMB3,815.1 million for the six months ended 30 June 2020. Such increase was mainly attributable to the fact that: (1) the Group persisted in strategies of computerization, electrification and internationalization, with computerized and electric products launched successively and were widely recognized by the market, driving the significant increase in revenue from roadheaders, integrated mining and small port machinery products for the Group; (2) products including widebodied vehicles and telehandlers swiftly opened up international markets, resulting in a rapid increase in overseas sales revenue; and (3) the Group's robotics business grew significantly.

For the six months ended 30 June 2021, the Group's profit for the period was approximately RMB828.9 million, representing an increase of approximately 29.8% as compared with approximately RMB638.6 million for the six months ended 30 June 2020. The Group's profit attributable to owners of the parent was approximately RMB811.1 million, which is an increase of approximately 26.8% as compared with approximately RMB639.7 million for the six months ended 30 June 2020. For the main reasons of such change, please refer to the paragraphs headed "Revenue", "Gross profit margin" and "Profit margin before tax" in this announcement.

For the six months ended 30 June 2021, the R&D expenses of the Group were approximately RMB336.1 million, representing an increase of approximately 77.1% as compared with approximately RMB189.8 million for the six months ended 30 June 2020. For the six months ended 30 June 2021, the ratio of R&D expenses against revenue was approximately 6.7%, representing an increase of approximately 1.7 percentage point as compared with approximately 5.0% for the six months ended 30 June 2020. Such changes were mainly due to (1) the continued increase in R&D investments for new businesses, including robotics, electro-hydraulic control, unmanned driving, automated integrated mining and smart mines; and (2) the recruitment of high-end talents in the industry in order to accelerate R&D of new products, such that the pool of R&D personnel were doubled and their salaries increased substantially.

For the six months ended 30 June 2021, the net cash inflow of the Group from operating activities was approximately RMB835.9 million (for the six months ended 30 June 2020: net cash inflow of approximately RMB648.6 million). Such change was mainly due to the fact that (1) the Group persisted in value-based selling and strictly controlled transaction terms with shorter payment collection period; and (2) sales for some of the new businesses adopted an advance payment model, which accelerated collection of payment.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	4	**4,984,199**	3,815,076
Cost of sales		**(3,769,059)**	(2,784,980)
Gross profit		**1,215,140**	1,030,096
Other income and gains	4	**484,471**	234,681
Selling and distribution expenses		**(243,756)**	(179,567)
Administrative expenses		**(470,392)**	(310,842)
Reversal of impairment losses on financial and contract assets, net		**19,046**	56,535
Other expenses		**(3,309)**	(1,793)
Finance costs	6	**(55,249)**	(75,158)
PROFIT BEFORE TAX	5	**945,951**	753,952
Income tax expense	7	**(117,005)**	(115,333)
PROFIT FOR THE PERIOD		**828,946**	638,619
Attributable to:			
Owners of the parent		**811,089**	639,705
Non-controlling interests		**17,857**	(1,086)
		828,946	638,619
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic *(RMB Yuan)*	9	**0.26**	0.21
Diluted *(RMB Yuan)*	9	**0.22**	0.18

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2021

	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**828,946**	638,619
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**8,542**	1,788
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**8,542**	1,788
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**8,542**	1,788
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**837,488**	640,407
Attributable to:		
Owners of the parent	**819,631**	641,493
Non-controlling interests	**17,857**	(1,086)
	837,488	640,407

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,050,423**	2,591,455
Intangible assets		**20,249**	—
Right-of-use assets		**1,125,944**	1,139,620
Goodwill		**1,129,520**	1,129,520
Trade receivables	*11*	**278,972**	261,116
Non-current prepayments		**9,650**	9,650
Contract assets		**69,944**	21,272
Deferred tax assets		**281,003**	295,585
Total non-current assets		**5,965,705**	5,448,218
CURRENT ASSETS			
Inventories	*10*	**1,783,960**	1,820,802
Properties under development		**956,005**	883,852
Trade receivables	*11*	**4,034,214**	3,287,799
Bills receivable	*11*	**519,897**	595,116
Contract assets		**14,507**	19,517
Prepayments, other receivables and other assets		**780,087**	359,040
Financial assets at fair value through profit or loss	*12*	**3,232,485**	4,023,670
Derivative financial instruments		**369**	—
Pledged deposits		**1**	455
Cash and cash equivalents		**1,850,028**	941,451
		13,171,553	11,931,702
Assets of a disposal group classified as held for sale	*13*	**—**	84,241
Total current assets		**13,171,553**	12,015,943

	Notes	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*14*	**3,453,271**	2,892,579
Bonds payable		**—**	499,655
Other payables and accruals		**2,248,429**	1,917,497
Dividend payable		**372,225**	72,584
Interest-bearing bank and other borrowings	*15*	**1,407,576**	2,145,112
Tax payable		**256,184**	196,533
Provision for warranties		**30,979**	32,009
Government grants	*16*	**107,763**	96,164
Derivative financial instruments		**7,037**	5,407
		7,883,464	7,857,540
Liabilities directly associated with the assets classified as held for sale	*13*	**—**	80,923
Total current liabilities		**7,883,464**	7,938,463
NET CURRENT ASSETS		**5,288,089**	4,077,480
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,253,794**	9,525,698
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*15*	**1,865,601**	492,754
Government grants	*16*	**1,032,186**	1,105,446
Deferred tax liabilities		**80,027**	68,597
Total non-current liabilities		**2,977,814**	1,666,797
Net assets		**8,275,980**	7,858,901
EQUITY			
Equity attributable to owners of the parent			
Share capital	*17*	**311,378**	309,707
Reserves		**7,918,940**	7,529,027
		8,230,318	7,838,734
Non-controlling interests		**45,662**	20,167
Total equity		**8,275,980**	7,858,901

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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 mining equipment, logistics equipment, robotic and smart mined products 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 2021 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 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 2020, 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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, robotic and smart mined products 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 2021	**Mining equipment** *RMB'000* **(Unaudited)**	**Logistics equipment** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Segment revenue *(note 4)*			
Sales to customers	**3,226,863**	**1,757,336**	**4,984,199**
Intersegment sales	**17,525**	**19**	**17,544**
Other revenue	**357,265**	**101,018**	**458,283**
	3,601,653	**1,858,373**	**5,460,026**
Reconciliation:			
Elimination of intersegment sales			**(17,544)**
Revenue from operations	**3,584,128**	**1,858,354**	**5,442,482**
Segment results	**782,822**	**192,190**	**975,012**
Interest income			**26,188**

Six months ended 30 June 2021	Mining equipment *RMB'000* (Unaudited)	Logistics equipment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Finance costs	(28,606)	(26,643)	(55,249)
Profit before tax			945,951
Income tax expense			(117,005)
Profit for the period			828,946
Segment assets	11,475,878	7,559,274	19,035,152
Reconciliation:			
Elimination of intersegment receivables			(2,028,926)
Corporate and other unallocated assets			2,131,032
Total assets			19,137,258
Segment liabilities	4,528,353	4,746,198	9,274,551
Reconciliation:			
Elimination of intersegment payables			(2,028,926)
Corporate and other unallocated liabilities			3,615,653
Total liabilities			10,861,278
Other segment information:			
loss on disposal of items of property, plant and equipment	995	2,314	3,309
(Reversal of impairment)/impairment of trade receivables, net	(21,039)	1,044	(19,995)
Impairment of other receivables, net	—	141	141
(Write-back of provision)/provision against slow-moving and obsolete inventories	(32,624)	2,660	(29,964)
Impairment of contract assets	—	808	808
Depreciation and amortisation	74,763	51,687	126,450
Other non-cash expense	3,741	2,359	6,100
Capital expenditure*	266,994	309,844	576,838

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
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

* 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 RMB772,317,000 (six months ended 30 June 2020: RMB344,309,000) 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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**4,984,199**	3,815,076

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

Segments	**Mining equipment**	**Logistics equipment**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Types of goods or services			
Sale of industrial products	**3,145,502**	**1,753,117**	**4,898,619**
Maintenance services	**81,361**	**4,219**	**85,580**
Total revenue from contracts with customers	**3,226,863**	**1,757,336**	**4,984,199**
Geographical markets			
Mainland China	**2,809,656**	**1,305,810**	**4,115,466**
Asia (excluding Mainland China)	**313,998**	**198,720**	**512,718**
United States of America	**—**	**126,402**	**126,402**
European Union	**—**	**74,348**	**74,348**
Other countries/regions	**103,209**	**52,056**	**155,265**
Total revenue from contracts with customers	**3,226,863**	**1,757,336**	**4,984,199**
Timing of revenue recognition			
Goods transferred at a point in time	**3,145,502**	**1,753,117**	**4,898,619**
Services transferred over time	**81,361**	**4,219**	**85,580**
Total revenue from contracts with customers	**3,226,863**	**1,757,336**	**4,984,199**

For the six months ended 30 June 2020

Segments	Mining equipment *RMB'000* (Unaudited)	Logistics equipment *RMB'000* (Unaudited)	Total *RMB'000* (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

Other income and gain

	Note	For the six months ended 30 June **2021** *RMB'000* (Unaudited)	2020 *RMB'000* (Unaudited)
Other income			
Bank interest income		**19,887**	13,265
Other interest income		**6,301**	6,092
Government grants	*16*	**149,770**	104,105
Profit from sale of scrap materials		**24,166**	—
Rental income		**4,220**	4,745
Foreign exchange differences, net		**591**	—
Others		**17,160**	13,488
		222,095	141,695
Gains			
Fair value gains, net		**89,971**	87,959
Gain on disposal of a disposal group classified as held for sale		**172,405**	—
Gain on disposal of items of property, plant and equipment, net		**—**	5,027
		262,376	92,986
		484,471	234,681

5. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2021	2020
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Cost of inventories sold		**3,740,009**	2,807,565
Cost of services provided		**59,014**	54,024
Depreciation of property, plant and equipment		**112,774**	111,270
Depreciation of right-of-use assets		**13,676**	12,986
Auditors' remuneration		**500**	500
Provision of warranties*		**6,628**	10,787
Research and development costs**		**336,130**	189,803
Lease payments not included in the measurement of lease liabilities		**1,675**	4,637
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		**487,173**	301,599
Equity-settled share-based payment		**6,100**	4,602
Employee retirement benefits		**17,123**	5,182
Other staff welfare		**12,201**	3,648
		522,597	315,031
Foreign exchange differences, net***		**(592)**	389
(Reversal of impairment)/impairment of financial and contract assets, net****:			
Reversal of impairment of trade receivables, net	*11*	**(19,995)**	(64,281)
Impairment of contract assets, net		**808**	—
Impairment of other receivables, net		**141**	7,746
		(19,046)	(56,535)
Write-back of provision against slow-moving and obsolete inventories*****	*10*	**(29,964)**	(28,750)
Loss/(gain) on disposal of items of property, plant and equipment***		**3,309**	(5,027)
(Gain)/loss from sales of scrap materials***		**(7,676)**	1,404
Gain on disposal of a disposal group classified as held for sale***		**(172,405)**	—
Fair value gains, net***:			
Financial assets at fair value through profit or loss — mandatorily classified as such		**(88,513)**	(87,566)
Derivative instruments — transactions not qualifying as hedges		**(1,458)**	(393)
		(89,971)	(87,959)

* 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 and contract 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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	**46,606**	69,926
Interest on discounted bills	**8,643**	5,169
Interest on lease liabilities	**—**	63
	55,249	75,158

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 period.

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 2021.

Four (six months ended 30 June 2020: Two) of the Group's principal operating companies, Sany Heavy Equipment Co., Ltd. ("**Sany Heavy Equipment**"), Hunan Sany Port Equipment Co., Ltd., Sany Marine Heavy Industry Co., Ltd. and Sany Intelligent Mining Technology Co., Ltd. were recognised as High and New Technology Enterprises and were therefore subject to CIT at a rate of 15% for the six months ended 30 June 2021.

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	**96,054**	42,400
Deferred	**20,951**	72,933
Total tax charge for the period	**117,005**	115,333

8. DIVIDEND

The final dividend for the year ended 31 December 2020 of HK$0.15 per share, totaling HK$543,731,000 (equivalent to RMB451,003,000), was approved by the Company's shareholders at the annual general meeting on 27 May 2021, among which HK$182,629,000 (equivalent to RMB150,537,000) was distributed during the six months ended 30 June 2021, and the rest of which was distributed on 19 July 2021.

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 amount of HK$86,241,000 (equivalent to RMB71,759,000) was recorded in "dividend payable" in the consolidated statement of financial position as at 30 June 2021 and 31 December 2020.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 the six months ended 30 June 2021 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,136,924,946 (six months ended 30 June 2020: 3,104,960,486) 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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**810,089**	639,705
Preferred distribution to the convertible preference shares	**40**	44
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**811,129**	639,749

	Number of shares	
	30 June 2021	30 June 2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,136,924,946**	3,104,960,486
Effect of dilution — convertible preference shares	**479,781,034**	479,781,034
Effect of dilution — share options and share awards	**22,802,000**	35,972,440
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,614,289,230**	3,620,713,960

10. INVENTORIES

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**478,223**	572,953
Work in progress	**504,646**	594,717
Finished goods	**863,468**	758,991
	1,846,337	1,926,661
Less: Provision against slow-moving and obsolete inventories	**(62,377)**	(105,859)
	1,783,960	1,820,802

11. TRADE AND BILLS RECEIVABLES

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Trade receivables	**4,707,151**	3,973,124
Impairment	**(393,965)**	(424,209)
	4,313,186	3,548,915
Less: Trade receivables due after one year	**(278,972)**	(261,116)
	4,034,214	3,287,799
Bills receivable	**519,897**	595,116

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 6% (31 December 2020: 6%) of the Group's trade receivables were due from a single third party 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 RMB531,061,000 as at 30 June 2021 (31 December 2020: RMB355,709,000) for sales of products by the Group, which accounted for 11% (31 December 2020: 9%) 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 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Within 180 days	**2,820,301**	2,107,968
181 to 365 days	**1,018,950**	985,333
1 to 2 years	**319,002**	384,728
2 to 3 years	**133,555**	61,935
Over 3 years	**21,378**	8,951
	4,313,186	3,548,915

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**424,209**	564,151
Acquisition of a subsidiary	**1,183**	—
Reversal of impairment losses, net *(note 5)*	**(19,995)**	(72,524)
Amount written off as uncollectible	**(11,432)**	(67,418)
At 30 June/31 December	**393,965**	424,209

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 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within six months	**352,399**	456,376
Over six months	**167,498**	138,740
	519,897	595,116

Included in the bills receivable was an amount of RMB140,770,000 as at 30 June 2021 (31 December 2020: RMB118,034,000) which was pledged for the issuance of a letter of guarantee.

None of the amount included in the bills receivable as at 30 June 2021 (31 December 2020: RMB3,900,000) was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 30 June 2021 the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB111,756,000 (31 December 2020: RMB183,465,000) 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 RMB111,756,000 (31 December 2020: RMB183,465,000) as at 30 June 2021.

Transferred financial assets that are derecognised in their entirety

At 30 June 2021, 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 RMB369,680,000 (31 December 2020: RMB464,930,000). 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 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted investments		
Financial investments at fair value through profit or loss	**3,232,485**	4,023,670

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.

13. DISPOSAL OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In the second half of 2018, Sany Heavy Equipment, a directly wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with Xinjiang Xing Ao Investment Co., Ltd. ("Xing Ao Investment") to dispose of Xinjiang Sany Heavy Equipment Co., Ltd. ("Xinjiang Sany"), an indirectly wholly-owned subsidiary of the Company, which remained dormant in prior years. Pursuant to the Equity Transfer Agreement, Sany Heavy Equipment agreed to sell a 100% equity interest in Xinjiang Sany to Xing Ao Investment for a total consideration of RMB177,400,000, among which RMB1,967,000 would be retained as a guarantee deposit. Cash considerations of RMB97,433,000, RMB38,000,000 and RMB40,000,000 were received by Sany Heavy Equipment in 2018, 2019 and 2020, respectively. The transaction was completed on 30 June 2021 as all conditions precedent pursuant to the Equity Transfer Agreement, including but not limited to the full settlement of the consideration, the shareholder information update in the business licence and the physical handover, had been fulfilled.

	On disposal date
	RMB'000
Net assets disposed of:	
Right-of-use assets	67,250
Deferred tax assets	16,991
Cash and bank balances	3
Other payables	(4,101)
Government grants	(75,300)
Tax payable	(1,815)
	3,028
Gain on disposal of a disposal group classified as held for sale ("the Disposal") *(note 5)*	172,405
	175,433
Satisfied by:	
Cash	175,433

An analysis of the net inflow of cash and cash equivalents in respect of the Disposal is as follows:

	On disposal date
	RMB'000
Cash consideration received in 2018	97,433
Cash consideration received in 2019	38,000
Cash consideration received in 2020	40,000
Cash and bank balances disposed of in 2021	(3)
Net inflow of cash and cash equivalents in respect of the Disposal	175,430

14. 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 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**1,831,233**	1,057,094
31 to 90 days	**697,662**	884,439
91 to 180 days	**791,839**	724,199
181 to 365 days	**51,362**	150,052
Over 1 year	**81,175**	76,795
	3,453,271	2,892,579

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 RMB105,259,000 as at 30 June 2021 (31 December 2020: RMB1,463,131,000) for purchasing raw materials by the Group.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans — secured	—	—	—	3.00	2021	507,969
Bank loans — unsecured	**1.13–3.55**	**2021–2022**	**1,407,576**	1.14–3.70	2021	1,637,143
			1,407,576			2,145,112
Non-current						
Bank loans — unsecured	**2.92–3.50**	**2023**	**1,865,601**	2.92–3.40	2023	492,754

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed into:		
Bank loans repayable:		
Within one year	**1,407,576**	2,145,112
In the second year	**1,566,348**	492,754
In the third to fifth years, inclusive	**299,253**	—
	3,273,177	2,637,866

(a) As at 30 June 2021, none of financial assets at fair value through profit or loss has been pledged for the Group's bank loans at the end of the reporting period.

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.

(b) As at 30 June 2021, Sany Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB2,684,918,000 as at the end of the reporting period (31 December 2020: RMB1,513,722,000).

(c) Except for the unsecured bank loan of RMB511,256,000 which are denominated in US$, all borrowings are in RMB (31 December 2020: RMB775,051,000).

16. GOVERNMENT GRANTS

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**1,201,610**	1,289,373
Received during the period/year	**68,636**	112,265
Acquisition of a subsidiary	**19,473**	—
Released to the statement of profit or loss during the period/ year *(note 4)*	**(149,770)**	(200,028)
At 30 June/31 December	**1,139,949**	1,201,610
Current portion	**(107,763)**	(96,164)
Non-current portion	**1,032,186**	1,105,446

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.

17. SHARE CAPITAL

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised:		
4,461,067,880 (31 December 2020: 4,461,067,880) ordinary shares of HK$0.10 each	**446,107**	446,107
538,932,120 (31 December 2020: 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:		
3,145,904,000 (31 December 2020: 3,125,981,250) ordinary shares of HK$0.10 each	**314,590**	312,598
479,781,034 (31 December 2020: 479,781,034) convertible preference shares of HK$0.10 each	**47,978**	47,978
Total issued and fully paid capital	**362,568**	360,576
Equivalent to RMB'000	**311,378**	309,707

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.

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

	Number of convertible shares	**Number of ordinary shares**	**Share capital**	
			HK$'000	**Equivalent to** *RMB'000*
At 31 December 2020	479,781,034	3,125,981,250	360,576	309,707
Issue of shares *(note)*	—	19,922,763	1,992	1,671
At 30 June 2021	479,781,034	3,145,904,013	362,568	311,378

Note:

During the six months ended 30 June 2021, 15,809,800 and 4,112,963 new ordinary shares were issued for the share options exercised and the restricted stock units. Cash proceeds of HK$20,528,000 (equivalent to RMB17,228,000) were received with no transaction costs borne by the Company, and related share option reserve of RMB8,274,000 was transferred to share premium accordingly.

18. COMMITMENTS

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Buildings	**510,757**	212,608
Plant and machinery	**353,989**	1,625,730
	864,746	1,838,338

MANAGEMENT DISCUSSION AND ANALYSIS

Major products

The Group divides its products into three categories, namely (1) mining equipment, 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 vehicle products, such as mining transport equipment (mechanical drive off-highway dump truck and electric drive off-highway dump truck) and widebodied vehicle and other relevant products; and smart mine products, such as unmanned driving, automated integrated mining and smart mine operation systems; (2) logistics equipment, which includes container equipment (including small-scale port machinery such as front loader, stacking machine, etc., and large-scale port machinery such as quayside gantry crane, etc.), bulk material equipment (gripper, elevated hoisting arm, etc.) and general equipment (heavy-weight forklift, telehandler, etc.); and (3) robotics, such as intelligent production lines, smart logistics and intelligent forklifts.

Business review

In the first half of 2021, under the steady economic development plan in the PRC, the Group persisted in implementing strategies of digitalization, electrification and internationalization, as well as the top-brand strategy. Results of operations showed continuous growth. Revenue for the period amounted to RMB4,984.2 million, representing an increase of 30.6% as compared with the same period last year. Net profit amounted to RMB828.9 million, representing an increase of 29.8% over the same period last year. Quality of operation continuously improved, while research and development (R&D) capabilities strengthened significantly. Investments in R&D amounted to RMB336.1 million, representing an increase of 77.1% over the same period last year. Competitiveness of our products continued to enhance, and our major products achieved larger market share, solidifying the Group's leading position in the industry. Major operation highlights are as follows:

Significant achievements in intelligent research and development

For the mining equipment segment, EBZ160i intelligent roadheader completed its first face excavation, and significantly extending the duration of underground operation. 19 units have been sold, and orders for more than 50 units have been secured. MG730i intelligent shearer showed excellent functionality in underground operation, and achieved sales in bulk. For the smart mine business, a network electro-hydraulic control system and an automated integrated mining automatic locking system were developed. Multiple orders were secured thanks to their attainment of industry-leading technology indicators. The Group cooperated with various surface mines, and supplied unmanned widebodied vehicles in batches for pilot operations of unmanned transport in mines, realizing the deployment of cluster despatch platform's large-scale operation.

For the logistics equipment segment, prototype testing for automated container alignment technology of front loaders was completed, enhancing efficiency of container alignment by 40%. Automated Rail-Mounted Gantry ("**ARMG**") of Sany performed highly automated operations, which represents a leading standard in the PRC. Unmanned trucks feature a self-developed automated driving system and a fleet management system. Following the completion of testing for fleet organization operations under mixed-use conditions, the Group became the first unmanned truck manufacturer in the world to achieve bulk delivery.

For robotic products, technology development in automatic sorting system of robots, intelligent welding, spontaneous integrated torque and automatic screwing system was completed. Breakthrough in key technologies of Automatic Guided Vehicle ("**AGV**") control system was accomplished, allowing the development of AGV despatch system to complete. Manufacturing of 20-tonne heavy-loading AGV products was completed. 2T and 3T high-voltage electric counterbalance forklifts were produced and delivered in bulk, completing the construction of an operation system for electric forklifts.

Electric products are widely recognized

In respect of widebodied vehicle products, on the basis of realizing large-tonnage overload capacity, a full spectrum series of 60–100 tonnage, pure electric and unmanned products have been built. At the same time, the Group has been actively developing a battery-replaceable prototype for pure electric widebodied vehicles. In term of logistics equipment, the Group has realized the mass production and delivery of a full range of electric products such as electric front loaders, electric stacking machines, electric port trackers and electric grippers. The electric front loaders, featured with technologies such as potential energy recovery and automatic charging, can be operated continuously for 20 hours under the mixed working condition with the range extenders turned on. The electric stacking machines are purely powered by electricity, lowering the cost per container by 60%, and have entered into Port of Xiamen and Port of Singapore Authority in batches. Electric trucks have been applied in batches to Port of Xiamen and Port of Guangzhou. The Group has won the bidding for the largest batch of battery-replaceable electric trucks among the industry in Hainan and became the leader of technologies for electric trucks.

Breakthrough in internationalization for new products

The Group's new products have achieved remarkable results in international expansion. Our overseas sales continued to grow, with the revenue from oversea sales for the first half of 2021 amounted to RMB868.7 million, representing an increase of 11.6% over the same period of last year. For mining equipment, we steadfastly adhered to our "dual-focus" strategy, highlighted 11 countries, including India, Indonesia and Russia, and focused on two of our major products, namely widebodied vehicles and roadheaders, which resulted in a significant increase in the oversea sales of widebodied vehicles, and achieved a major breakthrough in Indonesian and Mongolian markets. The Group has successively received new orders for mining transport equipment from various markets, such as Africa, Indonesia and Russia. For logistics equipment, a “dual-mainstream” strategy was implemented. The Group solicited mainstream operators as our major customers, and developed mainstream high-end markets in Europe and the US, which resulted in a substantial growth in sales of telehandlers overseas. The Group’s logistics equipment has tapped into Sudan Sea Ports Corporation, Tunisia Port Authority, Yemen Port Authority and Westports Malaysia. The development of market channels in the US has been progressing smoothly, obtaining 4 major customers.

Comprehensive enhancement of the efficiency in intelligent manufacturing

The Group has production and manufacturing bases in Shenyang, Zhuhai, Changsha and Beijing, respectively. During the period ended 30 June 2021, driven by the strategy of digitalization, the Company actively promoted the construction of “Lighthouse Factories”, featuring four lighthouse factory projects, namely widebodied vehicles, hydraulic supports, small port machinery and large port machinery. The lighthouse factories utilize big data, industrial internet and robotic technology to improve the automation in production and reduce the staff and auxiliary material costs to double the productivity, 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.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB4,984.2 million, representing an increase of approximately RMB1,169.1 million, or approximately 30.6%, from approximately RMB3,815.1 million for the six months ended 30 June 2020. Such increase was mainly attributable to the fact that: (1) the Group persisted in strategies of computerization, electrification and internationalization, with computerized and electric products launched successively and were widely recognized by the market, driving the significant increase in revenue from roadheaders, integrated mining and small port machinery products for the Group; (2) products including widebodied vehicles and telehandlers swiftly opened up international markets, resulting in a rapid increase in overseas sales revenue; and (3) the Group's robotics business grew significantly.

Other income and gains

For the six months ended 30 June 2021, the Group's other income and gains were approximately RMB484.5 million, representing an increase of approximately RMB249.8 million from approximately RMB234.7 million for the six months ended 30 June 2020. The change was mainly due to the gain from completion of the disposal of the entire equity interest in Xinjiang Sany, an indirect subsidiary of the Group.

Cost of sales

For the six months ended 30 June 2021, the Group's cost of sales was approximately RMB3,769.1 million, representing an increase of approximately 35.3% from approximately RMB2,785.0 million for the six months ended 30 June 2020. 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 2021, the gross profit margin of the Group was approximately 24.4%, representing a decrease of approximately 2.6 percentage points against approximately 27.0% for the six months ended 30 June 2020. Such decrease was mainly due to (1) a change in product mix in a way that sales proportion of products with lower margin increased; (2) an increase in international freight charges; and (3) an increase in purchase price for raw materials.

Selling and distribution expenses

For the six months ended 30 June 2021, the selling and distribution expenses of the Group were approximately RMB243.8 million, representing an increase of approximately 35.7% compared with that of approximately RMB179.6 million for the six months ended 30 June 2020.

During the reporting period, the ratio of the Group's selling and distribution expenses to revenue was approximately 4.9%, representing an increase of approximately 0.2 percentage point as compared with approximately 4.7% for the six months ended 30 June 2020. Such change was mainly due to (1) the increase in salaries resulting from incentivizing marketing and after-sales service staff ; (2) the reinforcement in construction of marketing channels in overseas markets; and (3) the addition of marketing activities with a view to enhancing promotion.

Research and development expenses

For the six months ended 30 June 2021, the R&D expenses of the Group were approximately RMB336.1 million, representing an increase of approximately 77.1% as compared with approximately RMB189.8 million for the six months ended 30 June 2020. For the six months ended 30 June 2021, the ratio of R&D expenses against revenue was approximately 6.7%, representing an increase of approximately 1.7 percentage point as compared with approximately 5.0% for the six months ended 30 June 2020. Such changes were mainly due to (1) the continued increase in R&D investments for new businesses, including robotics, electro-hydraulic control, unmanned driving, automated integrated mining and smart mines; and (2) the recruitment of high-end talents in the industry in order to accelerate R&D of new products, such that the pool of R&D personnel were doubled and their salaries increased substantially.

Administrative expenses

For the six months ended 30 June 2021, administrative expenses of the Group were approximately RMB470.4 million (for the six months ended 30 June 2020: approximately RMB310.8 million). The administrative expenses excluding R&D expenses were approximately RMB134.3 million (for the six months ended 30 June 2020: approximately RMB121.0 million), which accounted for approximately 2.7% of the revenue, representing a decrease of approximately 0.5 percentage point as compared with that of approximately 3.2% for the six months ended 30 June 2020. Such change was mainly attributable to the continued decrease in percentage of expenses resulted from the Group's strict control of administrative expenses by establishing a cost control system which conducts management according to the budget and carrying out regular assessments.

Finance costs

For the six months ended 30 June 2021, finance costs of the Group were approximately RMB55.2 million, representing a decrease of 26.6% as compared with that for the six months ended 30 June 2020 which was approximately RMB75.2 million. The change was mainly due to (1) the Group's reduction in interest-bearing liabilities by controlling the scale of financing and repaying bonds repayable; and (2) the reduced financing interest rates.

Profit margin before tax

For the six months ended 30 June 2021, the Group's profit margin before tax was approximately 19.0%, representing a decrease of approximately 0.8 percentage point as compared with that of approximately 19.8% for the six months ended 30 June 2020. Such decrease was mainly attributable to (1) a change in the structure of the Group's product sales which resulted in a decrease in the gross profit margin; and (2) a substantial increase in R&D investments for new businesses.

Taxation

For the six months ended 30 June 2021, the Group's effective tax rate was approximately 12.4% (for the six months ended 30 June 2020: the effective tax rate was approximately 15.3%). 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 2021, the Group's profit attributable to owners of the parent was approximately RMB811.1 million, which is an increase of approximately 26.8% as compared with approximately RMB639.7 million for the six months ended 30 June 2020. 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 2021, total current assets of the Group were approximately RMB13,171.6 million (as at 31 December 2020: RMB12,015.9 million). As at 30 June 2021, total current liabilities of the Group were approximately RMB7,883.5 million (as at 31 December 2020: RMB7,938.5 million).

As at 30 June 2021, total assets of the Group were approximately RMB19,137.3 million (as at 31 December 2020: approximately RMB17,464.2 million), and total liabilities were approximately RMB10,861.3 million (as at 31 December 2020: approximately RMB9,605.3 million).

As at 30 June 2021, the gearing ratio (the asset to liability ratio) was approximately 56.8% (as at 31 December 2020: approximately 55.0%).

Trade and bills receivables

As at 30 June 2021, the Group's gross balance of trade and bills receivables were approximately RMB5,227.0 million, representing an increase of approximately 14.4% as compared to approximately RMB4,568.2 million as at 31 December 2020, in which the amount of trade receivables increased by approximately 18.5% to approximately RMB4,707.2 million as compared with approximately RMB3,973.1 million as at 31 December 2020. Such changes were mainly attributable to the increase in sales revenue. The bills receivables decreased by approximately 12.6% to approximately RMB519.9 million as compared to approximately RMB595.1 million as at 31 December 2020. Such changes were mainly due to the increase in bills endorsement and discounting.

Interest-bearing bank and other borrowings

As at 30 June 2021, interest-bearing bank and other borrowings of the Group were approximately RMB3,273.2 million (31 December 2020: approximately RMB2,637.9 million). Such change was mainly due to the adjustment in financing structure resulted from the increase in concessional loans provided by policy banks.

Cash flow

As at 30 June 2021, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB1,850.0 million in total.

For the six months ended 30 June 2021, the net cash inflow of the Group from operating activities was approximately RMB835.9 million (for the six months ended 30 June 2020: net cash inflow of approximately RMB648.6 million). Such change was mainly due to the fact that (1) the Group persisted in value-based selling and strictly controlled transaction terms with shorter payment collection period; and (2) sales for some of the new businesses adopted an advance payment model, which accelerated collection of payment.

For the six months ended 30 June 2021, the net cash inflow of the Group from investing activities was approximately RMB111.8 million (for the six months ended 30 June 2020: net cash outflow of approximately RMB1,180.5 million). Such change was mainly due to the decrease in the Group's investments in wealth management products issued by third party financial institutions, funds and trusts.

For the six months ended 30 June 2021, the net cash outflow of the Group from financing activities was approximately RMB47.7 million (for the six months ended 30 June 2020: net cash inflow of approximately RMB466.9 million). Such change was mainly due to the control of the scale of interest-bearing liabilities and the repayment of loans due.

Turnover days

As at 30 June 2021, the Group's average turnover days of inventory were approximately 90.6 days, representing an increase of approximately 0.8 days over approximately 89.8 days as at 30 June 2020. Such change was mainly due to the Group's increase in reserves of key spare parts and inventory reserves for international sales channels.

The turnover days of trade and bills receivables decreased by approximately 22.7 days from approximately 202.0 days as at 30 June 2020 to approximately 179.3 days as at 30 June 2021. Such change was mainly due to (1) the Group persisted in value-based selling and strictly controlled transaction terms with shorter payment collection period; and (2) sales for some of the new businesses adopted an advance payment model, which accelerated collection of payment.

The turnover days of trade and bills payables increased by approximately 15.9 days from approximately 136.5 days as at 30 June 2020 to approximately 152.4 days as at 30 June 2021. Such change was mainly due to the Group's increased bill settlement scale.

Financial guarantee contracts

As at 30 June 2021, the financial guarantee contracts not provided for in the financial statements amounted to RMB999.1 million, being the financial guarantee under finance lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. and Sany Heavy Equipment Co., Ltd. (31 December 2020: RMB1,002.0 million).

Capital commitment

As at 30 June 2021, the contracted capital commitments of the Group which were not provided for in the Group's financial statements were approximately RMB864.7 million (31 December 2020: approximately RMB1,838.3 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 pays 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.

Material acquisition, disposal and significant investment

There were no significant investments held, and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2021. As of 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 2021, the Group's pledged bank deposits amounted to approximately RMB1,000 in total (31 December 2020: approximately RMB0.46 million).

As at 30 June 2020, the Group had no bank loans secured by financial assets at fair value through profit or loss (31 December 2020: the Group's bank loans of RMB508.0 million were secured by financial assets at fair value through profit or loss of RMB550.0 million).

As at 30 June 2021, the Group had no bank loans secured by property, plant and equipment and prepaid land lease payments (31 December 2020: Nil).

Foreign exchange risk

As at 30 June 2021, the Group's cash and bank balances denominated in foreign currencies such as HK$, Euro and US$ were equivalent to approximately RMB319.7 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 strives to contribute to the local economy, people's livelihood and harmonious environment. The management and staff of the Group actively 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 alleviate their financial pressure. The management visited staff with difficulties and provided them with consolation money and items, offered free family insurance for staff, and organized staff health checks. The Group also raised funds for staff members in need of support to show its compassion and care.

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 and responsibility of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to 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 2021 to 30 June 2021.

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 had complied with the Model Code during the six months ended 30 June 2021.

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. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan, all of whom are independent non-executive Directors. Mr. Poon Chiu Kwok, who has professional qualifications in accounting, was appointed as the chairman of the Audit Committee. The Audit Committee has convened 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 2021.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial statements of the Group for the six months ended 30 June 2021 have not been audited or reviewed by the Company's external auditor but had been reviewed by the Audit Committee before being recommended to the Board for approval.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the six months ended 30 June 2021, 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 2020: Nil).

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 2021 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, 31 August 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.