# 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 2021

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 2021, together with comparative figures for the financial year ended 31 December 2020. 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 2021, the Group recorded revenue of approximately RMB10,194.6 million, representing an increase of approximately 38.4% as compared with approximately RMB7,363.9 million for the year ended 31 December 2020. The increase was mainly due to (1) the computerized and electric products of the Group has been continuously entering the market, with products such as intelligent excavators, electric front loaders, electric stacking machines and electric widebodied vehicles being widely recognised by the market, which drives a marked growth in the revenue of the Company's excavator, widebodied vehicles and small port machinery products; (2) widebodied vehicles and telehandlers have made a rapid entry into the international market as their international sales revenue achieve a significant increase of 155.1% and 439.4% respectively, leading to a significant increase of 54.0% in the overseas sales revenue; and (3) the Group's robotics business has undergone rapid growth at a rate of 188.3%.

The Group's profit for the year ended 31 December 2021 amounted to approximately RMB1,309.2 million, representing an increase of approximately 24.5% compared with approximately RMB1,051.5 million for the year ended 31 December 2020. Profit attributable to owners of the parent recorded by the Group for the year ended 31 December 2021 was approximately RMB1,259.1 million, representing an increase of approximately 20.5% compared with approximately RMB1,045.1 million for the year ended 31 December 2020. For the main reasons of such change, please refer to the paragraphs headed "Revenue", "Gross profit and gross profit margin" and "Profit margin before tax" of this announcement.

For the year ended 31 December 2021, the research and development ("**R&D**") expenses of the Group were approximately RMB751.3 million, representing an increase of approximately 67.9% as compared with approximately RMB447.6 million for the year ended 31 December 2020. 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 products; (2) the recruitment of industry-leading talents to enhance the capacity of R&D activities, with the number of R&D personnel in electrification and computerization increasing by 80.0% and 77.0% respectively, resulting in a substantial increase in their remuneration bonus; and (3) the enhancement in incentive for R&D personnel by implementing production linked incentive schemes based on increment gross margin and profit sharing schemes for new business and new products, resulting in a substantial increase in their bonus.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2021*

| | Notes | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| REVENUE | 4 | **10,194,616** | 7,363,859 |
| Cost of sales | | **(7,804,976)** | (5,403,087) |
| Gross profit | | **2,389,640** | 1,960,772 |
| Other income and gains | 4 | **790,923** | 456,307 |
| Selling and distribution expenses | | **(566,567)** | (430,465) |
| Administrative expenses | | **(1,053,151)** | (706,904) |
| Reversal of impairment on financial and contract assets, net | 5 | **(2,434)** | 74,205 |
| Other expenses | | **(694)** | (31,355) |
| Finance costs | 6 | **(119,666)** | (132,283) |
| PROFIT BEFORE TAX | 5 | **1,438,051** | 1,190,277 |
| Income tax expense | 7 | **(128,893)** | (138,728) |
| PROFIT FOR THE YEAR | | **1,309,158** | 1,051,549 |
| Attributable to: | | | |
| Owners of the parent | | **1,259,071** | 1,045,144 |
| Non-controlling interests | | **50,087** | 6,405 |
| | | **1,309,158** | 1,051,549 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic (RMB Yuan) | 9 | **0.40** | 0.34 |
| Diluted (RMB Yuan) | 9 | **0.35** | 0.29 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2021*

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| PROFIT FOR THE YEAR | **1,309,158** | 1,051,549 |
| OTHER COMPREHENSIVE INCOME | | |
| *Other comprehensive income that may be reclassified to profit or loss in subsequent periods:* | | |
| Exchange differences on translation of foreign operations | **7,796** | 16,997 |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | **7,796** | 16,997 |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | **7,796** | 16,997 |
| TOTAL COMPREHENSIVE INCOME, NET OF TAX | **1,316,954** | 1,068,546 |
| Attributable to: | | |
| Owners of the parent | **1,266,867** | 1,062,141 |
| Non-controlling interests | **50,087** | 6,405 |
| | **1,316,954** | 1,068,546 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2021*

| | Notes | **2021** | 2020 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **3,314,006** | 2,591,455 |
| Right-of-use assets | | **1,113,534** | 1,139,620 |
| Goodwill | *10* | **1,129,520** | 1,129,520 |
| Intangible assets | | **19,295** | — |
| Trade receivables | *12* | **640,575** | 261,116 |
| Non-current prepayments | | **9,650** | 9,650 |
| Contract assets | | **54,614** | 21,272 |
| Deferred tax assets | | **286,852** | 295,585 |
| Total non-current assets | | **6,568,046** | 5,448,218 |
| CURRENT ASSETS | | | |
| Inventories | *11* | **2,528,509** | 1,820,802 |
| Properties under development | | **1,039,637** | 883,852 |
| Trade receivables | *12* | **4,271,700** | 3,287,799 |
| Bills receivable | *12* | **700,270** | 595,116 |
| Contract assets | | **41,850** | 19,517 |
| Prepayments, other receivables and other assets | | **584,658** | 359,040 |
| Financial assets at fair value through profit or loss | *13* | **3,680,123** | 4,023,670 |
| Pledged deposits | *14* | **20,997** | 455 |
| Cash and cash equivalents | *14* | **1,349,332** | 941,451 |
| | | **14,217,076** | 11,931,702 |
| Assets of a subsidiary classified as held for sale | | **—** | 84,241 |
| Total current assets | | **14,217,076** | 12,015,943 |

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 15 | **4,422,304** | 2,892,579 |
| Bonds payable | | **—** | 499,655 |
| Other payables and accruals | | **2,659,400** | 1,917,497 |
| Dividend payable | 8 | **70,226** | 72,584 |
| Interest-bearing bank and other borrowings | 16 | **1,687,346** | 2,145,112 |
| Tax payable | | **185,221** | 196,533 |
| Provision for warranties | | **24,053** | 32,009 |
| Government grants | | **112,700** | 96,164 |
| Derivative financial instruments | | **8,561** | 5,407 |
| | | **9,169,811** | 7,857,540 |
| Liabilities directly associated with the assets classified as held for sale | | **—** | 80,923 |
| Total current liabilities | | **9,169,811** | 7,938,463 |
| NET CURRENT ASSETS | | **5,047,265** | 4,077,480 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **11,615,311** | 9,525,698 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 16 | **1,766,768** | 492,754 |
| Government grants | | **967,460** | 1,105,446 |
| Deferred tax liabilities | | **97,935** | 68,597 |
| Total non-current liabilities | | **2,832,163** | 1,666,797 |
| Net assets | | **8,783,148** | 7,858,901 |
| EQUITY | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 17 | **312,060** | 309,707 |
| Reserves | | **8,388,996** | 7,529,027 |
| | | **8,701,056** | 7,838,734 |
| **Non-controlling interests** | | **82,092** | 20,167 |
| Total equity | | **8,783,148** | 7,858,901 |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2021*

## 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 mining equipment, logistics equipment, robotics 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

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 subsidiary classified as held for sale was 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 2021. 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 following revised IFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    The Group had certain interest-bearing bank borrowings denominated in United States dollars and European Currency based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group also had an interest rate swap whereby the Group pays interest at a fixed rate of 3.43% and receives interest at a variable rate based on LIBOR on the notional amount. The Group expects that LIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's LIBOR-based borrowings. For the LIBOR-based borrowings and interest rate swap, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

## 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 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 2021**

| | Mining equipment *RMB'000* | Logistics equipment *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Segment revenue** | | | |
| Sales to customers *(note 4)* | **6,895,856** | **3,298,760** | **10,194,616** |
| Intersegment sales | **46,445** | **46,292** | **92,737** |
| Other revenue | **535,835** | **204,441** | **740,276** |
| | **7,478,136** | **3,549,493** | **11,027,629** |
| *Reconciliation:* | | | |
| Elimination of intersegment sales | | | **(92,737)** |
| Revenue from operations | | | **10,934,892** |
| **Segment results** | **1,228,803** | **278,267** | **1,507,070** |
| Interest income | | | **50,647** |
| Finance costs (other than interest on lease liabilities) | | | **(119,666)** |
| Profit before tax | | | **1,438,051** |
| Income tax expense | | | **(128,893)** |
| Profit for the year | | | **1,309,158** |
| **Segment assets** | **13,008,074** | **8,774,325** | **21,782,399** |
| *Reconciliation:* | | | |
| Elimination of intersegment receivables | | | **(2,654,458)** |
| Corporate and other unallocated assets | | | **1,657,181** |
| Total assets | | | **20,785,122** |
| **Segment liabilities** | **5,325,053** | **5,590,505** | **10,915,558** |
| *Reconciliation:* | | | |
| Elimination of intersegment payables | | | **(2,654,458)** |
| Corporate and other unallocated liabilities | | | **3,740,874** |
| Total liabilities | | | **12,001,974** |
| **Other segment information:** | | | |
| (Gain)/loss on disposal of items of property, plant and equipment | **(2,122)** | **2,816** | **694** |
| (Reversal of impairment)/impairment of trade receivables, net | **(18,629)** | **15,971** | **(2,658)** |
| Impairment of other receivables, net | **3,462** | **1,177** | **4,639** |
| Impairment of contract assets, net | **—** | **453** | **453** |
| (Write-back of provision)/provision against slow-moving and obsolete inventories | **(32,849)** | **8,507** | **(24,342)** |
| Depreciation and amortisation | **143,350** | **105,505** | **248,855** |
| Other non-cash expenses | **6,945** | **4,281** | **11,226** |
| Capital expenditure* | **435,203** | **672,486** | **1,107,689** |

**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 |
| Revenue from operations | 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 |

* Capital expenditure consists of additions to property, plant and equipment.

**Geographical information**

**(a) Revenue from external customers**

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **8,099,167** | 6,003,242 |
| Asia (excluding Mainland China) | **1,048,098** | 707,566 |
| European Union | **268,654** | 137,302 |
| United States of America | **337,506** | 237,522 |
| Other countries/regions | **441,191** | 278,227 |
| Total revenue from contracts with customers | **10,194,616** | 7,363,859 |

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 RMB2,139,997,000 (2020: RMB803,908,000) 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:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue from contracts with customers | **10,194,616** | 7,363,859 |

**Revenue from contracts with customers**

**(i) Disaggregated revenue information**

**For the year ended 31 December 2021**

| **Segments** | **Mining equipment** *RMB'000* | **Logistics equipment** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| **Types of goods or services** | | | |
| Sale of industrial products | **6,730,801** | **3,246,749** | **9,977,550** |
| Installation services | **10,250** | **32,031** | **42,281** |
| Maintenance and other services | **154,805** | **19,980** | **174,785** |
| Total revenue from contracts with customers | **6,895,856** | **3,298,760** | **10,194,616** |
| **Geographical markets** | | | |
| Mainland China | **6,001,944** | **2,097,223** | **8,099,167** |
| Asia (excluding Mainland China) | **602,773** | **445,325** | **1,048,098** |
| European Union | **—** | **268,654** | **268,654** |
| United States of America | **—** | **337,506** | **337,506** |
| Other countries/regions | **291,139** | **150,052** | **441,191** |
| Total revenue from contracts with customers | **6,895,856** | **3,298,760** | **10,194,616** |
| **Timing of revenue recognition** | | | |
| Goods transferred at a point in time | **6,741,051** | **3,278,780** | **10,019,831** |
| Services transferred over time | **154,805** | **19,980** | **174,785** |
| Total revenue from contracts with customers | **6,895,856** | **3,298,760** | **10,194,616** |

**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 |

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:

| | **2021** ***RMB'000*** | 2020 *RMB'000* |
|---|---|---|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Sale of industrial products | **842,231** | 590,809 |

**(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, and are billed based on the time incurred.

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Bank interest income | **43,444** | 27,320 |
| Other interest income | **7,203** | 8,854 |
| Government grants | **302,846** | 200,028 |
| Rental income | **13,218** | 8,762 |
| Profit from sale of scrap materials | **29,399** | 421 |
| Foreign exchange differences, net | **5,225** | — |
| Others | **40,611** | 28,182 |
| | **441,946** | 273,567 |
| **Gains** | | |
| Fair value gain, net: | | |
| Financial assets at fair value through profit or loss — mandatorily classified as such | **178,135** | 182,486 |
| Derivative instruments — transactions not qualifying as hedges | **(1,563)** | (45) |
| Gain on disposal of a subsidiary classified as held for sale | **172,405** | — |
| Gain on disposal of items of property, plant and equipment, net | **—** | 299 |
| | **348,977** | 182,740 |
| | **790,923** | 456,307 |

## 5. PROFIT BEFORE TAX

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

| | Notes | **2021** *RMB'000* | 2020 *RMB'000* |
|---|---|---|---|
| Cost of inventories sold | | **7,714,306** | 5,330,714 |
| Cost of services provided | | **115,012** | 97,309 |
| Depreciation of property, plant and equipment | | **221,815** | 223,072 |
| Depreciation of right-of-use assets | | **26,086** | 25,973 |
| Amortisation of patents and licences | | **954** | — |
| Auditors' remuneration | | **2,555** | 2,555 |
| Provision of warranties* | | **7,875** | 16,352 |
| Research and development costs** | | **751,274** | 447,552 |
| Lease payments not included in the measurement of lease liabilities | | **21,180** | 7,145 |
| Employee benefit expenses (including directors' and chief executive's remuneration: | | | |
| Wages and salaries | | **1,103,493** | 633,220 |
| Share option and share award expenses | | **26,139** | 12,173 |
| Employee retirement benefits | | **38,165** | 11,160 |
| Other staff welfare | | **26,697** | 11,226 |
| | | **1,194,494** | 667,779 |
| Foreign exchange differences, net*** | | **(5,225)** | 31,355 |
| Reversal of impairment on financial and contract assets, net****: | | | |
| Reversal of impairment of trade receivables, net | *12* | **(2,658)** | (72,524) |
| Impairment of contract assets, net | | **453** | 755 |
| Impairment/(reversal of impairment) of other receivables, net | | **4,639** | (2,436) |
| | | **2,434** | (74,205) |
| Write-back of provision against slow-moving and obsolete inventories***** | *11* | **(24,342)** | (24,936) |
| Loss/(gain) on disposal of items of property, plant and equipment*** | | **694** | (299) |
| Gains from sales of scrap materials*** | | **(29,399)** | (421) |
| Gain on disposal of a subsidiary classified as held for sale*** | | **(172,405)** | — |
| Fair value (gains)/losses, net***: | | | |
| Financial assets at fair value through profit or loss — mandatorily classified as such | | **(178,135)** | (182,486) |
| Derivative instruments — transactions not qualifying as hedges | | **1,563** | 45 |
| | | **(176,572)** | (182,441) |

*     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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on interest-bearing bank and other borrowings (other than lease liabilities) | **94,887** | 117,627 |
| Interest on bonds | **7,723** | 5,230 |
| Interest on lease liabilities | **—** | 86 |
| Interest on discounted bills | **17,056** | 9,340 |
| | **119,666** | 132,283 |

## 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 taxable income was offset by the tax loss carried forward from prior years.

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 2021.

Five of the Group's principal operating companies, Sany Heavy Equipment, Hunan Sany Port Equipment, Sany Marine Heavy Industry, Sany Intelligent Mining and Sany Machinery, and one of the Group's principal operating company, Sany Construction Robot, were subject to CIT at a rate of 15% in 2021 due to the recognition as High and New Technology Enterprises, and the recognition as a company engaged in the encouraged industry in China's Western Region, respectively.

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current — Mainland China | | |
| Charge for the year | **77,418** | 65,680 |
| Underprovision/(overprovision) in prior years | **18,465** | (11,219) |
| Deferred | **33,010** | 84,267 |
| Total tax charge for the year | **128,893** | 138,728 |

## 8. DIVIDENDS

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Proposed final dividend — HK$0.15 (2020: HK$0.15) per ordinary share | **473,124** | 469,096 |
| Proposed final dividend — HK$0.15 (2020: HK$0.15) per preference share | **71,967** | 71,967 |
| | **545,091** | 541,063 |
| Equivalent to RMB'000 | **441,153** | 453,162 |

The proposed final dividend for the year is subject to the approval of the Company's 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 remaining amount of HK$86,241,000 (equivalent to RMB70,226,000 as at 31 December 2021 and RMB72,584,000 as at 31 December 2020) was recorded in "dividend payable" in the consolidated statement of financial position as at 31 December 2021 and 2020.

## 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 2021 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,140,679,026 (2020: 3,111,383,038) 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 2021 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.

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Profit** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **1,259,071** | 1,045,144 |
| Preferred distribution to the convertible preference shares | **80** | 81 |
| Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation | **1,259,151** | 1,045,225 |

| | **Number of shares** | |
|---|---|---|
| | **2021** | 2020 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **3,140,679,026** | 3,111,383,038 |
| Effect of dilution — convertible preference shares | **479,781,034** | 479,781,034 |
| Effect of dilution — share options and share awards | **16,674,921** | 26,813,856 |
| Weighted average number of ordinary shares used in the diluted earnings per share calculation | **3,637,134,981** | 3,617,977,928 |

## 10. GOODWILL

| | *RMB'000* |
|---|---|
| At 31 December 2020 and 31 December 2021: | |
| 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:

| | **2021** |
|---|---|
| | ***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 16% (2020: 17%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2020: 3%), which was the same as the long-term average growth rate of the industry. The goodwill was not impaired based on the results of the above impairment testing.

Assumptions were used in the value in use calculation for 31 December 2021. 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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Raw materials | **469,372** | 572,953 |
| Work in progress | **827,667** | 594,717 |
| Finished goods | **1,296,485** | 758,991 |
| | **2,593,524** | 1,926,661 |
| Less: Provision against slow-moving and obsolete inventories | **(65,015)** | (105,859) |
| | **2,528,509** | 1,820,802 |

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At 1 January | **105,859** | 130,795 |
| Charged for the year *(note 5)* | **31,397** | 39,953 |
| Write-back for the year *(note 5)* | **(55,739)** | (64,889) |
| Write-off for the year | **(16,502)** | — |
| At 31 December | **65,015** | 105,859 |

## 12. TRADE AND BILLS RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **5,260,679** | 3,973,124 |
| Impairment | **(348,404)** | (424,209) |
| | **4,912,275** | 3,548,915 |
| Less: Trade receivables due after one year | **(640,575)** | (261,116) |
| | **4,271,700** | 3,287,799 |
| Bills receivable | **700,270** | 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 5% (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 RMB742,104,000 as at 31 December 2021 (2020: RMB355,709,000) for sales of products by the Group, which accounted for 14% (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:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 180 days | **3,262,566** | 2,107,968 |
| 181 to 365 days | **1,112,214** | 985,333 |
| 1 to 2 years | **412,296** | 384,728 |
| 2 to 3 years | **114,855** | 61,935 |
| Over 3 years | **10,344** | 8,951 |
| | **4,912,275** | 3,548,915 |

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **424,209** | 564,151 |
| Reversal of impairment, net *(note 5)* | **(2,658)** | (72,524) |
| Amount written off as uncollectible | **(73,147)** | (67,418) |
| At end of year | **348,404** | 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.

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 2021**

| | **Ageing** | | | | |
|---|---|---|---|---|---|
| | **Less than 1 year** | **1 to 2 years** | **2 to 3 years** | **Over 3 years** | **Total** |
| Expected credit loss rate | **2.07%** | **12.78%** | **29.24%** | **93.47%** | **6.62%** |
| Gross carrying amount (RMB'000) | **4,467,169** | **472,704** | **162,322** | **158,484** | **5,260,679** |
| Expected credit losses (RMB'000) | **92,389** | **60,408** | **47,467** | **148,140** | **348,404** |

**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 |

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:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within six months | **534,249** | 456,376 |
| Over six months | **166,021** | 138,740 |
| | **700,270** | 595,116 |

Included in the bills receivable was an amount of RMB96,940,000 as at 31 December 2021 (2020: RMB118,034,000) which was pledged for the issuance of a letter of guarantee.

No bill receivable as at 31 December 2021 (2020: RMB3,900,000) was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Unlisted investments | | |
| Financial investments at fair value through profit or loss | **3,680,123** | 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.

## 14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cash and bank balances | **710,329** | 397,234 |
| Time deposits | **660,000** | 544,672 |
| | **1,370,329** | 941,906 |
| Less: Pledged time deposits for banking facilities | **(20,997)** | (455) |
| Cash and cash equivalents | **1,349,332** | 941,451 |
| Cash and cash equivalents, time deposits and pledged deposits denominated in | | |
| — RMB | **1,255,909** | 879,075 |
| — Hong Kong dollar ("HK$") | **7,480** | 24,300 |
| — United States dollar ("US$") | **106,726** | 37,751 |
| — Euro ("EUR") | **214** | 235 |
| — Australian Dollar ("AUD") | **—** | 545 |
| | **1,370,329** | 941,906 |

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 2021, bank balances of RMB600,000,000 (2020: RMB230,000,000) 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:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 30 days | **2,769,451** | 1,057,094 |
| 31 to 90 days | **686,892** | 884,439 |
| 91 to 180 days | **337,542** | 724,199 |
| 181 to 365 days | **494,060** | 150,052 |
| Over 1 year | **134,359** | 76,795 |
| | **4,422,304** | 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 RMB128,963,000 as at 31 December 2021 (2020: RMB95,161,000) for purchasing raw materials by the Group.

## 16. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | **2021** | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate *(%)*** | **Maturity** | ***RMB'000*** | Effective interest rate *(%)* | Maturity | *RMB'000* |
| **Current** | | | | | | |
| Bank loans — secured | — | — | — | 3.00 | 2021 | 507,969 |
| Bank loans — unsecured | **Libor+ 0.15–3.55** | **2022** | **1,687,346** | 1.14–3.70 | 2021 | 1,637,143 |
| | | | **1,687,346** | | | 2,145,112 |
| **Non-current** | | | | | | |
| Bank loans — unsecured | **2.92–4.10** | **2023-2024** | **1,766,768** | 2.92–3.40 | 2023 | 492,754 |

| | 2021 | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year | **1,687,346** | 2,145,112 |
| In the second year | **1,566,768** | — |
| In the third to fifth years, inclusive | **200,000** | 492,754 |
| | **3,454,114** | 2,637,866 |

(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 (2021: Nil).

(b) As at 31 December 2021, Sany Group Co., Ltd. has guaranteed certain of the Group's bank loans up to RMB2,650,172,000 (2020: RMB1,513,722,000) as at the end of the reporting period.

(c) Except for a unsecured bank loan of RMB187,109,000 which is denominated in United States dollars, all borrowings are in RMB (2020: 775,051,000).

## 17. SHARE CAPITAL

**Shares**

| | 2021 | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Authorised: | | |
| 4,461,067,880 (2020: 4,461,067,880) ordinary shares of HK$0.10 each | **446,107** | 446,107 |
| 538,932,120 (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: | | |
| 3,154,123,013 (2020: 3,125,981,250) ordinary shares of HK$0.10 each | **315,412** | 312,598 |
| 479,781,034 (2020: 479,781,034) convertible preference shares of HK$0.10 each | **47,978** | 47,978 |
| Total issued and fully paid capital | **363,390** | 360,576 |
| Equivalent to RMB'000 | **312,060** | 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.

## 18. COMMITMENTS

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted, but not provided for: | | |
| Buildings | **551,653** | 212,608 |
| Plant and machinery | **203,331** | 1,625,730 |
| | **754,984** | 1,838,338 |

**(b)** Operating lease commitments as at 31 December 2021

At 31 December 2021, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **—** | 153 |

## 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 offhighway 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 robotic system integration, mobile robots and electric forklifts.

### Business review

In 2021, since the state promoted to establish a safe, green, efficient and intelligent mine technology system in all respects, smart mines were in the process of accelerating construction. The export trade saw a strong growth in China, and the upgrades in electric and intelligent driving equipment of smart and green ports expedited, as well as the transformation and upgrades of intelligent, electric and unmanned operation became faster in the traditional discrete manufacturing and new energy industries (lithium batteries, wind power and other industrial chains). Adhering to the strategy of digitalisation, electrification and internationalization, the Group achieved significant results in R&D and innovation, and the manufacturing process of a range of intelligent and electric products were completed. The major products remained the leading postion in the industry, most of which recorded a steady increase in market share due to their excellent quality and high-quality services. The Group's revenue from overseas sales also continued to grow, with a year-on-year increase of 54.0%, among which the overseas sales of new products such as widebodied vehicles and telehandlers increased rapidly. Meanwhile, the Group's robotics business grew rapidly, entering into more factories of intelligent manufacturers. The main business highlights were as follows:

**Diversified new business expansion and significant achievements in intelligent research and development**

By taking the vast opportunities brought about by technology upgrades of electrification and computerization in the industry, the Group shifted the innovation from learning to leading, continued to increase investment in R&D, actively expanded new business and explore in new areas, and implemented the plan for both new products and new technologies, resulting in significant achievements in research and development.

For the mining equipment segment, intelligent roadheader built 5 sample mines with an average automation rate of over 50%, and achieved sales in bulk. Intelligent shearer showed excellent functionality in bulk underground operation and achieved worker-reduced, safe and efficient production. 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, technically realizing all independent technology research from wire-controlled domain to unmanned driving sensory system, and the vehicle-side and platform-side decision-making systems.

For the logistics equipment segment, prototype testing for automated container alignment technology of front loaders was completed, enhancing efficiency of container alignment by 40%. The development of automated Rail-Mounted Gantry ("**ARMG**") of Sany achieved 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, and a positioning system incorporating multiple sensors was developed, with the positioning accuracy up to ±10mm. The development of 3D situational awareness algorithm and terminal high-precision docking system was completed. The application of AGV despatch system was established, and a full AGV product spectrum was built. The development of 3T hot model of lithium battery forklifts driving assistance systems were completed, and the vehicle models of 2T, 3T, 5T and 10T were put into use.

**Promoting a green, law-carbon and sustainable development path with our electric products widely recognized**

In respect of widebodied vehicle products, on the basis of realizing large-tonnage overload capacity, a full spectrum series of 60–220 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.

**Leading brand influence in the industry and remarkable results in international expansion**

The Group's internationalization strategy was "autonomy, localization and service first", and the new products have achieved remarkable results in international expansion, with overseas sales surged by 54.0%, increasing by 95.7%, 48.1% and 42.1% in European, Asian (except mainland China) and American markets respectively. For mining equipment, we steadfastly adhered to our "dual-focus" strategy, highlighted 11 countries, including India and Indonesia, and focused on two of our major products, namely widebodied vehicles and roadheaders, which resulted in a significant increase of 155.1% in the overseas sales revenue of widebodied vehicles, achieved a major breakthrough in Indonesian, Mongolian and Brazilian markets and held the greatest market share. The Group has successively received new orders for mining transport equipment from various international markets such as South Africa, Indonesia and Uzbekistan, which greatly enhanced the influence of the mining transport equipment overseas.

For logistics equipment, the orders from overseas markets hit a record high. We cooperated with PSA, Hutchison and other international major seaport operators in respect of large port machinery projects, and a breakthrough was achieved in the project cooperation with 30 major customers in various regions. In particular, our small port machineries occupied the largest market share in each of ten regional markets overseas, and the sales revenue in the recorded a significant increase. The sales of telehandlers increased rapidly in the European and US markets, and the sales of grippers surged significantly and extended to 10 countries including Australia and Europe.

**Quick progress in digitalisiation with comprehensive enhancement of standards in intelligent manufacturing**

The Group has production and manufacturing bases in Shenyang, Zhuhai, Changsha and Beijing, respectively. During the year ended 31 December 2021, driven by the strategy of digitalization, the Company actively promoted the construction of "Lighthouse Factories", and four lighthouse factory projects have successively commenced operation, namely widebodied vehicles, hydraulic supports, small port machinery and large port machinery. The lighthouse factories utilized big data, industrial internet and robotic technology to improve the automation in production significantly enhance product quality and reduce the staff and auxiliary material costs to substantially ramp up the productivity, through which the workforce required for the manufacturing and assembling processes was minimalized and the manufacturing cycle was 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. Sany Heavy Equipment Co., Ltd. ("**Sany Heavy Equipment**") was recognized as a National Service Demonstration Manufacturer for Year 2021, and the Lighthouse Factory projects passed the evaluation of Digital Technology Transformation Projects of Liaoning Province and the Demonstration Intelligent Manufacturing Projects of Shenyang.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB10,194.6 million, representing an increase of approximately 38.4% as compared with approximately RMB7,363.9 million for the year ended 31 December 2020. The increase was mainly due to (1) the computerized and electric products of the Group has been continuously entering the market, with products such as intelligent excavators, electric front loaders, electric stacking machines and electric widebodied vehicles being widely recognised by the market, which drives a marked growth in the revenue of the Company's excavator, widebodied vehicles and small port machinery products; (2) widebodied vehicles and telehandlers have made a rapid entry into the international market as their international sales revenue achieve a significant increase of 155.1% and 439.4% respectively, leading to a significant increase of 54.0% in the overseas sales revenue; and (3) the Group's robotics business has undergone rapid growth at a rate of 188.3%.

### Other income and gains

For the year ended 31 December 2021, the Group's other income and gains were approximately RMB790.9 million, representing an increase of approximately 73.3% as compared with approximately RMB456.3 million for the year ended 31 December 2020. The change was mainly due to the gains on disposal of all the equity interests in Xinjiang Sany Heavy Equipment Co., Ltd., an indirectly subsidiary of the Group, as well as the increase in interest income and government grants.

**Cost of sales**

For the year ended 31 December 2021, the Group's cost of sales was approximately RMB7,805.0 million, representing an increase of approximately 44.5% as compared with approximately RMB5,403.1 million for the year ended 31 December 2020. The change 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 RMB2,389.6 million for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately RMB1,960.8 million).

The gross profit margin of the Group for the year ended 31 December 2021 was approximately 23.4%, representing a decrease of 3.2 percentage points against approximately 26.6% for the year ended 31 December 2020. The decrease was mainly attributed to (1) a change in product mix in a way that sales proportion of lower margin products increased; (2) an increase in international freight charges; and (3) an increase in purchase price for raw materials such as steel.

**Selling and distribution expenses**

For the year ended 31 December 2021, the selling and distribution expenses of the Group were approximately RMB566.6 million, representing an increase of approximately 31.6% as compared with approximately RMB430.5 million for the year ended 31 December 2020. For the year ended 31 December 2021, the ratio of the Group's selling and distribution expenses to revenue was approximately 5.6%, representing a decrease of approximately 0.2% as compared with approximately 5.8% for the year ended 31 December 2020. The decrease in such ratios was mainly due to a cost control system being implemented by the Group to strictly reduce costs and control expenditures.

**Research and development expenses**

For the year ended 31 December 2021, the R&D expenses of the Group were approximately RMB751.3 million, representing an increase of approximately 67.9% as compared with approximately RMB447.6 million for the year ended 31 December 2020. 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 products; (2) the recruitment of industry-leading talents to enhance the capacity of R&D activities, with the number of R&D personnel in electrification and computerization increasing by 80.0% and 77.0% respectively, resulting in a substantial increase in their remuneration bonus; and (3) the enhancement in incentive for R&D personnel by implementing production linked incentive schemes based on increment gross margin and profit sharing schemes for new business and new products, resulting in a substantial increase in their bonus.

**Administrative expenses**

For the year ended 31 December 2021, administrative expenses of the Group were approximately RMB1,053.2 million (for the year ended 31 December 2020: approximately RMB706.9 million). The administrative expenses excluding R&D expenses were approximately RMB301.9 million (for the year ended 31 December 2020: approximately RMB259.4 million), which accounted for approximately 3.0% of the revenue, representing a decrease of approximately 0.5% as compared with that for the year ended 31 December 2020 (for the year ended 31 December 2020: approximately 3.5%). The decrease in such ratios was mainly due to the Group's implementation of a cost control system to strictly cut costs and control expenses.

**Finance costs**

For the year ended 31 December 2021, finance costs of the Group were approximately RMB119.7 million (for the year ended 31 December 2020: approximately RMB132.3 million). Such changes were mainly due to (1) the Group controlled the scale of financing and adjusted the finance structure; and (2) the reduced financing interest rates.

**Profit margin before tax**

The Group's profit margin before tax for the year ended 31 December 2021 was approximately 14.1%, representing a decrease of approximately 2.1 percentage points as compared with approximately 16.2% for the year ended 31 December 2020. Such change was mainly attributable to (1) lower gross profit margin due to a change in product mix; (2) the increase in R&D investments for new businesses and a large increase in R&D expenses brought about by the rise of remuneration and bonus of R&D personnel.

**Taxation**

For the year ended 31 December 2021, the Group's effective tax rate was 9.0% (for the year ended 31 December 2020: 11.7%). 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 2021 was approximately RMB1,259.1 million, representing an increase at approximately 20.5% as compared with approximately RMB1,045.1 million for the year ended 31 December 2020. 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 2021, total current assets of the Group were approximately RMB14,217.1 million (31 December 2020: RMB12,015.9 million). As at 31 December 2021, total current liabilities of the Group were approximately RMB9,169.8 million (31 December 2020: RMB7,938.5 million).

As at 31 December 2021, total assets of the Group were approximately RMB20,785.1 million (31 December 2020: approximately RMB17,464.2 million), and total liabilities were approximately RMB12,002.0 million (31 December 2020: approximately RMB9,605.3 million). As at 31 December 2021, the gearing ratio (the net debt over net assets ratio) of the Group was approximately 51.4% (31 December 2020: 47.2%).

**Trade and bills receivables**

As at 31 December 2021, the Group's gross balance of trade receivables and bills receivables recorded approximately RMB5,961.0 million, representing an increase of approximately 30.5% as compared with approximately RMB4,568.2 million as at 31 December 2020, among which trade receivables recorded approximately RMB5,260.7 million, representing an increase of approximately 32.4% as compared with approximately RMB3,973.1 million as at 31 December 2020; and bills receivables recorded approximately RMB700.3 million, representing an increase of approximately 17.7% as compared with RMB595.1 million as at 31 December 2020. Such changes were mainly due to (1) the increase in revenue from product sales; and (2) the decrease of the Group's payments to suppliers by endorsement of bills receivable.

**Interest-bearing bank and other borrowings**

As at 31 December 2021, interest-bearing bank and other borrowings of the Group were approximately RMB3,454.1 million (31 December 2020: RMB2,637.9 million). The main reason of such change was that the Group engages in financing to prepare for potential capital investments and acquisition opportunities, as well as to meet the day-to-day 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.

**Cash flow**

As at 31 December 2021, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB1,349.3 million in total.

For the year ended 31 December 2021, the net cash inflow of the Group from operating activities was approximately RMB922.8 million (for the year ended 31 December 2020: approximately RMB1,070.4 million). Such change was mainly due to (1) increase in expenses for procuring parts and components such as major parts in order to meet the rapidly increasing product orders; and (2) increase in remuneration and bonus of personnel.

For the year ended 31 December 2021, the net cash outflow from investing activities of the Group was approximately RMB296.0 million (for the year ended 31 December 2020: approximately RMB647.4 million). Such change was mainly due to the decrease in the investments in wealth management products.

For the year ended 31 December 2021, the net cash outflow of the Group from financing activities was approximately RMB226.7 million (for the year ended 31 December 2020: net cash inflow of approximately RMB601.7 million). Such change was mainly due to the increase in bank borrowings.

**Turnover days**

Excluding the impairment losses for inventories provided, the Group's average turnover days of inventory were approximately 105.4 days as at 31 December 2021, representing a decrease of approximately 12.1 days from 117.5 days as at 31 December 2020, which was mainly because (1) the Company took effective measures to speed up the disposal of obsolete inventories; and (2) the Company enhanced the efficiency in its control on inventories through production process and managed to better utilize the accumulated inventories.

The turnover days of trade and bills receivables as at 31 December 2021 were approximately 188.5 days, representing a decrease of 18.1 days from approximately 206.6 days as at 31 December 2020. 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 increased by approximately 11.7 days from approximately 158.8 days as at 31 December 2020 to approximately 170.5 days as at 31 December 2021, which was mainly due to a rapid growth of product orders, which led to an increase in procurement expense to secure sufficient raw material supply.

**Financing guarantee contracts**

As at 31 December 2021, the financing guarantee contracts not provided for in the financial statements amounted to RMB1,009.9 million, being the financial guarantee under financing lease arrangements provided by Hunan Sany Port Equipment Co., Ltd. and Sany Heavy Equipment (31 December 2020: RMB1,002.0 million).

**Capital commitment**

As at 31 December 2021, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB755.0 million (31 December 2020: approximately RMB1,838.3 million).

**Employees and remuneration policy**

As at 31 December 2021, the Group had 4,995 (2020: 3,573) employees.

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 improve their skills relevant to work as well as enhance 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 share award schemes and share option schemes for core employees to share the Company's development results. The remuneration of the Directors of the Group is 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, and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021, 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 2021, the Group recorded pledged bank deposits of approximately RMB21.0 million (31 December 2020: approximately RMB0.5 million), for the purpose of issuing security deposit for bank acceptance bills. As at 31 December 2021, the Group did not have financial investments at fair value through profit or loss being pledged for the Group's bank loans (31 December 2020: RMB550,000,000 have been pledged for the Group's bank loans of RMB507,968,583).

**Foreign exchange risk**

As at 31 December 2021, the Group's cash and bank balances denominated in foreign currencies such as US$ and HK$ were equivalent to approximately RMB114.4 million. The Group will monitor the risk exposures and consider hedging against material currency risk if required.

**Social responsibility**

Upholding "Quality changes the world", the Group actively empower the industry through technological innovation. The Group proactively upholds the national policy of carbon peaking and achieve carbon neutrality and places great emphasis on environmental protection. It comprehensively improves the efficiency of resource utilization and practices green and sustainable development with intelligent and electric products of high technological level and high quality.

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. The Group has been practising the concept of "people-oriented" development, enhancing employees' cohesiveness while ensuring their safety in production. The Group pays attention to the physical and mental health of the staff by advocating work-life balance. Various cultural and sporting activities and programmes with different themes, such as badminton competition, culinary competition and outdoor fishing competition were organised. The Group offered free family insurance, organised staff medical check-ups and showed love and care by making visits and donations to a number of staff who were in difficulties.

## FUTURE DEVELOPMENT

Looking ahead to 2022, there are still many uncertainties in the global economy. However, material historical opportunities are arising for the Group's development. As the state has implemented the "dual carbon" strategy and built the "dual circulation" pattern, there is still extremely broad room for development in the advanced equipment manufacturing industry. In the process of building smart mines, smart ports and smart factories, it will bring huge market potential and room for growth to the Group. The Group will implement various business strategies when opportunities and challenges arise.

Regarding R&D innovation, the strategy will be changed from learning innovation to leading innovation. In particular, the Group will intensify team building and capability development for product planning focusing on creating value for customers; improve the level of rapid design and verification focusing on R&D digitization; and increase investment in talents and the development of new products and technologies focusing on electrification and computerization. For the mining equipment segment, the Group will actively facilitate the R&D of intelligent roadheader 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 its brand 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 robotics business, the emphasis is placed on robotic system integration, mobile robots and electric forklifts, empowering the transformation and upgrades in electric, computerized and unmanned production in the discrete manufacturing and new energy industries (lithium batteries, wind and PV power and other industrial chains). 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, through the consolidation of knowledge and the computerization of experience, the Group will accelerate the establishment of standardized, online, automated and computerized business processes, to lower the costs and increase the efficiency in R&D, manufacturing, supply chain, service and other processes, so as to develop the capabilities of digitalized services throughout the life cycles for customers. It will adhere to independent R&D and centralized management to improve computerization capabilities and realize data sharing, so as to consolidate the foundation of digitalization. It will also establish a uniform framework for digitalization planning and improve the staff's capabilities of digitalization, giving full play to the role of four lighthouse factories, i.e. widebodied vehicles, hydraulic supports, small port machinery and large port machinery, so as to continuously enhance operational efficiency and management level in addition to increasing production capacity.

With regard to internationalization, adhering to the principle of "autonomy, localization and service first", the Group will grasp the "dual-carbon" opportunity in the global market to expand the electric segment overseas. The focus for mining equipment is put on six core regions and ten key countries, with a view to building an internationalized product portfolio and realizing the three new sales growth points of Central Asia, Africa and Latin America. As our the logistics equipment break into the mainstream markets in Europe and the US and approach mainstream customers of four major operators, we focus on the international market, complete the portfolio for electric products and strengthen the development of automated and upsized products for large port machinery, thereby expanding our market share. The Group had established an international research institute, sped up the R&D of international products, increased the quality and number of global talents and enhanced the international service team and spare parts reserve in order to fully satisfy its customers' demands.

In 2021, since COVID-19 was hovering around the world, the Chinese government has taken continuous and strict public health measures and other actions to effectively contain the spread of COVID-19. Looking into 2022, given the uncertainties arising from the variation of the COVID-19 to the prevention and control of the pandemic, the Company will closely monitor the development of COVID-19, and meanwhile will continue to properly manage its production and operation to ensure stable supply chain, thereby implementing various business strategies in a steady and healthy way.

**Final Dividend**

On 29 March 2022, the Board resolved the declaration and payment of the final dividend of HK$0.15 per ordinary share of the Company, amounting to HK$473,123,687 in total based on the total number of 3,154,157,913 shares of the Company as at 28 February 2022, to be payable to the shareholders of the Company (the "**Shareholders**") whose names appear on the Company's register of members at the close of business on Friday, 10 June 2022. Should there be any change in the Company's total number of shares between 28 February 2022 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 approval of the Shareholders at its forthcoming annual general meeting. Such final dividend is expected to be paid on or around 22 June 2022.

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 outstanding Convertible Preference Shares registered under the name of Sany Hongkong Group Limited. Accordingly, holders of the outstanding Convertible Preference Shares are entitled to (a) the Preferred Distribution of approximately HK$96,388 representing the Preferred Distribution accumulated from 1 January 2021 to 31 December 2021, 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 22 June 2022, on the same distribution date as the final dividend for ordinary shares.

## 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 maximize returns for the Shareholders.

During the year ended 31 December 2021, the Company has complied with the Corporate Governance 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**") in force during the year ended 31 December 2021 and as at 31 December 2021.

## ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be convened and held on Tuesday, 31 May 2022. 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, 26 May 2022 to Tuesday, 31 May 2022, 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, 31 May 2022. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 31 May 2022, 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 Wednesday, 25 May 2022.

## CLOSURE OF REGISTER OF MEMBERS — FINAL DIVIDEND PAYMENT

The register of members of the Company will also be closed from Wednesday, 8 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to the proposed dividends is Friday, 10 June 2022. 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 Tuesday, 7 June 2022.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company (2020: 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 they had complied with the Model Code throughout the year ended 31 December 2021.

## 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 convened meetings to discuss the auditing, internal control, risk management and financial reporting matters, including the review of the consolidated annual results of the Group for the full year ended 31 December 2021, including the accounting principles and standard practices adopted by the Group and selection and appointment of its external auditors.

## REVIEW OF ANNUAL RESULTS

The annual results announcement has been reviewed by the audit committee of the Company.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## 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 2021 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 2021 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, 29 March 2022

*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.*