
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY

In 1989, Liang Wengen, Tang Xiuguo, Mao Zhongwu and Yuan Jinhua founded Lian Yuan City Welding Materials Factory (“**Lian Yuan Factory**”), the predecessor of Sany Group. Each of Xiang Wenbo, Wang Zuochun, Huang Jianlong, Yi Xiaogang, Zhai Dengke and Zhou Fugui joined Lian Yuan Factory as senior management between 1991 and 1998 and each of them became shareholders of Lian Yuan Factory through the employee share option scheme.

In October 2000, Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Yi Xiaogang, Zhai Dengke and Wang Zuochun together set up Sany Group to operate businesses including but not limited to the manufacture and sale of engineering machinery for construction purposes. As at the date of its establishment, Sany Group was owned as to 59% by Liang Wengen, as to 9% by Tang Xiuguo, as to 8% by Xiang Wenbo, as to 8% by Mao Zhongwu, as to 8% by Yuan Jinhua, as to 4% by Zhou Fugui, as to 2% by Yi Xiaogang, as to 1% by Zhai Dengke and as to 1% by Wang Zuochun. In January 2005, Zhai Xian and Zhai Chun, the children of Zhai Dengke, inherited the 1% equity interest in Sany Group held by Zhai Dengke after Zhai Dengke’s death. In June 2005, Yuan Jinhua transferred his 3% equity interest in Sany Group to his former spouse, Wang Haiyan.

In July 2005, Liang Wengen transferred his 0.38% and 0.08% equity interests in Sany Group to Zhao Xiangzhang and Huang Jianlong, respectively, at nil consideration. In September 2008, each of Tang Xiuguo, Yuan Jinhua and Zhou Fugui transferred his 0.25%, 0.25% and 0.5% equity interests in Sany Group to Liang Wengen, respectively, at a nominal consideration of RMB1.00. After completion of such transfer, Liang Wengen transferred his 1% equity interest in Sany Group to Yi Xiaogang at a consideration of RMB1 and 0.3% equity interest in Sany Group to Duan Dawei at nil consideration. As at the Latest Practicable Date, Sany Group was held as to 58.24% by Liang Wengen, as to 8.75% by Tang Xiuguo, as to 8% by Xiang Wenbo, as to 8% by Mao Zhongwu, as to 4.75% by Yuan Jinhua, as to 3.5% by Zhou Fugui, as to 3% by Wang Haiyan, as to 3% by Yi Xiaogang, as to 1% by Wang Zuochun, as to 0.6% by Zhai Xian, as to 0.4% by Zhai Chun, as to 0.38% by Zhao Xiangzhang, as to 0.3% by Duan Dawei and as to 0.08% by Huang Jianlong, who have the same shareholdings in Sany BVI.

Through their respective shareholdings in Sany Group, each of Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Wang Zuochun, Zhai Xian, Zhai Chun, Zhao Xiangzhang, Duan Dawei and Huang Jianlong indirectly owns an interest in Sany Heavy Equipment, our operating subsidiary, prior to the Reorganisation. As part of the Reorganisation, the details of which are set out in the paragraph headed “— Reorganisation”, Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Wang Zuochun, Zhai Xian, Zhai Chun, Zhao Xiangzhang, Duan Dawei and Huang Jianlong together set up Sany BVI and, through Sany BVI’s indirect shareholding in Sany Heavy Equipment, operate the business of our Group. Save for Liang Wengen, Mao Zhongwu, Xiang Wenbo and Huang Jianlong who are connected persons of the Company under the Listing Rules, each of the shareholders of Sany BVI is a third party independent of the Company and connected persons of the Company.

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On 14 October 2005, Sany HK was established as a wholly-owned subsidiary of Sany Group pursuant to the approval of the Department of Commerce of Hunan Province (湖南省商務廳). On 20 October 2006, Sany Heavy Industry transferred its 75% interest in Sany Heavy Equipment to Sany HK, upon completion of which, Sany Heavy Equipment became a 75% owned subsidiary directly under Sany HK and indirectly under Sany Group, with the remaining 25% held by China Wealth.

Following the capital contribution into Sany Heavy Equipment by Sany HK with an aggregate amount of US\$160 million in January 2008, August 2008 and September 2008, respectively, as of 11 September 2008, Sany Heavy Equipment was approved to be owned as to 97.96% by Sany HK and as to 2.04% by China Wealth. On 13 October 2008, Sany HK entered into a sale and purchase agreement with China Wealth to purchase the 2.04% equity interest in Sany Heavy Equipment from China Wealth. Upon completion of such sale and purchase agreement, which took place on 9 December 2008, Sany Heavy Equipment became a wholly-owned subsidiary of Sany HK.

We operate our main business through our operating subsidiary, Sany Heavy Equipment. In view of the growing global demand for coal and the fact that China has one of the largest coal mining resources in the world, our subsidiary, Sany Heavy Equipment, was established by Sany Heavy Industry, which our ultimate Controlling Shareholder, Mr. Liang Wengen, has an interest in, and Synnium Machinery as a sino-foreign joint venture company on 13 January 2004 under the laws of the PRC. As at the date of its establishment, Sany Heavy Equipment was 75% owned by Sany Heavy Industry and 25% owned by Synnium Machinery. On 14 December 2004, Synnium Machinery transferred its 25% interest in Sany Heavy Equipment to China Wealth for cash consideration of RMB 25.0 million. Each of China Wealth and Synnium Machinery is owned by Mr. Liang Linyang and Mr. Liang Linhe, in the shareholding proportion of 64% and 34%, respectively. Each of Mr. Liang Linyang and Mr. Liang Linhe is a nephew of Mr. Liang Wengen, and therefore a related party of our Group, our Controlling Shareholders as well as the SG Group. The other shareholders of China Wealth and Synnium Machinery are independent third parties. The principal businesses of China Wealth include finance leases, sale of machinery, which consists of the machinery manufactured by members of the SG Group, and finance investment. The principal business of Synnium Machinery is in the finance leasing of machinery as well as the procurement of raw materials from overseas suppliers.

We, through Sany Heavy Equipment, commenced our business operations by establishing our headquarters and production facilities in Shenyang City, Liaoning Province, an industrial base which is also close to the coal mines in northern China. Our headquarters and production facilities are located in Shenyang City.

Leveraging on the market experience, research and development expertise, reputation as well as the manufacturing expertise of the SG Group in the heavy machinery industry, we started manufacturing excavating machinery. Within a short period of eight months, we successfully developed, designed, manufactured and launched our first integrated roadheader (EBZ160) in August 2004, which we started selling to our customers in 2005. In order to increase our share of the market and to respond to changing customers' needs, we started increasing our product portfolio

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and developed new products through our research and development activities. Particularly noteworthy are our EBZ200H roadheader and EBZ318H roadheader, which were launched in December 2005 and April 2009, respectively. Our EBZ200H roadheader was recognised by the Science and Technology Office of Liaoning Province as a Provincial Grade Science and Technological Research Achievement, while our EBZ318H roadheader has one of the highest performance levels in China.

As part of our strategic expansion plans and with a view to enhancing our production capacity and accommodating the increasing demand for our products, we have expanded our production facilities at Shenyang City. Between April and May 2009, we obtained the land use rights certificates of three plots of land with a total gross floor area of approximately 629,015.20 sq.m. With an increased area of production facilities, we started venturing into new product segments which form part of our product portfolio.

In 2008, with an aim to become a one-stop coal mining solutions and comprehensive coal mining equipment provider to our customers, we expanded our product portfolio and started developing and manufacturing new products, such as coal mining machinery, hydraulic support structures, scraper conveyors and transport vehicles to be used in coal mines. Following this product line expansion, we successfully launched a new product segment, combined coal mining units, and have also ventured into a new product segment, coal mine transportation vehicles, which we have already started designing and manufacturing.

On 20 May 2008, we established Sany Zongcai, our wholly-owned subsidiary directly under Sany Heavy Equipment. Sany Transportation was established on 25 September 2008, as a wholly-owned subsidiary of Sany Group. Between April 2009 and May 2009, Sany Zongcai obtained the land use rights certificates of a production park with a gross floor area of approximately 629,015.20 sq.m. in Shenyang City. Sany Group had, on 23 July 2009, transferred its 100% interest in Sany Transportation to Sany Heavy Equipment pursuant to an intragroup transfer for a cash consideration of approximately RMB166.8 million, upon completion of which, Sany Transportation became a wholly-owned subsidiary directly under Sany Heavy Equipment. Currently, Sany Zongcai and Sany Transportation do not carry out any business operations. We intend to transfer the production operations of our combined coal mining units and in the future, our coal mine transportation vehicles to Sany Zongcai. Thereafter, Sany Heavy Equipment shall focus mainly on the production operations of our excavating machinery.

We initially relied on third party suppliers for the electric motors necessary for the production of our products. In December 2007, we acquired an initial 41% interest in Sany Junma, following an increase in capital contribution to gain a further 10% interest in Sany Junma. Sany Junma manufactures electric motors. For the year ended 31 December 2008, Sany Junma recorded revenue of approximately RMB292.5 million. Pursuant to the Reorganisation, we subsequently sold our 51% interest in Sany Junma to Sany Group, subject to the remaining shareholders of Sany Junma waiving their pre-emptive rights and approving such transfer by way of shareholders' approval. Such shareholders' approval was obtained on 30 May 2009 and the transfer was completed on 24 August 2009. However, we are still able to obtain electric motors from Sany Junma required for the production of our products from Sany Junma. Please refer to the paragraph headed "— Excluded Business" below for further details.

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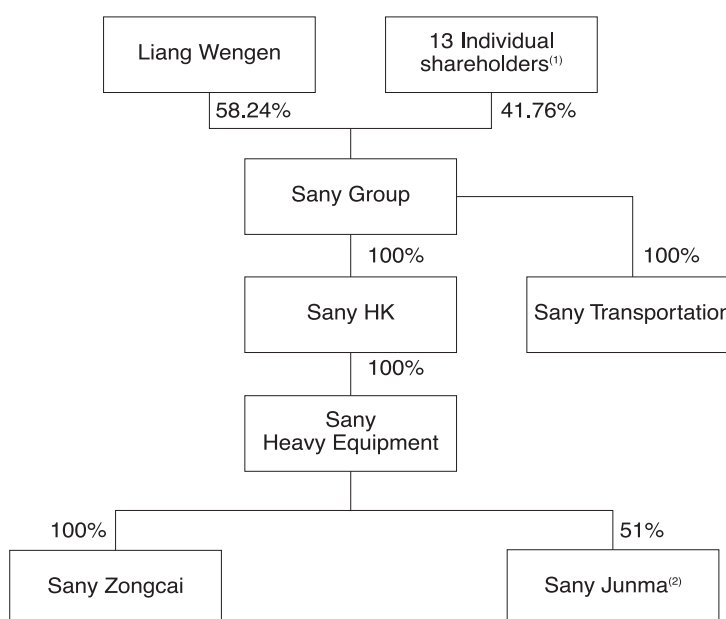
We have made continuous efforts in the research and development of new products to cater to the different and varying needs of our customers. In June 2008, we were granted an approval by the Ministry of Human Resources and Social Security (國家人力資源和社會保障部) of the PRC to establish a National Postdoctoral Scientific Research Base (國家級博士後科研工作站).

We believe that our continuous efforts in product improvement and research and development, compounded by the fact that we see an increasing demand by our customers for a one-stop coal mining solutions and comprehensive coal mining equipment provider, will allow us to capitalise on increasing market demand in both the PRC and overseas markets and will be the key driver for our future growth.

REORGANISATION

In May 2009, we commenced the Reorganisation.

Prior to the Reorganisation, our businesses were operated by Sany Heavy Equipment. The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganisation:



Notes:

- (1) The 13 individual shareholders are Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Wang Zuochun, Zhai Xian, Zhai Chun, Zhao Xiangzhang, Duan Dawei and Huang Jianlong, each holding 8.75%, 8.00%, 8.00%, 4.75%, 3.50%, 3.00%, 3.00%, 1.00%, 0.60%, 0.40%, 0.38%, 0.30% and 0.08% of the equity interests in Sany Group, respectively. Except for (i) Zhai Xian and Zhai Chun who are siblings, and (ii) Yuan Jinhua and Wang Haiyan who are former spouses, there is no family relationship among the 14 individual shareholders of Sany Group.
- (2) The remaining 49% interest is held by independent third parties.

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Establishment of a holding company by the shareholders

On 23 June 2009, Sany BVI was incorporated in the British Virgin Islands in order to act as the holding company for the interests of 14 individual shareholders in our Company. The authorised share capital of Sany BVI is US\$50,000 divided into 50,000 shares of US\$1.00 each. The 14 individual shareholders, namely Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Wang Zuochun, Zhai Xian, Zhai Chun, Zhao Xiangzhang, Duan Dawei and Huang Jianlong held 58.24%, 8.75%, 8.00%, 8.00%, 4.75%, 3.50%, 3.00%, 3.00%, 1.00%, 0.60%, 0.40%, 0.38%, 0.30% and 0.08% of the issued share capital of Sany BVI, respectively.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 23 July 2009 to be the ultimate holding company of our Group. The initial authorised share capital of our Company was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each.

Acquisition of Sany HK from Sany Group

Pursuant to the sale and purchase agreement dated 1 July 2009 entered into between Sany Group as vendor and Sany BVI as purchaser, Sany Group transferred the entire issued share capital of Sany HK to Sany BVI for a consideration of HK\$76,000,000.00, which was determined with reference to the paid-up share capital of Sany HK. After completion of the acquisition, Sany HK was wholly-owned by Sany BVI.

Acquisition of our Company from Sany BVI

On 27 August 2009, Sany BVI transferred the entire issued share capital of our Company to Sany HK at par. After completion of the acquisition, our Company was wholly-owned by Sany HK.

Acquisition of Sany Transportation

Pursuant to the sale and purchase agreement dated 23 July 2009 entered into between Sany Group as vendor and Sany Heavy Equipment as purchaser, Sany Group transferred its 100% interest in Sany Transportation to Sany Heavy Equipment for a consideration of RMB166,800,000, which was determined with reference to the registered capital of Sany Transportation. After completion of the acquisition on 23 July 2009, Sany Transportation was wholly-owned by Sany Heavy Equipment.

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Acquisition of Sany Heavy Equipment

Pursuant to the sale and purchase agreement dated 30 July 2009 entered into between Sany HK as vendor and our Company as purchaser, Sany HK transferred its 100% interest in Sany Heavy Equipment to our Company for a consideration of RMB1,566,460,700, which was determined with reference to the fair value of the net assets of Sany Heavy Equipment as at 31 March 2009 as assessed by an independent valuer and satisfied by the allotment and issue of 99 shares by our Company to Sany HK, credited as fully paid at premium, and crediting of the one nil-paid share held by Sany HK as fully-paid.

EXCLUDED BUSINESS

Prior to the Reorganisation, Sany Junma was held as to 51% by Sany Heavy Equipment and the remaining 49% interest was held by independent third parties.

Sany Junma is principally engaged in the manufacture and sale of electrical components. Sany Heavy Equipment acquired a 41% interest in Sany Junma pursuant to a share transfer agreement dated 27 December 2007, and the acquisition was completed on 28 December 2007. Given (i) the requirement under the capital increasing agreement dated 27 December 2007 entered into between Sany Junma and Sany Heavy Equipment that the management of Sany Junma, comprising mainly the management team of the remaining shareholders of Sany Junma, should remain unchanged for 3 years, and (ii) that Sany Heavy Equipment had no control over the board of directors of Sany Junma, Sany Junma was only accounted for as an associate of our Group despite the fact that it was 51% owned by our Group.

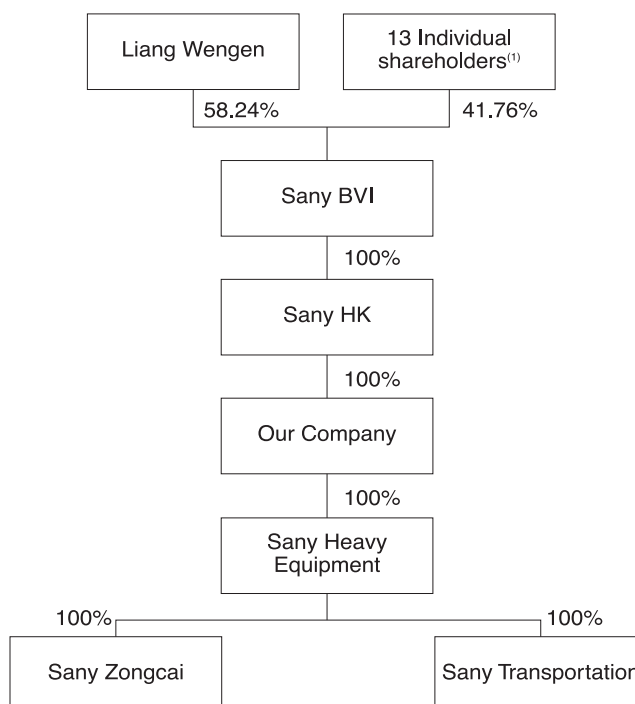
Pursuant to the Reorganisation, Sany Heavy Equipment entered into an equity transfer agreement with Sany Group on 31 May 2009, as supplemented by a supplemental agreement dated 18 September 2009, pursuant to which Sany Heavy Equipment agreed to transfer its 51% interest in Sany Junma to Sany Group at a consideration of RMB141,465,904.43. The consideration for such disposal was determined based on the carrying amount of the equity interest in Sany Junma as at 31 May 2009 as assessed by an independent auditor. The transfer of the 51% interest in Sany Junma by Sany Heavy Equipment to Sany Group is subject to the remaining shareholders of Sany Junma waiving their pre-emptive rights and approving such transfer by way of shareholders' approval. Such approval was obtained on 30 May 2009. All the requisite procedures in respect of the transfer of the 51% interest in Sany Junma by Sany Heavy Equipment to Sany Group had been completed on 24 August 2009 and, upon completion of such transfer, Sany Junma has ceased to be an associate of our Group.

The principal business of Sany Junma is the manufacture and sale of electrical components used in various types of machines, which include but are not limited to the engines used in our products, and its business is not directly related to the core business of our Group of manufacture of excavating machinery, integrated coal mining equipment and coal mining transportation vehicles. Although one of our strategies is to increase vertical integration in the production process of our products, we strategically produce parts and components which are used solely for our own products, and we do not intend to manufacture and sell parts and components. Further, despite having a 51% interest in Sany Junma, we were unable to conduct meaningful management

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participation and as a result, it had been difficult for us to implement our strategies through Sany Junma. If Sany Junma had not been disposed of, we would be manufacturing and selling parts and components which are not necessarily the parts and components required by our products. In order to focus on our core business, and in line with our Group's strategic direction and development plan, we have decided to dispose of Sany Junma as part of the Reorganisation.

The following chart sets forth our Group's corporate and shareholding structure immediately after the Reorganisation, but before the Capitalisation Issue:



Note:

- (1) The 13 individual shareholders are Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Wang Zuochun, Zhai Xian, Zhai Chun, Zhao Xiangzhang, Duan Dawei and Huang Jianlong, each holding 8.75%, 8.00%, 8.00%, 4.75%, 3.50%, 3.00%, 3.00%, 1.00%, 0.60%, 0.40%, 0.38%, 0.30% and 0.08% of the equity interests in Sany BVI, respectively.

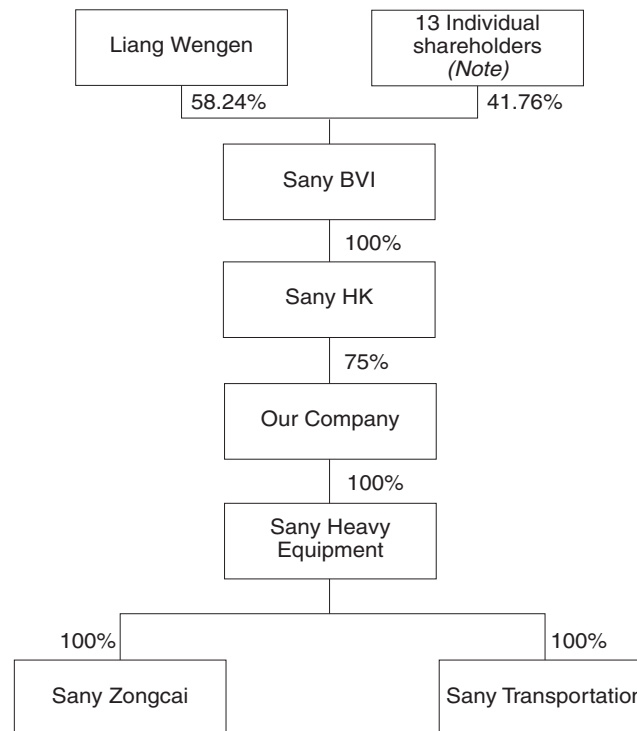
CAPITALISATION ISSUE

On 5 November 2009, our Company increased its authorised share capital to HK\$300,000,000 through the creation of 2,996,200,000 additional Shares.

Our Directors are authorised to capitalise an amount of HK\$149,999,990 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 1,499,999,900 Shares for allotment and issue to our shareholders as of 5 November 2009, on a pro rata basis.

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The following chart sets forth our Group's corporate and shareholding structure upon completion of the Capitalisation Issue:



Note:

- (1) The 13 individual shareholders are Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Wang Zuochun, Zhai Xian, Zhai Chun, Zhao Xiangzhang, Duan Dawei and Huang Jianlong, each holding 8.75%, 8.00%, 8.00%, 4.75%, 3.50%, 3.00%, 3.00%, 1.00%, 0.60%, 0.40%, 0.38%, 0.30% and 0.08% of the equity interests in Sany BVI, respectively.

M&A RULES

On 8 August 2006, six PRC regulatory agencies, including MOFCOM and CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), or the M&A Rules, a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006. The M&A Rules, among other things, purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

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Based on the understanding of Jingtian & Gongcheng, our PRC legal advisers, as Sany Heavy Equipment was formed in 2004 as a sino-foreign joint venture, any change in shareholders of Sany Heavy Equipment resulting from the Reorganisation shall be subject to the Several Provisions for the Alteration of Investors' Equities in Foreign Invested Enterprises (《外商投資企業投資者股權變更的若干規定》) and would require relevant approvals from its original examination and approval authority in the PRC. As such, the MOFCOM approvals as stipulated in the M&A Rules are not applicable to the Reorganisation.