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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 2024

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 2024.

FINANCIAL SUMMARY

For the six months ended 30 June 2024, the Group recorded revenue of approximately RMB10,756.1 million, representing a decrease of approximately RMB83.1 million, or approximately 0.8%, as compared with approximately RMB10,839.2 million for the six months ended 30 June 2023. Such change was mainly due to the decrease in revenue from mining equipment affected by the prosperity of the coal industry.

For the six months ended 30 June 2024, the Group’s profit attributable to owners of the parent was approximately RMB1,032.7 million, which represents a decrease of approximately 14.1% as compared with approximately RMB1,201.9 million for the six months ended 30 June 2023. Further analysis is set out in the paragraphs headed “Revenue”, “Gross profit margin” and “Profit margin before tax”.

For the six months ended 30 June 2024, the gross profit margin of the Group was approximately 24.4%, representing a decrease of approximately 1.7 percentage points against approximately 26.1% for the six months ended 30 June 2023. Such change was mainly due to the increase in the proportion of revenue generated from oil and gas equipment and emerging industries, both of which have a slightly lower gross profit margin.

For the six months ended 30 June 2024, the R&D expenses of the Group were approximately RMB813.1 million, representing an increase of approximately 8.6% as compared with approximately RMB748.4 million for the six months ended 30 June 2023. For the six months ended 30 June 2024, the ratio of R&D expenses against revenue was approximately 7.6%, representing an increase of approximately 0.7 percentage points as compared with approximately 6.9% for the six months ended 30 June 2023. Such changes were mainly due to the Group's significant increase in R&D investments in the emerging industries and new products.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		2024 (Unaudited) <i>RMB'000</i>	2023 (Unaudited) <i>RMB'000</i>
	<i>Notes</i>		
REVENUE	4	10,756,056	10,839,188
Cost of sales		<u>(8,130,487)</u>	<u>(8,007,247)</u>
Gross profit		2,625,569	2,831,941
Other income and gains	4	368,568	357,176
Selling and distribution expenses		(563,037)	(535,873)
Administrative expenses		(1,108,543)	(967,914)
Impairment losses on financial and contract assets, net	5	(54,159)	(122,248)
Other expenses		(2,533)	(48,556)
Finance costs	6	(113,330)	(73,924)
PROFIT BEFORE TAX	5	1,152,535	1,440,602
Income tax expense	7	(165,580)	(257,297)
PROFIT FOR THE PERIOD		<u>986,955</u>	<u>1,183,305</u>
Attributable to:			
Owners of the parent		1,032,749	1,201,949
Non-controlling interests		(45,794)	(18,644)
		<u>986,955</u>	<u>1,183,305</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (<i>RMB Yuan</i>)		<u>0.31</u>	<u>0.38</u>
Diluted (<i>RMB Yuan</i>)		<u>0.28</u>	<u>0.33</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>986,955</u>	<u>1,183,305</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of financial statements of the Company	<u>(3,548)</u>	<u>99,268</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<u>(3,548)</u>	<u>99,268</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(3,548)</u>	<u>99,268</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>983,407</u>	<u>1,282,573</u>
Attributable to:		
Owners of the parent	1,029,201	1,301,217
Non-controlling interests	<u>(45,794)</u>	<u>(18,644)</u>
	<u>983,407</u>	<u>1,282,573</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	7,552,346	7,275,832
Right-of-use assets		1,394,768	1,388,354
Goodwill		2,537,788	2,537,138
Intangible assets		1,355,468	1,407,913
Investment in a joint venture		26,229	28,535
Financial assets at fair value through profit or loss	12	57,500	37,500
Trade receivables	11	684,600	1,027,890
Non-current prepayments		26,309	27,745
Contract assets		122,014	117,746
Deferred tax assets		325,394	336,057
Total non-current assets		<u>14,082,416</u>	<u>14,184,710</u>
CURRENT ASSETS			
Inventories		3,601,956	3,432,210
Properties for sale		768,267	805,253
Trade receivables	11	10,528,410	8,355,990
Bills receivable	11	822,019	1,066,199
Contract assets		219,733	396,755
Prepayments, other receivables and other assets		1,477,255	1,261,432
Derivative financial instruments		15,668	15,668
Financial assets at fair value through profit or loss	12	2,158,150	2,160,426
Pledged deposits		44,575	43,300
Cash and cash equivalents		4,471,881	3,241,068
Total current assets		<u>24,107,914</u>	<u>20,778,301</u>
Trade and bills payables	13	8,650,271	8,098,198
Other payables and accruals		4,700,819	4,783,016
Dividend payable		496,313	101,288
Interest-bearing bank and other borrowings	14	3,434,536	2,652,576
Lease liabilities		36,292	28,289
Tax payable		113,085	237,332
Provision for warranties		81,154	75,462
Government grants	15	270,477	196,444
Total current liabilities		<u>17,782,947</u>	<u>16,172,605</u>
NET CURRENT ASSETS		<u>6,324,967</u>	<u>4,605,696</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>20,407,383</u></u>	<u><u>18,790,406</u></u>

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>14</i>	6,541,141	5,248,801
Lease liabilities		22,161	9,510
Government grants	<i>15</i>	1,577,678	1,720,221
Deferred tax liabilities		265,377	273,477
		<hr/>	<hr/>
Total non-current liabilities		8,406,357	7,252,009
		<hr/>	<hr/>
Net assets		12,001,026	11,538,397
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>16</i>	315,484	315,185
Reserves		11,743,597	11,274,274
		<hr/>	<hr/>
		12,059,081	11,589,459
		<hr/>	<hr/>
Non-controlling interests		(58,055)	(51,062)
		<hr/>	<hr/>
Total equity		12,001,026	11,538,397
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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, petroleum equipment, new energy manufacturing equipment, and spare parts and the provision of related services in Chinese Mainland.

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 2024 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 2023.

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 2023, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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 is organised into business units based on its products and services. During the prior period, the Group completed several business combinations and the reportable operating segments increased from two to four to reflect the enlarged business structure. The four reportable operating segments are set out 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 vehicle equipment and spare parts and the provision of related services;

(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;

(c) Oil & Gas equipment segment

The oil & gas equipment segment engages in the production and sale of fracturing units and spare parts for oil & gas field, and the provision of oil & gas field cementing and stimulation technical services; and

(d) Emerging industry equipment segment

The emerging industry equipment segment mainly engages in the production and sales of lithium battery manufacturing equipment, photovoltaic modules and electrolysis hydrogen production equipment, 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/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss 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 2024	Mining equipment RMB'000 (Unaudited)	Logistics equipment RMB'000 (Unaudited)	Oil & Gas equipment RMB'000 (Unaudited)	Emerging industry equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4)					
Sales to customers	5,938,343	3,282,225	845,853	689,635	10,756,056
Intersegment sales	4,827	269,132	—	—	273,959
Other revenue	161,209	94,552	16,123	12,391	284,275
	<u>6,104,379</u>	<u>3,645,909</u>	<u>861,976</u>	<u>702,026</u>	<u>11,314,290</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(273,959)</u>
Revenue from operations					<u>11,040,331</u>
Segment results	903,140	568,285	(36,467)	(254,617)	1,180,341
<i>Reconciliation:</i>					
Interest income					84,293
Finance costs (other than interest on lease liabilities)					<u>(112,099)</u>
Profit before tax					1,152,535
Income tax expense					<u>(165,580)</u>
Profit for the period					<u>986,955</u>
Segment assets	16,194,628	11,334,380	4,789,568	4,132,776	36,451,352
<i>Reconciliation:</i>					
Elimination of intersegment receivables					<u>(3,102,872)</u>
Corporate and other unallocated assets					<u>4,841,850</u>
Total assets					<u>38,190,330</u>
Segment liabilities	7,245,118	6,089,557	1,632,483	3,474,566	18,441,724
<i>Reconciliation:</i>					
Elimination of intersegment payables					<u>(3,102,872)</u>
Corporate and other unallocated liabilities					<u>10,850,452</u>
Total liabilities					<u>26,189,304</u>

Six months ended 30 June 2024	Mining equipment <i>RMB'000</i> (Unaudited)	Logistics equipment <i>RMB'000</i> (Unaudited)	Oil & Gas equipment <i>RMB'000</i> (Unaudited)	Emerging industry equipment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Other segment information					
Loss on disposal of items of property, plant and equipment	1,020	840	473	200	2,533
Impairment/(reversal of impairment) of trade receivables, net	40,891	13,430	(1,122)	4,749	57,948
(Reversal of impairment)/impairment of other receivables, net	(37)	(879)	683	555	322
Reversal of impairment of contract assets	—	(4,111)	—	—	(4,111)
(Write-back of provision)/provision against slow-moving and obsolete inventories	(26)	3,936	1,894	5,780	11,584
Depreciation and amortisation	144,489	134,507	92,426	41,838	413,260
Other non-cash expense	49,364	14,862	1,176	11,373	76,775
Capital expenditure*	<u>165,588</u>	<u>136,258</u>	<u>66,734</u>	<u>349,846</u>	<u>718,426</u>
Six months ended 30 June 2023	Mining equipment <i>RMB'000</i> (Unaudited)	Logistics equipment <i>RMB'000</i> (Unaudited)	Oil & Gas equipment <i>RMB'000</i> (Unaudited)	Emerging industry equipment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue (note 4)					
Sales to customers	7,214,187	3,065,651	336,265	223,085	10,839,188
Intersegment sales	25,691	—	—	—	25,691
Other revenue	<u>178,747</u>	<u>105,974</u>	<u>(831)</u>	<u>(36)</u>	<u>283,854</u>
	<u>7,418,625</u>	<u>3,171,625</u>	<u>335,434</u>	<u>223,049</u>	<u>11,148,733</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(25,691)</u>
Revenue from operations					<u>11,123,042</u>
Segment results					
Interest income	879,691	504,821	57,083	(1,047)	1,440,548
Finance costs (other than interest on lease liabilities)					<u>73,322</u>
					<u>(73,268)</u>
Profit before tax					1,440,602
Income tax expense					<u>(257,297)</u>
Profit for the period					<u>1,183,305</u>

Six months ended 30 June 2023	Mining equipment <i>RMB'000</i> (Unaudited)	Logistics equipment <i>RMB'000</i> (Unaudited)	Oil & Gas equipment <i>RMB'000</i> (Unaudited)	Emerging industry equipment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment assets	17,222,199	9,917,119	4,905,822	1,415,426	33,460,566
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(3,096,532)
Corporate and other unallocated assets					<u>5,622,856</u>
Total assets					<u><u>35,986,890</u></u>
Segment liabilities	9,777,104	7,713,691	2,043,846	1,074,878	20,609,519
<i>Reconciliation:</i>					
Elimination of intersegment payables					(3,096,532)
Corporate and other unallocated liabilities					<u>7,614,061</u>
Total liabilities					<u><u>25,127,048</u></u>
Other segment information					
Loss on disposal of items of property, plant and equipment	2,176	11,669	330	—	14,175
Impairment/(reversal of impairment) of trade receivables, net	73,233	39,311	8,629	(400)	120,773
Impairment/(reversal of impairment) of other receivables, net	65	585	(646)	(90)	(86)
(Write-back of provision)/provision against slow-moving and obsolete inventories	(986)	4,150	27	—	3,191
Impairment/(reversal of impairment) of contract assets	—	1,592	(31)	—	1,561
Depreciation and amortisation	101,872	81,838	2,483	18,969	205,162
Other non-cash expense	35,403	12,029	—	—	47,432
Capital expenditure*	<u>442,049</u>	<u>313,146</u>	<u>384,707</u>	<u>654,395</u>	<u>1,794,297</u>

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

Information about major customers

Revenue of approximately RMB1,269,487,000 (six months ended 30 June 2023: RMB2,112,763,000) 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>10,756,056</u>	<u>10,839,188</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024

Segments	Mining equipment <i>RMB'000</i> (Unaudited)	Logistics equipment <i>RMB'000</i> (Unaudited)	Oil & Gas equipment <i>RMB'000</i> (Unaudited)	Emerging industry equipment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods or services					
Sale of industrial products	5,857,227	3,167,342	804,909	689,635	10,519,113
Installation services	2,491	35,685	—	—	38,176
Oil field Service	—	—	24,340	—	24,340
Maintenance services and others	78,625	79,198	16,604	—	174,427
	<u>5,938,343</u>	<u>3,282,225</u>	<u>845,853</u>	<u>689,635</u>	<u>10,756,056</u>
Geographical markets					
Chinese Mainland	4,082,237	1,325,117	845,853	688,308	6,941,515
Asia (excluding Chinese Mainland)	1,045,812	675,000	—	1,327	1,722,139
Russia	374,012	463,617	—	—	837,629
Africa	175,557	329,917	—	—	505,474
United States of America	—	218,588	—	—	218,588
European Union	2,019	77,112	—	—	79,131
Other countries/regions	258,706	192,874	—	—	451,580
	<u>5,938,343</u>	<u>3,282,225</u>	<u>845,853</u>	<u>689,635</u>	<u>10,756,056</u>
Timing of revenue recognition					
Goods transferred at a point in time	5,857,227	3,201,478	804,909	689,635	10,553,249
Services transferred over time	81,116	80,747	40,944	—	202,807
	<u>5,938,343</u>	<u>3,282,225</u>	<u>845,853</u>	<u>689,635</u>	<u>10,756,056</u>

For the six months ended 30 June 2023

Segments	Mining equipment <i>RMB'000</i> (Unaudited)	Logistics equipment <i>RMB'000</i> (Unaudited)	Oil & Gas equipment <i>RMB'000</i> (Unaudited)	Emerging industry equipment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods or services					
Sale of industrial products	7,060,259	2,987,820	296,825	223,087	10,567,991
Installation services	26,194	46,018	—	—	72,212
Oil field Service	—	—	34,887	—	34,887
Maintenance services and others	127,733	31,813	4,552	—	164,098
	<u>7,214,186</u>	<u>3,065,651</u>	<u>336,264</u>	<u>223,087</u>	<u>10,839,188</u>
Geographical markets					
Chinese Mainland	5,737,044	1,298,271	336,264	223,087	7,594,666
Asia (excluding Chinese Mainland)	915,052	698,513	—	—	1,613,565
Russia	27,487	53,825	—	—	81,312
Africa	200,612	106,669	—	—	307,281
United States of America	—	194,618	—	—	194,618
European Union	—	122,955	—	—	122,955
Other countries/regions	333,991	590,800	—	—	924,791
	<u>7,214,186</u>	<u>3,065,651</u>	<u>336,264</u>	<u>223,087</u>	<u>10,839,188</u>
Timing of revenue recognition					
Goods transferred at a point in time	7,060,259	2,997,069	296,825	223,087	10,577,240
Services transferred over time	153,927	68,582	39,439	—	261,948
	<u>7,214,186</u>	<u>3,065,651</u>	<u>336,264</u>	<u>223,087</u>	<u>10,839,188</u>

Other income and gains

	<i>Notes</i>	For the six months ended 30 June	
		2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Other income			
Bank interest income		59,234	59,332
Other interest income		25,059	13,990
Government grants	15	170,929	185,686
Profit from sale of scrap materials		23,219	34,559
Rental income		15,797	5,918
Foreign exchange differences, net		4,479	—
Others		12,099	14,307
		<u>310,816</u>	<u>313,792</u>
Gains			
Fair value gain, net:			
Financial assets at fair value through profit or loss			
— mandatorily classified as such		35,010	46,305
Gain on disposal of subsidiaries		22,742	—
Derivative instruments — transactions not qualifying as hedges		—	(2,921)
		<u>57,752</u>	<u>43,384</u>
		<u>368,568</u>	<u>357,176</u>

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	For the six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cost of inventories sold		7,990,739	7,849,937
Cost of services provided		128,164	154,119
Depreciation of property, plant and equipment	<i>10</i>	289,924	177,186
Amortisation of intangible assets		86,116	9,529
Depreciation of right-of-use assets		37,220	18,447
Auditors' remuneration		610	610
Provision of warranties*		20,685	16,896
Research and development costs**		813,063	748,357
Lease payments not included in the measurement of lease liabilities		19,883	13,721
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		1,107,774	1,028,547
Equity-settled share-based payment		76,775	47,432
Employee retirement benefits*****		52,218	39,814
Other staff welfare		35,775	38,983
		1,272,542	1,154,776
Foreign exchange differences, net***		(4,479)	33,217
Impairment of financial and contract assets, net****:			
Impairment of trade receivables, net	<i>11</i>	57,948	120,773
(Reversal of impairment)/impairment of contract assets, net		(4,111)	1,561
Impairment/(reversal of impairment) of other receivables, net		322	(86)
		54,159	122,248
Provision against slow-moving and obsolete inventories*****		11,584	3,191
Loss on disposal of items of property, plant and equipment***		2,533	14,175
Gains from sales of scrap materials***	<i>4</i>	(23,219)	(34,559)
Remeasurement of financial guarantee contracts***		—	1,164
Fair value gains, net***:			
Financial assets at fair value through profit or loss — mandatorily classified as such		(35,010)	(46,305)
Gain on disposal of subsidiaries		(22,742)	—
Derivative instruments — transactions not qualifying as hedges		—	2,921
		(57,752)	(43,384)

- * Provision of warranties was included in “Cost of sales”, which was included in “Selling and distribution expenses” in previous years. The comparative figure was not restated.
- ** 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 “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
- ***** As at 30 June 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2023: Nil)

6. FINANCE COSTS

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	102,287	64,461
Interest on discounted bills	9,812	8,807
Interest on lease liabilities	1,231	656
	<u>113,330</u>	<u>73,924</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of the Company are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (Or jurisdictions) in which the Group operates.

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to certain subsidiaries operating in Chinese Mainland, the companies of the Group which operate in Chinese Mainland were subject to Corporate Income Tax (“CIT”) at a rate of 25% on their respective taxable income for the six months ended 30 June 2024.

Ten (six months ended 30 June 2023: Eight) 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. (“Sany Marine Heavy Industry”), Sany Intelligent Mining Technology Co., Ltd., Sany Robot Equipment (Xian) Co., Ltd. (“Sany Robot Equipment”), Sany Robot Technology Co., Ltd. (“Sany Robot”), Sany Petroleum Intelligent Equipment Co., Ltd., Sany Energy Equipment Co., Ltd., Sany Technology Equipment Co., Ltd. (“Sany Technology Equipment”), and Sany Silicon Energy (Zhuzhou) Co., Ltd. (“Sany Silicon Energy”), were subject to CIT at a rate of 15% for the six months ended 30 June 2024 as they have been recognised as High and New Technology Enterprises, and Zhuhai Sany Port Machinery Co., Ltd. (“Zhuhai Sany”) was entitled to the preferential income tax rate of 15% as a qualified enterprise registered in Hengqin District of Zhuhai, a pilot free trade zone in the PRC.

	For the six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	35,781	116,739
Current — Chinese Mainland		
Charge for the period	164,926	177,283
(Overprovision)/underprovision in prior years	(15,609)	6,203
Deferred	(19,518)	(42,928)
	165,580	257,297
Total tax charge for the period	165,580	257,297

8. DIVIDEND

The final dividend for the year ended 31 December 2023 of HK\$0.19 per share, totaling HK\$697,820,000 (equivalent to RMB635,715,000), was approved by the Company’s shareholders at the annual general meeting on 31 May 2024, among which HK\$240,276,000 (equivalent to RMB217,553,000) was distributed during the six months ended 30 June 2024, and the remaining amount of HK\$457,544,000 (equivalent to RMB418,162,000) was recorded in “dividend payable” in the consolidated statement of financial position as at 30 June 2024.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

Dividend payable

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 RMB78,151,000) was recorded in “dividend payable” in the consolidated statement of financial position as at 30 June 2024.

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

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the six months ended 30 June 2024 attributable to ordinary equity holders of the parent of RMB1,032,749,000 (six months ended 30 June 2023: RMB1,201,949,000), adjusted to reflect the distribution to convertible preference shares, and the weighted average number of ordinary shares of 3,191,206,722 (six months ended 30 June 2023: 3,144,897,724) in issue during the period.

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit for the six months ended 30 June 2024 attributable to ordinary equity holders of the parent of RMB1,032,749,000 (six months ended 30 June 2023: RMB1,201,949,000). 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 plus the weighted average number of ordinary shares, totaling 488,026,249 (six months ended 30 June 2023: 365,649,352), assumed to have been issued at no consideration on the deemed exercise of share options or conversion of convertible preference shares and share awards into ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Carrying amount at 1 January	7,275,832	4,065,888
Additions	613,407	3,089,345
Acquisition of subsidiaries	—	602,307
Disposal of subsidiaries	(31,952)	—
Reclassification	—	(39,375)
Disposals	(15,017)	(41,721)
Depreciation provided during the period/year (note 5)	(289,924)	(396,463)
Impairment	—	(4,149)
	<u>7,552,346</u>	<u>7,275,832</u>
Carrying amount at 30 June/31 December	<u><u>7,552,346</u></u>	<u><u>7,275,832</u></u>

11. TRADE AND BILLS RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	11,890,840	10,016,434
Impairment	(677,830)	(632,554)
	11,213,010	9,383,880
Less: Trade receivables due after one year	(684,600)	(1,027,890)
	10,528,410	8,355,990
Bills receivable	822,019	1,066,199

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 1% (31 December 2023: 1%) of the Group's trade receivables 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 were amounts due from fellow subsidiaries of RMB2,672,870,000 (31 December 2023: RMB2,477,305,000) and the Group's joint venture of RMB24,185,000 (31 December 2023: RMB22,270,000) as at 30 June 2024 for sales of products by the Group, which accounted for 22% (31 December 2023: 25%) 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 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 180 days	7,215,827	5,952,064
181 to 365 days	2,789,872	2,430,609
1 to 2 years	926,715	885,403
2 to 3 years	265,301	104,020
Over 3 years	15,295	11,784
	11,213,010	9,383,880

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At 1 January	632,554	424,480
Disposal of subsidiaries	(10,959)	—
Impairment losses, net (<i>note 5</i>)	57,948	214,626
Amount written off as uncollectible	<u>(1,713)</u>	<u>(6,552)</u>
At 30 June/31 December	<u>677,830</u>	<u>632,554</u>

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within six months	819,549	1,059,931
Over six months	<u>2,470</u>	<u>6,268</u>
	<u>822,019</u>	<u>1,066,199</u>

Included in the bills receivable was an amount of RMB100,723,000 as at 30 June 2024 (31 December 2023: RMB58,952,000) which was pledged for the issuance of a letter of guarantee.

None of the amount included in the bills receivable as at 30 June 2024 (31 December 2023: nil) 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 2024 the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (the “Endorsed Bills”) with a carrying amount of RMB363,209,000 (31 December 2023: RMB520,505,000) 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 RMB363,209,000 (31 December 2023: RMB520,505,000) as at 30 June 2024.

Transferred financial assets that are derecognised in their entirety

At 30 June 2024, the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (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 RMB1,719,167,000 (31 December 2023: RMB1,295,808,000). 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 2024 RMB’000 (Unaudited)	31 December 2023 RMB’000 (Audited)
Unlisted investments		
Current	2,158,150	2,160,426
Non-current	57,500	37,500
	<u>2,215,650</u>	<u>2,197,926</u>

The current unlisted investments were wealth management products issued by banks and other financial institutions in Chinese Mainland. The non-current unlisted investments are a limited liability partnership and a limited liability company in Chinese Mainland. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

13. TRADE AND BILLS PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 30 days	4,033,446	5,182,215
31 to 90 days	2,265,063	1,746,673
91 to 180 days	1,334,149	902,910
181 to 365 days	714,521	199,395
Over 1 year	303,092	67,005
	<u>8,650,271</u>	<u>8,098,198</u>

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 RMB490,926,000 as at 30 June 2024 (31 December 2023: RMB322,533,000) for purchasing raw materials by the Group.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024 (Unaudited)			31 December 2023 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	2.48–2.50	2025	2,640,376	3.20	2024/On demand	2,260,212
Bank loans — unsecured	1.95–2.4	2025	293,915	2.20–3.25	2024	7,784
Other borrowings — secured	3.60–3.98	2025	100,000	—	—	—
Other borrowings — unsecured	4.02–4.35	2025/On demand	346,908	4.02–4.35	2024/On demand	346,808
Interest payable		2025	53,337	—	2024	37,772
			<u>3,434,536</u>			<u>2,652,576</u>
Non-current						
Bank loans — secured	2.50–3.20	2025–2038	4,533,009	2.65–3.20	2025–2038	4,510,388
Bank loans — unsecured	2.75–2.85	2025–2038	775,469	2.50–3.30	2025–2038	703,388
Other borrowings — secured	3.60–3.98	2025–2027	1,200,000	—	—	—
Other borrowings — unsecured	4.28	2025–2031	32,663	4.02–4.35	2025–2031	35,025
			<u>6,541,141</u>			<u>5,248,801</u>

30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
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Analysed into:

Bank loans repayable:

Within one year	2,987,628	2,305,768
In the second year	2,973,651	3,267,482
In the third to fifth years, inclusive	1,343,606	1,056,559
Over the fifth year	991,221	889,735
	<u>8,296,106</u>	<u>7,519,544</u>

Analysed into:

Other borrowings repayable:

Within one year or on demand	446,908	346,808
In the second year	504,879	4,776
In the third to fifth years, inclusive	715,954	15,616
Over the fifth year	11,830	14,633
	<u>1,679,571</u>	<u>381,833</u>
	<u>9,975,677</u>	<u>7,901,377</u>

- (a) As at 30 June 2024, RMB865,000,000 and RMB11,250,000 of the Group's bank loans were secured by mortgages over the Group's leasehold land of RMB693,499,000 (31 December 2023: RMB701,564,000) and the Group's right of electricity charge of RMB64,550,000 (31 December 2023: RMB64,550,000).
- (b) As at 30 June 2024, Sany Group Co., Ltd. had guaranteed certain of the Group's bank loans up to RMB7,173,385,000 as at the end of the reporting period (31 December 2023: RMB6,111,645,000).
- (c) As at 30 June 2024 and 31 December 2023, all borrowings were denominated in RMB.
- (d) Other borrowings of RMB342,232,000 was due to Sany Group Co., Ltd. and was repayable on demand. Other borrowings of RMB37,339,000 were due to Sany Financial Leasing Co., Ltd. and were repayable by 96 monthly equal instalments commencing on 15 October 2023. Other borrowings of RMB1,300,000,000 were due to Industrial Bank Financial Leasing Co., Ltd. and were secured by the Group's right of electricity charge.

15. GOVERNMENT GRANTS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At 1 January	1,916,665	1,349,838
Received during the period/year	100,295	930,066
Accrued during the year	2,124	10,998
Released to the statement of profit or loss during the period/ year (<i>note 4</i>)	<u>(170,929)</u>	<u>(374,237)</u>
At 30 June/31 December	1,848,155	1,916,665
Current portion	<u>(270,477)</u>	<u>(196,444)</u>
Non-current portion	<u>1,577,678</u>	<u>1,720,221</u>

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

16. SHARE CAPITAL

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Authorised:		
4,461,067,880 (31 December 2023: 4,461,067,880) ordinary shares of HK\$0.10 each	446,107	446,107
538,932,120 (31 December 2023: 538,932,120) convertible preference shares of HK\$0.10 each	<u>53,893</u>	<u>53,893</u>
Total authorised capital	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
3,192,955,321 (31 December 2023: 3,189,660,321) ordinary shares of HK\$0.10 each	319,296	318,966
479,781,034 (31 December 2023: 479,781,034) convertible preference shares of HK\$0.10 each	<u>47,978</u>	<u>47,978</u>
Total issued and fully paid capital	<u>367,274</u>	<u>366,944</u>
Equivalent to RMB'000	<u>315,484</u>	<u>315,185</u>

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 as ordinary shares to receive dividends declared and other distribution made. 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 2023	479,781,034	3,189,660,321	366,944	315,185
Issue of shares (<i>note</i>)	—	3,295,000	330	299
At 30 June 2024	479,781,034	3,192,955,321	367,274	315,484

Note:

During the six months ended 30 June 2024, 3,295,000 new ordinary shares were issued for the share options exercised. Cash proceeds of approximately HK\$4,020,000 (equivalent to approximately RMB3,654,000) were received with no transaction costs borne by the Company, and related share option reserve of approximately RMB1,986,000 was transferred to share premium accordingly.

17. COMMITMENTS

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Buildings	617,670	322,145
Plant and machinery	1,835,456	1,240,274
	2,453,126	1,562,419

MANAGEMENT DISCUSSION AND ANALYSIS

Major Products

The Group divides its products into four categories, namely (1) mining equipment, which includes coal mining machinery, non-coal mining machinery, mining vehicle equipment and smart mine equipment, comprising coal mining machinery products such as roadheaders (all types of soft rock, hard rock roadheaders and integrated excavation, bolting and self-protection machine) and mining equipment (shearer, hydraulic support system, scraper conveyor 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, which include but not limited to 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, and large-scale port machinery such as quayside gantry crane), bulk material equipment (gripper, elevated hoisting arm) and general equipment (heavy-weight forklift, telehandler, etc.); (3) oil and gas equipment, such as frac spreads, drilling, workover and automated pipe handling equipment, and oil and gas field technical services; and (4) emerging businesses, such as lithium battery equipment, photovoltaic modules and hydrogen production equipment.

Business Review

In the first half of 2024, through continuous research and development (“R&D”) investment and R&D innovation, the core competitiveness of the Group’s products continued to enhance. The share of roadheaders, widebodied vehicles, integrated mining trucks, front loaders, stacking machines and large port machineries continued to increase. The international sales revenue of the Group continued to increase rapidly, with an increase of 17.6% over the same period of last year, and the proportion of international sales revenue increased by 5.5 percentage points. Among which, the international sales revenue of large port machinery, small port machinery and mining transport equipment continued to grow.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, the Group recorded revenue of approximately RMB10,756.1 million, representing a decrease of approximately RMB83.1 million, or approximately 0.8%, as compared with approximately RMB10,839.2 million for the six months ended 30 June 2023. Such change was mainly due to the decrease in revenue from mining equipment affected by the prosperity of the coal industry.

Other income and gains

For the six months ended 30 June 2024, the Group's other income and gains were approximately RMB368.6 million, representing an increase of approximately RMB11.4 million from approximately RMB357.2 million for the six months ended 30 June 2023. The change was mainly due to the net gain of RMB22.7 million from the disposal of Sany Robot.

Cost of sales

For the six months ended 30 June 2024, the Group's cost of sales was approximately RMB8,130.5 million, representing an increase of approximately 1.5% from approximately RMB8,007.2 million for the six months ended 30 June 2023. Such change was mainly due to the significant year-on-year increase in cost of sales included in the Group for the oil and gas equipment and emerging industries.

Gross profit margin

For the six months ended 30 June 2024, the gross profit margin of the Group was approximately 24.4%, representing a decrease of approximately 1.7 percentage points against approximately 26.1% for the six months ended 30 June 2023. Such change was mainly due to the increase in the proportion of revenue generated from oil and gas equipment and emerging industries, both of which have a slightly lower gross profit margin.

Selling and distribution expenses

For the six months ended 30 June 2024, the selling and distribution expenses of the Group were approximately RMB563.0 million, representing an increase of approximately 5.1% as compared with that of approximately RMB535.9 million for the six months ended 30 June 2023.

For the six months ended 30 June 2024, the ratio of the Group's selling and distribution expenses to revenue was approximately 5.2%, representing an increase of approximately 0.3 percentage point as compared with approximately 4.9% for the six months ended 30 June 2023. Such change was mainly due to the significant increase in service fees as a result of the significant increase in overseas revenue.

Research and development expenses

For the six months ended 30 June 2024, the R&D expenses of the Group were approximately RMB813.1 million, representing an increase of approximately 8.6% as compared with approximately RMB748.4 million for the six months ended 30 June 2023. For the six months ended 30 June 2024, the ratio of R&D expenses against revenue was approximately 7.6%, representing an increase of approximately 0.7 percentage points as compared with approximately 6.9% for the six months ended 30 June 2023. Such changes were mainly due to the Group's significant increase in R&D investments in the emerging industries and new products.

Administrative expenses

For the six months ended 30 June 2024, administrative expenses of the Group were approximately RMB1,108.5 million (for the six months ended 30 June 2023: approximately RMB967.9 million). The administrative expenses excluding R&D expenses were approximately RMB295.4 million (for the six months ended 30 June 2023: approximately RMB219.5 million), which accounted for approximately 2.7% of the revenue, representing an increase of approximately 0.7 percentage points as compared with approximately 2.0% for the six months ended 30 June 2023. Such changes were mainly due to (1) the increase of the amortisation expense of intangible assets as the result of the acquisition of oil and gas equipment; and (2) the expense ratio of the emerging industry segment was slightly higher.

Finance costs

For the six months ended 30 June 2024, finance costs of the Group were approximately RMB113.3 million, representing an increase of 53.3% as compared with approximately RMB73.9 million for the six months ended 30 June 2023. The change was mainly due to the increase in bank borrowings. Further analysis is set out in the paragraph headed "Interest-bearing bank and other borrowings".

Profit margin before tax

For the six months ended 30 June 2024, the Group's profit margin before tax was approximately 10.7%, representing a decrease of approximately 2.6 percentage points as compared with approximately 13.3% for the six months ended 30 June 2023. Such change was mainly attributable to the decrease in gross profit margin.

Taxation

For the six months ended 30 June 2024, the Group's effective tax rate was approximately 14.4% (for the six months ended 30 June 2023: the effective tax rate was approximately 17.9%). For details regarding income tax, please refer to note 7 on page 16 hereof.

Profit attributable to owners of the parent

For the six months ended 30 June 2024, the Group's profit attributable to owners of the parent was approximately RMB1,032.7 million, which represents a decrease of approximately 14.1% as compared with approximately RMB1,201.9 million for the six months ended 30 June 2023. Further analysis is set out in the paragraphs headed "Revenue", "Gross profit margin" and "Profit margin before tax".

Liquidity and financial resources

As at 30 June 2024, total current assets of the Group were approximately RMB24,107.9 million (31 December 2023: RMB20,778.3 million). As at 30 June 2024, total current liabilities of the Group were approximately RMB17,782.9 million (31 December 2023: RMB16,172.6 million).

As at 30 June 2024, total assets of the Group were approximately RMB38,190.3 million (31 December 2023: approximately RMB34,963.0 million), and total liabilities were approximately RMB26,189.3 million (31 December 2023: approximately RMB23,424.6 million).

As at 30 June 2024, the gearing ratio (the net debt divided by the equity plus net debt) was approximately 61.0% (31 December 2023: approximately 60.2%).

Trade and bills receivables

As at 30 June 2024, the Group's gross balance of trade and bills receivables were approximately RMB12,712.9 million, representing an increase of approximately 14.7% as compared to approximately RMB11,082.6 million as at 31 December 2023, in which the amount of trade receivables increased by approximately 18.7% to approximately RMB11,890.8 million as compared with approximately RMB10,016.4 million as at 31 December 2023. Such changes were mainly attributable to the increase in sales revenue as compared to the second half of 2023. The bills receivable decreased by approximately 22.9% to approximately RMB822.0 million as compared to approximately RMB1,066.2 million as at 31 December 2023. Such changes were mainly due to the decrease in receipt of bills.

Interest-bearing bank and other borrowings

As at 30 June 2024, interest-bearing bank and other borrowings of the Group were approximately RMB9,975.7 million (31 December 2023: approximately RMB7,901.4 million). The main reason for the Group's borrowing was to meet the Group's development demands of emerging industries and day-to-day operational requirements.

As at 30 June 2024, the Group's secured bank borrowings and other borrowings carried interests between 2.48% and 3.98% per annum (31 December 2023: 2.65% to 3.2%) and the unsecured bank borrowings and other borrowings carried interests between 1.95% and 4.35% per annum (31 December 2023: between 2.2% and 4.35% per annum).

Cash flow

As at 30 June 2024, the Group's cash and cash equivalents and time deposits with maturity of three months or more were approximately RMB4,471.9 million in total.

For the six months ended 30 June 2024, the net cash outflow of the Group from operating activities was approximately RMB152.9 million (for the six months ended 30 June 2023: net cash inflow of approximately RMB985.1 million). Such changes were mainly due to the increase in trade receivables and cash outflow of the emerging industries from operating activities.

For the six months ended 30 June 2024, the net cash outflow of the Group from investing activities was approximately RMB346.7 million (for the six months ended 30 June 2023: RMB776.5 million). Such changes were mainly due to the decrease in cash outflow for purchase of property, plant and equipment.

For the six months ended 30 June 2024, the net cash inflow of the Group from financing activities was approximately RMB1,734.0 million (for the six months ended 30 June 2023: RMB2,225.4 million). Such changes were mainly due to the decrease in net cash inflow from bank borrowings.

Turnover days

As at 30 June 2024, the Group's average turnover days of inventory were approximately 82.0 days, representing an increase of approximately 10.2 days over approximately 71.8 days as at 30 June 2023. Such changes were mainly due to the increase in inventories including cells in the emerging industries.

The turnover days of trade and bills receivables increased by approximately 46.8 days from approximately 155.2 days as at 30 June 2023 to approximately 202.0 days as at 30 June 2024. Such changes were mainly due to the increase in proportion of products with long payment cycles.

The turnover days of trade and bills payables increased by approximately 32.4 days from approximately 155.6 days as at 30 June 2023 to approximately 188.0 days as at 30 June 2024. Such changes were mainly due to the extension of payment terms of contract as a result of the implementation of offline settlement.

Financial guarantee contracts

The financial guarantee contracts represent guarantees given to financial institutions or finance lease companies in connection with facilities granted to the Group's customers. As at 30 June 2024, an allowance of RMB4,943.3 million (31 December 2023: RMB5,112.2 million) was provided for the unsettled loans and lease amounts of RMB12.8 million (31 December 2023: RMB12.8 million).

Capital commitment

As at 30 June 2024, the contracted capital commitments of the Group which were not provided for in the Group's financial statements were approximately RMB2,453.1 million (31 December 2023: approximately RMB1,562.4 million).

Employees and remuneration policy

As at 30 June 2024, the Group employed a total of 8,642 full-time employees (31 December 2023: 9,324 employees). Such changes were mainly due to the disposal of Sany Robot in the first half of the year, thus the number of its employees were excluded by the Group.

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 and 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 has implemented a share option scheme and a share award scheme for core employees to share the Company's development results. The remuneration of the directors of the Group was determined according to their positions, responsibilities, experience and prevailing market conditions.

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures and future plans for material investments and capital assets

On 14 May 2024, Sany Heavy Equipment, a wholly-owned subsidiary of the Company, and Sany Group Limited (三一集團有限公司) (“**Sany Group**”) entered into an equity transfer agreement, pursuant to which Sany Heavy Equipment has conditionally agreed to dispose of, and Sany Group has conditionally agreed to purchase the sale equity, which includes: (i) 45.5% equity interest in Sany Robot; (ii) 99.9% equity interest in Changsha Zhiding Enterprise Management Partnership (Limited Partnership)* (長沙智頂企業管理合夥企業(有限合夥)) (“**Changsha Zhiding**”), which in turn holds 15% equity interest in Sany Robot; and (iii) 82.13% equity interest in Changsha Zhiqiang Enterprise Management Partnership (Limited Partnership)* (長沙智強企業管理合夥企業(有限合夥)) (“**Changsha Zhiqiang**”), which in turn holds 15% equity interest in Sany Robot, at an aggregate consideration of RMB45.5 million (the “**Disposal**”). Upon completion of the Disposal on 24 May 2024, the Group ceased to be the general partner of Changsha

Zhiding and Changsha Zhiqiang and ceased to have any equity interest in Changsha Zhiding, Changsha Zhiqiang and Sany Robot. Accordingly, Changsha Zhiding, Changsha Zhiqiang and Sany Robot ceased to be subsidiaries of the Company and their financial results will no longer be consolidated into those of the Group. Further details are set out in the announcement of the Company dated 14 May 2024.

As at 30 June 2024, the Group subscribed certain assets management products from CITIC Securities Company Limited and its subsidiaries at an aggregated subscription amount of approximately RMB1,099.7 million. These products carried at an estimated investment return rates ranging from 3.9% to 4.5% per annum. The Group adopted a prudent approach in choosing these products which are with low investment risks. By investing in these products, the Group would earn investment income by using its temporary idle funds which is in the interests of the Company and the shareholders as a whole.

Save as disclosed above, there were no other significant investments, and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

As at 30 June 2024, the Board had not authorised any plan for material investments or capital assets.

Pledge on assets

As at 30 June 2024, the Group recorded pledged bank deposits of approximately RMB44.6 million (31 December 2023: approximately RMB43.3 million) for the purpose of issuing security deposit for bank acceptance bills. As at 30 June 2024, the Group's leasehold land of approximately RMB693.5 million (31 December 2023: approximately RMB701.6 million) and the Group's right of electricity charge of approximately RMB64.6 million (31 December 2023: approximately RMB64.6 million) were pledged for the Group's bank loans of approximately RMB865.0 million and approximately RMB11.3 million.

Foreign exchange risk

As at 30 June 2024, the Group's cash and bank balances denominated in foreign currencies such as US\$ and EUR were equivalent to approximately RMB1,311.2 million. The Group will monitor the risk exposures and consider hedging against material currency risk if and when necessary.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this announcement, the Group has no material events subsequent to 30 June 2024 and up to the date of this announcement.

SOCIAL RESPONSIBILITY

Consistently adhering to the concept of “Quality changes the world”, the Group proactively supports the national “dual carbon” policy of “carbon peaking and carbon neutrality”. Focusing on the needs for green transformation upgrades of customers, the Group actively develops clean technology products and solutions to accelerate the deep integration of traditional industries and technology and empower the intelligent transformation of the manufacturing industry. Pure water hydraulic support in the mining equipment segment has been successfully applied in many large-scale coal mines, solving the pollution problem of underground mining, realising efficient, safe and green mining. In the logistics equipment segment, the new energy products such as the newly upgraded electric front loaders, electric stacking machines, electric forklifts and electric trucks continues to conduct energy-saving and carbon-reducing upgrades, leading the electric segment in all respects, contributing to the construction of green ports around the world.

The Group has actively launched industry and university-enterprise cooperation, promoted technological research and development innovation, continuously enhanced its investment in scientific and technological research and development and technological innovation, and made a number of technological breakthroughs in intelligence, cleanliness and high efficiency by relying on the advanced research and development platforms such as the iconic experimental bench and the intelligent design platform for products. Sany Heavy Equipment’s self-developed “Key Technology Development and Application of Underground Coal Mine Intelligent Roadheading Robot” was successfully selected as one of the only 25 selected technologies in the field of equipment manufacturing in the 2023 “Innovation China” Pilot Technology List. The development of society is the cornerstone of the Group’s progress, and social responsibility is also Sany’s mission. We always adhere to the spirit of “self-improvement, industry serves the country” and the national sentiment, insist on scientific public welfare, and endeavour to promote the positive interaction between business and public welfare, and between enterprises and society, so as to jointly build a better society full of vitality, goodwill and trust.

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders. The Board strives to adhere 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 accountability 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 return for shareholders.

The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code on corporate governance. To the best knowledge of the Directors, the Company had complied with all applicable code provisions under the CG Code during the six months ended 30 June 2024.

Compliance with the Model Code for Directors’ Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended 30 June 2024, they were in compliance with the required provisions set out in the Model Code.

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. As at 30 June 2024, 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 2024.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial statements of the Group for the six months ended 30 June 2024 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 2024 (six months ended 30 June 2023: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

For the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company. As at 30 June 2024, the Company did not hold any treasury shares.

PUBLICATION OF INFORMATION ON THE WEBSITES

This announcement is published on the website of the Stock Exchange (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 2024 containing all the information required by the Listing Rules will be made available on the same websites and despatched to the Shareholders (if necessary) in due course.

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

Hong Kong, 28 August 2024

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.