The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered and Available for Inspection" in Appendix VII, a copy of the accountants' report is available for inspection.

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

[●] 2009

The Directors
Sany Heavy Equipment International Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of Sany Heavy Equipment International Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively refered to as the "Group"), prepared on the basis set out in note 2 of Section II below, for each of the three years ended 31 December 2006, 2007 and 2008, and the six months ended 30 June 2009 (the "Relevant Periods") (the "Financial Information") and the financial information for the six months ended 30 June 2008 (the "30 June 2008 Financial Information") for inclusion in the document of the Company dated [●] 2009 (the "document") in connection with the [●] of the Company on the [●].

The Company was incorporated in the Cayman Islands on 23 July 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") as detailed in note 1.2 of Section II, the Company became the holding company of the subsidiaries set out in note 1.2 of Section II. The Reorganisation became effective on [28 August] 2009.

All companies now comprising the Group and the Group's associate have adopted 31 December as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements. The statutory audited financial statements or management accounts of the subsidiaries and associate established in the People's Republic of China (the "PRC") were prepared in accordance with the generally accepted accounting principles and the relevant financial regulations of the PRC (the "PRC GAAP accounts"). For the purpose of this report, the directors of the Company have prepared the combined management accounts of the Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "IFRS combined management accounts").

The directors of the Company are responsible for the Financial Information which gives, for the purpose of this report, a true and fair view, and the contents of the document in which this report is included. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion, based on our independent audit on the Financial Information for the Relevant Periods and to report our opinion to you.

Procedures performed in respect of the Relevant Periods

The Financial Information has been prepared from the IFRS combined management accounts and in accordance with the basis set out in note 2 of Section II. For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with the Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were deemed necessary to the IFRS combined management accounts in preparing this accountants' report for inclusion in the document.

Procedures performed in respect of the 30 June 2008 Financial Information

For the purpose of this report, we have also performed a review of the 30 June 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2008 Financial Information.

Opinion in respect of the Financial Information of the Relevant Periods

In our opinion, the Financial Information for the Relevant Periods prepared on the basis of presentation and preparation set out in Section II "Notes to Financial Information", for the purpose of this report, gives a true and fair view of the combined state of affairs of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the combined results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the 30 June 2008 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 June 2008 Financial Information does not give a true and fair view of the combined results and cash flows of the Group for the six-month period ended 30 June 2008, in accordance with IFRSs.

(I) FINANCIAL INFORMATION

Combined income statements

	Notes	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000	Six months ended 30 June 2008 RMB'000 (Unaudited)	2009 RMB'000
REVENUE	7	159,857	461,600	1,146,789	438,616	891,583
Cost of sales		(77,947)	(233,312)	(612,414)	(222,026)	(453,570)
Gross profit		81,910	228,288	534,375	216,590	438,013
Other income	7	4,965	12,793	23,676	12,302	13,412
Selling and distribution costs		(30,935)	(71,657)	(165,601)	(64,834)	(85,462)
Administrative expenses		(32,431)	(69,735)	(113,621)	(44,294)	(72,320)
Other expenses		(2,654)	(14,868)	(33,535)	(29,489)	(15,488)
Finance costs	9	(2,740)	(6,908)	(21,247)	(9,347)	(3,825)
Share of profits and losses of an associate	17	—	4,479	(57)	(1,321)	4,325
PROFIT BEFORE TAX	8	18,115	82,392	223,990	79,607	278,655
Tax	12	300	59,030	(12,121)	(1,892)	(28,440)
PROFIT FOR THE YEAR/PERIOD		18,415	141,422	211,869	77,715	250,215
Attributable to:						
Equity holders of the Company		9,947	106,066	189,044	66,478	250,215
Minority interests		8,468	35,356	22,825	11,237	—
		18,415	141,422	211,869	77,715	250,215
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
Basic	14	RMB0.01	RMB0.07	RMB0.13	RMB0.04	RMB0.17
Diluted	14	N/A	N/A	N/A	N/A	N/A

Combined statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the year/period	18,415	141,422	211,869	77,715	250,215
Total comprehensive income for the year/period, net of tax	18,415	141,422	211,869	77,715	250,215
Attributable to:					
Equity holders of the Company	9,947	106,066	189,044	66,478	250,215
Minority interests	8,468	35,356	22,825	11,237	—
	18,415	141,422	211,869	77,715	250,215

Combined Statement of financial position

	Notes	31 December 2006	31 December 2007	31 December 2008	30 June 2009
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	135,570	246,730	312,669	252,806
Prepaid land lease payments	16	—	—	—	294,508
Interest in an associate	17	—	137,198	422,468	—
Non-current prepayments	20	4,204	310,230	324,616	23,191
Deferred tax assets	27	300	59,330	67,485	68,900
Total non-current assets		140,074	753,488	1,127,238	639,405
CURRENT ASSETS					
Inventories	18	107,536	242,676	373,842	465,970
Trade receivables	19	58,656	139,889	281,723	478,851
Bills receivable	19	15,190	56,107	182,058	483,530
Prepayments, deposits and other receivables	20	24,007	43,912	230,331	110,078
Due from a shareholder	32	198	1,855	4,427	91
Due from related parties	32	305	388,729	841,261	206,764
Pledged deposits	21	15,482	24,890	21,668	35,192
Cash and cash equivalents	21	14,307	31,713	59,789	273,863
Total current assets		235,681	929,771	1,995,099	2,054,339
CURRENT LIABILITIES					
Trade and bills payable	22	94,526	208,662	217,940	311,935
Other payables and accruals	23	48,337	229,246	289,076	409,157
Interest-bearing bank borrowings	24	60,000	190,000	310,000	—
Due to related parties	32	72,195	524,231	359,396	11,744
Tax payable		—	—	18,415	46,543
Provision for warranties	25	2,646	5,466	16,801	25,821
Government grants	26	2,626	3,080	—	—
Total current liabilities		280,330	1,160,685	1,211,628	805,200
NET CURRENT ASSETS/ (LIABILITIES)		(44,649)	(230,914)	783,471	1,249,139
TOTAL ASSETS LESS CURRENT LIABILITIES		95,425	522,574	1,910,709	1,888,544

	Notes	31 December 2006	31 December 2007	31 December 2008	30 June 2009
		RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		95,425	522,574	1,910,709	1,888,544
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	24	—	55,000	75,000	—
Government grants	26	2,513	233,240	261,138	260,845
Total non-current liabilities		2,513	288,240	336,138	260,845
Net assets		92,912	234,334	1,574,571	1,627,699
EQUITY					
Equity attributable to equity holders of the Company		69,684	175,750	1,574,571	1,627,699
Minority interests		23,228	58,584	—	—
Total equity		92,912	234,334	1,574,571	1,627,699

Combined statements of changes in equity

	Attributable to equity holders of the Company			
	Owner's equity**	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	37,110	37,110	37,387	74,497
Profit for the year/total comprehensive income	9,947	9,947	8,468	18,415
Acquisition of minority interests in Sany Heavy Equipment Co., Ltd ("Sany Heavy Equipment") (三一重型裝備有限公司) *	22,627	22,627	(22,627)	—
At 31 December 2006 and 1 January 2007	69,684	69,684	23,228	92,912
Profit for the year/total comprehensive income	106,066	106,066	35,356	141,422
At 31 December 2007 and 1 January 2008	175,750	175,750	58,584	234,334
Profit for the year/total comprehensive income	189,044	189,044	22,825	211,869
Capital contribution to Sany Heavy Equipment	1,178,016	1,178,016	(49,648)	1,128,368
Acquisition of minority interests in Sany Heavy Equipment	31,761	31,761	(31,761)	—
At 31 December 2008 and 1 January 2009	1,574,571	1,574,571	—	1,574,571

	Attributable to equity holders of the Company			
	Owner's equity**	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2008 and 1 January 2009	1,574,571	1,574,571	—	1,574,571
Profit for the period/total comprehensive income	250,215	250,215	—	250,215
Dividends declared (note 13)	(197,087)	(197,087)	—	(197,087)
At 30 June 2009	1,627,699	1,627,699	—	1,627,699
(Unaudited)				
At 1 January 2008	175,750	175,750	58,584	234,334
Profit for the period/total comprehensive income	66,478	66,478	11,237	77,715
Capital contribution to Sany Heavy Equipment	140,962	140,962	(20,711)	120,251
At 30 June 2008	383,190	383,190	49,110	432,300

* In 2008, Sany Hong Kong Group Limited ("Sany HK") made a capital contribution of RMB 1,128,368,000 in cash into Sany Heavy Equipment.

** As further described in note 2 of Section II below, the combined income statements, combined statements of comprehensive income, combined statement of financial position and combined cash flow statements of the Group have been prepared as if the Group has been in existence throughout the Relevant Period. Pursuant to the sales and purchase agreement dated 30 July 2009 entered into between Sany HK as a vendor and the Company as a purchaser described in note 1.2 (g) of Section II, the historical net carrying amount of the assets and liabilities transferred to the Company will be converted in to the Company's share capital of HK$9.90, equivalent to 99 shares of HK$0.10 each, with all the then existing reserves will be eliminated and the resulting difference will be dealt with in the capital reserve. Accordingly, the capital reserve, being the difference between the amount of share capital issued and the historical net carrying amount of the assets and liabilities will be presented in the reserves of the Group. Separate classes of reserves, including retained profits prior to the incorporation the the Company, were not separately disclosed as all of these reserves will be capitalised and incorporated in the capital reserve of the Group pursuant to the Reorganisation. The amount of owner's equity as of 1 January 2006 represents paid-in capital, capital reserve and accumulated loss.

Combined cash flow statements

	Notes	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		18,115	82,392	223,990	79,607	278,655
Adjustments for:						
Finance costs	9	2,740	6,908	21,247	9,347	3,825
Share of profits and losses of an associate		—	(4,479)	57	1,321	(4,325)
Bank interest income	7	(113)	(558)	(501)	(248)	(1,420)
Loss on disposal of items of property, plant and equipment	8	656	185	—	—	—
Depreciation	8	6,500	8,533	20,161	9,157	12,017
Amortisation of land lease prepayments	8	—	—	—	—	1,380
Government grants	7	(3,008)	(5,074)	(6,613)	(2,526)	(1,233)
Impairment of trade receivables	8	—	1,271	8,553	7,539	12,919
Provision against slow-moving and obsolete inventories	8	1,998	513	2,688	190	2,515
		26,888	89,691	269,582	104,387	304,333
Increase in inventories		(80,347)	(135,653)	(133,854)	(158,268)	(94,643)
Increase in trade receivables		(37,980)	(82,504)	(150,387)	(73,592)	(210,047)
Increase in bills receivable		(13,990)	(40,917)	(125,951)	(26,538)	(301,472)
(Increase)/decrease in prepayments, deposits and other receivables		(7,936)	(19,905)	(186,419)	(61,076)	126,292
(Increase)/decrease in amount due from a shareholder		(198)	(1,657)	(2,572)	(1,047)	4,336
Decrease/(increase) in amounts due from related parties		1,343	(1,037)	419	593	860
Increase in trade and bills payable		73,665	114,136	9,278	57,353	93,995
Increase in other payables and accruals		36,730	60,948	162,295	96,120	115,322

	Notes	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Increase in provision for warranties		2,646	2,820	11,335	5,576	9,020
Increase/(decrease) in amounts due to related parties		(1,608)	890	(355)	(890)	(535)
Cash received from/(used in) operations		(787)	(13,188)	(146,629)	(57,382)	47,461
Cash received from/(used in) operations		(787)	(13,188)	(146,629)	(57,382)	47,461
Interest received		113	558	501	248	1,420
PRC tax paid		—	—	(1,861)	(656)	(1,727)
Net cash inflow/(outflow) from operating activities		(674)	(12,630)	(147,989)	(57,790)	47,154
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(33,561)	(94,450)	(91,443)	(27,862)	(35,078)
Proceeds of disposal of items of property, plant and equipment		—	28	—	—	—
Decrease in non-current prepayments		(2,820)	(306,026)	(14,386)	(10,882)	(502)
Investment in an associate		—	(36,747)	(95,972)	(95,972)	—
Receipt from/(advance to) an associate	17	—	—	(285,327)	—	285,327
Proceeds of disposal of an associate		—	—	—	—	141,466
Receipt of government grants	26	8,147	236,255	31,431	24,644	940
Net cash inflow/(outflow) from investing activities		(28,234)	(200,940)	(455,697)	(110,072)	392,153

	Notes	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	Six months ended 30 June 2008	Six months ended 30 June 2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from a capital contribution		—	—	1,128,368	—	—
New bank loans		80,000	285,000	360,000	250,000	—
Repayment of bank loans		(60,000)	(100,000)	(220,000)	(100,000)	(385,000)
Interest paid		(2,251)	(8,376)	(22,398)	(9,635)	(3,825)
Dividends paid		—	—	—	—	(197,087)
Release of/(addition of) pledged deposits		(11,168)	(9,408)	3,222	1,548	(13,524)
Receipt from/(advance to) related parties		35,351	63,760	(617,430)	2,010	374,203
Net cash inflow/(outflow) from financing activities		41,932	230,976	631,762	143,923	(225,233)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		13,024	17,406	28,076	(23,939)	214,074
Cash and cash equivalents at beginning of year/period		1,283	14,307	31,713	31,713	59,789
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	21	14,307	31,713	59,789	7,774	273,863

(II) NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

1.1 Corporate Information

The Company is a limited liability company incorporated in the Cayman Islands on 23 July 2009. The initial authorised share capital of the Company was HK$[380,000] divided into [3,800,000] shares of HK$0.10 each. The Company's registered office is located at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. It became the holding company of the Group as a result of the Reorganisation as described in the paragraph headed "Corporate Reorganisation" in Appendix VI "Statutory and General Information" to the document.

In the opinion of the directors of the Company (the "Directors"), as at the date of this report, the holding company and ultimate holding company of the Company are Sany HK and Sany Heavy Equipment Investments Company Limited ("Sany BVI"), respectively.

1.2 Reorganisation

In preparation for the [●], the Group underwent the Reorganisation, as a result of which the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

(a) Prior to the Reorganisation, Sany Heavy Equipment held 100% equity interests in Sany Heavy Integrated Coal Mining Equipment Co., Ltd. ("Sany Zongcai") (三一重型綜採成套裝備有限公司) and a 51% equity interest in Ningxia Sany Northwest Junma Motor Manufacture Co., Ltd. ("Sany Junma") (formerly known as Ningxia Northwest Junma Motor Manufacture Co., Ltd.) (寧夏三一西北駿馬電機製造股份有限公司(原寧夏西北駿馬煤礦電機製造有限責任公司)). Sany Heavy Equipment was itself a wholly-owned subsidiary of Sany HK which is in turn a wholly-owned subsidiary of Sany Group Limited ("Sany Group") (三一集團有限公司). Sany Group is owned by 14 individual shareholders (the "Controlling Shareholders").

(b) Pursuant to the Reorganisation, Sany Heavy Equipment transferred its interests in Sany Junma to Sany Group on 31 May 2009 for a consideration of RMB141,466,000. The consideration for such disposal was determined based on equity interest in Sany Junma as at 31 May 2009. Upon the completion of the transfer of interest from Sany Heavy Equipment to Sany Group, Sany Junma ceased to be an associate of the Group.

(c) 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 the Controlling Shareholders in the Company. The authorised share capital of Sany BVI is US$50,000 divided into 50,000 shares of US$1.00 each. The Controlling Shareholders held interests in the Sany BVI in the same proportions of their interests in Sany Group.

(d) On 1 July 2009, Sany Group transferred the entire issued share capital of Sany HK to Sany BVI for a consideration of HK$76,000,000. After completion of the acquisition, Sany HK was wholly owned by Sany BVI.

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

(f) On 23 July 2009, Sany Group transferred the 100% interest in Sany Group Shenyang Mining Transportation Equipment Co., Ltd. ("Sany Transportation") (三一集團瀋陽煤礦輸送設備有限公司) to Sany Heavy Equipment for a consideration of RMB 166,800,000.

(g) Pursuant to the sale and purchase agreement dated 30 July 2009 entered into between Sany HK as vendor and the Company as a purchaser, Sany HK transferred its 100% interest in Sany Heavy Equipment to the Company for a consideration of RMB 1,566,460,700, which was determined with reference to the fair value of net asset of Sany Heavy Equipment as at 31 May 2009, satisfied by the allotment and issue of 99 shares by the Company to Sany HK, credited as fully paid.

Upon the completion of the Reorganisation on [28 August] 2009, the Company became the holding company of the companies now comprising the Group.

Particulars of the subsidiaries, which are all private companies, of the Group at the date of this report are set out below:

Company name	Notes	Place and date of registration and operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Subsidiaries:						
Sany Heavy Equipment	(1)	PRC/ Mainland China 13 January 2004	RMB1,227,770,000	100	—	Manufacture and sale of integrated excavation machinery, integrated coal mining equipment and coal mining transportation equipment
Sany Zongcai *	(2)	PRC/ Mainland China 20 May 2008	RMB100,000,000	—	100	Manufacture and sale of integrated excavation machinery, integrated coal mining equipment and coal mining transportation equipment
Sany Transportation *	(3)	PRC/ Mainland China 25 September 2008	RMB166,800,000 RMB 166,800,000	—	100	Manufacture and sale of heavy industry equipment

* The companies have not yet commenced operation.

The English names of the Company's subsidiaries represent the translated names of these companies as no English names have been registered.

As at the date of this report, no statutory audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

Notes:

(1) The statutory audited financial statements for the three years ended 31 December 2006, 2007 and 2008 were prepared in accordance with the Accounting Standards for Business Enterprise issued by the Ministry of Finance on 15 February 2006 and other related regulations (collectively the "PRC GAAP") and were audited by Reanda Certified Public Accountants Co., Ltd. (利安達信隆會計師事務所有限責任公司), certified public accountants registered in the PRC.

(2) The statutory audited financial statements for the year ended 31 December 2008 were prepared in accordance with the Accounting Standards for Business Enterprise issued by the Ministry of Finance on 15 February 2006 and other related regulations (collectively the "PRC GAAP") and were audited by Reanda Certified Public Accountants Co., Ltd. (利安達信隆會計師事務所有限責任公司), certified public accountants registered in the PRC.

(3) The statutory audited financial statements for the year ended 31 December 2008 were prepared in accordance with the Accounting Standards for Business Enterprise issued by the Ministry of Finance on 15 February 2006 and other related regulations (collectively the "PRC GAAP") and were audited by Reanda Certified Public Accountants Co., Ltd. (利安達信隆會計師事務所有限責任公司), certified public accountants registered in the PRC.

2. BASIS OF PRESENTATION AND PREPARATION

Basis of presentation

The Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. The 30 June 2008 Financial Information includes the financial information of the Company and its subsidiaries for the six-month period ended 30 June 2008. The Reorganisation has been accounted for as a combination of businesses under common control in a manner similar to the pooling-of-interests.

The pooling-of-interests method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs in the Relevant Periods as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or any excess of acquirer's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

All significant intra-group balances and transactions within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries, and are presented separately in the combined income statement and within equity in the combined statements of financial position, separately from the equity attributable to equity holder of the Company. The Group applies the policy of treating transactions with minority interests as transactions with equity participants of the Group. The acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration paid and the book value or the share of net assets acquired is recorded in equity.

The Financial Information has been prepared under the historical cost convention. The Financial Information is prepared in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. IMPACT OF ISSUED BUT NOT EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information:

IAS 27 (amended)	Consolidated and Separate Financial Statements
IFRS 3 (revised)	Business Combinations

IAS 27 (amended) and IFRS 3 (revised) shall be applied for annual periods beginning on or after 1 July 2009. The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. The Group anticipates that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Apart from the above, the IASB has also issued *Improvements to IFRS 5* which primarily with a view to removing inconsistencies and clarify wording and is effective for the annual periods on or after 1 July 2009.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at the Financial Information set out in this report, which conform to IFRSs, are set out below:

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associate

An associate is an entity, not being a subsidiary or jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interest in an associate is stated in the combined statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associate is included in the combined income statements and combined reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in an associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associate (previously referred to as negative goodwill), after reassessment, is recognised immediately in the combined income statements.

The excess relating to an acquisition of an associate is included in the Group's share of the associate's profits and losses in the period in which the investment was acquired.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, goodwill and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its holding company;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and residual values used for this purpose are as follows:

	Estimated useful lives	Residual values
Buildings	20 years	3%
Plant and machinery	10 years	3%
Office and other equipment	8.33 years	3%
Motor vehicles	8.33 years	3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate at least, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the combined income statements on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investment and other financial assets

Financial assets in the scope of IAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, an impairment allowance is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

— the rights to receive cash flows from the asset have expired;

— the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

— the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, amounts due to related parties and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate portion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associate where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee retirement benefits

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The costs of employee retirement benefits are recognised as expenses in the income statement in the period in which they are incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceased when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5.69% and 6.33% has been applied to the expenditure on the individual assets.

Dividends

Dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The Financial Information is presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

5. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at each reporting date. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Provision for product warranties

The Group provides one-year warranties on the products sold to its customers, under which faulty products are repaired or replaced. The amount of the warranty provision is estimated based on the sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying amounts of inventories and the write-down charge/write-back of inventories in the period in which such estimate has been changed.

6. SEGMENT INFORMATION

The Group is principally engaged in the business of manufacture and sale of integrated excavation machinery, integrated coal mining equipment and coal mining transportation equipment. For management purposes, the Group operates in one business unit based on their products, and has one reportable operating segment as follows:

- Heavy equipment segment produces integrated excavation machinery, integrated coal mining equipment and coal mining transportation equipment.

No operating segments have been aggregated to form the above reportable operating segment.

Information about products

The revenues of the two major products are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Integrated excavation machinery	156,500	437,144	1,025,368	405,504	766,965
Integrated coal mining equipment	—	—	—	—	24,757
	156,500	437,144	1,025,368	405,504	791,722

Information about geographical areas

As over 90% of the Group's revenue is derived from customers based in the PRC and all the Group's identifiable assets and liabilities are located in the PRC, no geographical segment information is presented in accordance with IFRS 8 Operating Segments.

7. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue and other income is as follows:

		Year ended 31 December			Six months ended 30 June	
	Note	**2006**	**2007**	**2008**	**2008**	**2009**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Revenue						
Sales of goods		159,857	461,600	1,146,789	438,616	891,583
Other income						
Bank interest income		113	558	501	248	1,420
Profit from sales of scrap material		1,749	6,906	13,513	8,399	9,679
Government grants	26	3,008	5,074	6,613	2,526	1,233
Others		95	255	3,049	1,129	1,080
		4,965	12,793	23,676	12,302	13,412

8. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2006 RMB'000	Year ended 31 December 2007 RMB'000	Year ended 31 December 2008 RMB'000	Six months ended 30 June 2008 RMB'000 (Unaudited)	Six months ended 30 June 2009 RMB'000
Cost of inventories sold		73,890	227,694	599,066	215,806	446,664
Depreciation	15	6,500	8,533	20,161	9,157	12,017
Amortisation of land lease prepayments	16	—	—	—	—	1,380
Auditors' remuneration		—	7	266	—	3,300
Provision for warranties	25	5,281	9,247	23,081	8,075	17,974
Research and development costs		12,908	29,917	43,707	17,181	22,453
Minimum lease payments under operating leases:						
Dormitories for staff		42	1,243	2,245	841	909
Warehouses		10	10	297	157	194
		52	1,253	2,542	998	1,103
Employee benefit expense (including directors' remuneration (note 10)):						
Wages and salaries		24,934	67,568	108,220	50,704	77,821
Pension scheme contributions		516	2,916	8,513	3,758	5,666
		25,450	70,484	116,733	54,462	83,487
Other expenses:						
Foreign exchange differences, net		—	12,899	22,294	21,760	54
Impairment of trade receivables	19	—	1,271	8,553	7,539	12,919
Provision for slow-moving and obsolete inventories	18	1,998	513	2,688	190	2,515
Loss on disposal of items of property, plant and equipment		656	185	—	—	—
		2,654	14,868	33,535	29,489	15,488
Excess over the cost of acquisition of an associate*		—	(4,479)	—	—	—

* Excess over the cost of acquisition of an associate is included in the Group's "Share of profits and losses of an associate" on the face of the combined income statements.

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank loans	2,787	8,783	24,695	10,381	3,825
Less: Interest capitalised	(47)	(1,875)	(3,448)	(1,034)	—
	2,740	6,908	21,247	9,347	3,825

10. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	621	1,016	1,043	521	287
Pension scheme contributions	42	42	42	21	21
	663	1,058	1,085	542	308
Total	663	1,058	1,085	542	308

The pension scheme contributions represented the Company's statutory contributions to a defined contribution pension scheme organised by the PRC government, and were determined based on certain percentage of the salaries of the directors.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Mr. Xu Yaxiong	—	—	—	—	—
Mr. Ngai Wai Fung	—	—	—	—	—
Mr. Ng Yuk Keung	—	—	—	—	—
	—	—	—	—	—

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2006				
Executive directors:				
Mr. Mao Zhongwu	—	143	14	157
Mr. Liang Jianyi	—	344	14	358
	—	487	28	515
Non-executive directors:				
Mr. Huang Jianlong	—	—	—	—
Mr. Xiang Wenbo	—	134	14	148
	—	134	14	148
Year ended 31 December 2007				
Executive directors:				
Mr. Mao Zhongwu	—	232	14	246
Mr. Liang Jianyi	—	680	14	694
	—	912	28	940
Non-executive directors:				
Mr. Wu Jialiang	—	—	—	—
Mr. Xiang Wenbo	—	104	14	118
	—	104	14	118

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008				
Executive directors:				
Mr. Mao Zhongwu	—	230	14	244
Mr. Liang Jianyi	—	597	14	611
	—	827	28	855
Non-executive directors:				
Mr. Huang Jianlong	—	—	—	—
Mr. Xiang Wenbo	—	216	14	230
	—	216	14	230
Six months ended 30 June 2008 (Unaudited)				
Executive directors:				
Mr. Mao Zhongwu	—	115	7	122
Mr. Liang Jianyi	—	298	7	305
	—	413	14	427
Non-executive directors:				
Mr. Wu Jialiang	—	—	—	—
Mr. Xiang Wenbo	—	108	7	115
	—	108	7	115
Six months ended 30 June 2009				
Executive directors:				
Mr. Mao Zhongwu	—	14	7	21
Mr. Liang Jianyi	—	230	7	237
	—	244	14	258
Non-executive directors:				
Mr. Xiang Wenbo	—	—	—	—
Mr. Huang Jianlong	—	—	—	—
Mr. Wu Jialiang	—	43	7	50
	—	43	7	50

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors	663	1,058	855	427	—
Non-director	209	268	811	406	513
	872	1,326	1,666	833	513

Details of the remuneration of the above non-director, highest paid employees during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	182	240	770	385	478
Pension scheme contributions	27	28	41	21	35
	209	268	811	406	513

The number of these non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Nil to RMB1,000,000	2	2	3	3	5

During the Relevant Periods and six months ended 30 June 2008, no remuneration was paid by the Group to the Directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived or agreed to waive any emoluments during the Relevant Periods and the six months ended 30 June 2008.

12. TAX

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

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

In accordance with the "Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises", Sany Heavy Equipment was subject to Corporate Income Tax ("CIT") at a rate of 15% during the year 2006 and 2007. In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, Sany Heavy Equipment, as a production enterprise with foreign investment, is entitled to a full exemption from CIT for the first two years and a 50% deduction in CIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. The year ended 31 December 2006 was Sany Heavy Equipment's first profit-making year and was the first year of its tax holiday. Accordingly, Sany Heavy Equipment was exempted from CIT for the two years ended 31 December 2006 and 2007.

During the 5th Session of the 10th National People's Congress which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective from 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the State Council Circular on the Implementation of the Transitional Concession Policies for Corporate Income Tax (Guo Fa 2007 no. 39), enterprises previously entitled to a reduced tax rate shall have a grace period of five years regarding the tax reduction commencing on 1 January 2008; the enterprises entitled to a 15% corporate income tax rate will be subject to tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter.

In this connection, Sany Heavy Equipment was subject to CIT at a rate of 9% in 2008 and is subject to CIT at rates of 10% in 2009 and will be subject to the tax rates of 11% in 2010, 24% in 2011 and 25% 2012.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Group:					
Current - PRC					
Charge for the year/period	—	—	20,276	8,357	29,855
Deferred (note 27)	(300)	(59,030)	(8,155)	(6,465)	(1,415)
Total tax charge/(credit) for the year/period	(300)	(59,030)	12,121	1,892	28,440

A reconciliation of the income tax expense/(credit) applicable to profit before tax using the statutory rate for the location in which the Company and its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	Year ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000 (Unaudited)	%	RMB’000	%
Profit before tax	18,115		82,392		223,990		79,607		278,655	
Tax at the statutory tax rate	5,978	33	27,189	33	55,998	25	19,902	25	69,664	25
Entities subject to lower statutory income tax rates	(7,694)	(42.5)	(85,735)	(104.1)	(32,019)	(14.3)	(14,858)	(18.7)	(43,807)	(15.7)
Effect on opening deferred tax of changes in rates	—	—	99	0.1	—	—	—	—	—	—
Profits and losses attributable to an associate	—	—	(1,478)	(1.8)	14	—	330	0.4	(1,081)	(0.4)
Expenses not deductible for tax	1,716	9.5	2,964	3.6	6,661	3.0	7,042	8.8	5,812	2.1
Tax effect of change of tax rate when temporary difference realized	(300)	(1.7)	(2,069)	(2.5)	(2,024)	(0.9)	(3,870)	(4.9)	(71)	—
Super-deduction of research and development costs	—	—	—	—	(16,509)	(7.4)	(6,654)	(8.2)	(2,807)	(1.0)
Tax losses not recognised	—	—	—	—	—	—	—	—	730	0.2
Tax charge/(credit) at the Group’s effective tax rate	(300)	(1.7)	(59,030)	(71.7)	12,121	5.4	1,892	2.4	28,440	10.2

13. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation. The dividend paid or declared by Sany Heavy Equipment to its then equity holders during the Relevant Periods was as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sany Heavy Equipment.	—	—	—	—	197,087

The dividend for the period ended 30 June 2009 was approved and declared by the equity holders of Sany Heavy Equipment on 13 February 2009, and was settled in March 2009.

14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to equity holders of the Company for the Relevant Periods and on the assumption that [●] shares of HK$[●] each issued as a result of the Reorganisation had been in issue throughout the Relevant Periods. Further details of the Reorganisation are described in the paragraph headed "Corporate Reorganisation" in Appendix VI "Statutory and General Information" to the document.

There were no potential dilutive ordinary shares in existence during the Relevant Periods and, therefore, no diluted earnings per share amounts have been presented.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2006						
At 1 January 2006:						
Cost	70,178	20,180	3,667	2,473	24,634	121,132
Accumulated depreciation	(262)	(1,043)	(851)	(766)	—	(2,922)
Net carrying amount	69,916	19,137	2,816	1,707	24,634	118,210
At 1 January 2006, net of accumulated depreciation	69,916	19,137	2,816	1,707	24,634	118,210
Additions	—	10,704	2,618	4,046	7,148	24,516
Disposals	—	—	—	—	(656)	(656)
Depreciation provided during the year	(3,132)	(1,889)	(778)	(701)	—	(6,500)
Transfers	868	2,152	—	—	(3,020)	—
At 31 December 2006, net of accumulated depreciation	67,652	30,104	4,656	5,052	28,106	135,570
At 31 December 2006:						
Cost	71,046	33,036	6,285	6,519	28,106	144,992
Accumulated depreciation	(3,394)	(2,932)	(1,629)	(1,467)	—	(9,422)
Net carrying amount	67,652	30,104	4,656	5,052	28,106	135,570
31 December 2007						
At 31 December 2006 and at 1 January 2007:						
Cost	71,046	33,036	6,285	6,519	28,106	144,992
Accumulated depreciation	(3,394)	(2,932)	(1,629)	(1,467)	—	(9,422)
Net carrying amount	67,652	30,104	4,656	5,052	28,106	135,570
At 1 January 2007, net of accumulated depreciation	67,652	30,104	4,656	5,052	28,106	135,570
Additions	6,783	63,978	3,845	7,527	37,773	119,906
Disposals	—	—	(48)	—	(165)	(213)
Depreciation provided during the year	(3,356)	(3,011)	(994)	(1,172)	—	(8,533)
Transfers	31,736	4,995	—	—	(36,731)	—
At 31 December 2007, net of accumulated depreciation	102,815	96,066	7,459	11,407	28,983	246,730
At 31 December 2007:						
Cost	109,565	102,009	10,082	14,046	28,983	264,685
Accumulated depreciation	(6,750)	(5,943)	(2,623)	(2,639)	—	(17,955)
Net carrying amount	102,815	96,066	7,459	11,407	28,983	246,730

	Buildings	Plant and machinery	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2008						
At 31 December 2007 and at 1 January 2008:						
Cost	109,565	102,009	10,082	14,046	28,983	264,685
Accumulated depreciation	(6,750)	(5,943)	(2,623)	(2,639)	—	(17,955)
Net carrying amount	102,815	96,066	7,459	11,407	28,983	246,730
At 1 January 2008, net of accumulated depreciation	102,815	96,066	7,459	11,407	28,983	246,730
Additions	4,060	24,602	7,494	9,356	40,588	86,100
Depreciation provided during the year	(5,421)	(10,835)	(1,665)	(2,240)	—	(20,161)
Transfers	44,772	6,163	—	—	(50,935)	—
At 31 December 2008, net of accumulated depreciation	146,226	115,996	13,288	18,523	18,636	312,669
At 31 December 2008:						
Cost	158,397	132,774	17,576	23,402	18,636	350,785
Accumulated depreciation	(12,171)	(16,778)	(4,288)	(4,879)	—	(38,116)
Net carrying amount	146,226	115,996	13,288	18,523	18,636	312,669
30 June 2009						
At 31 December 2008 and at 1 January 2009:						
Cost	158,397	132,774	17,576	23,402	18,636	350,785
Accumulated depreciation	(12,171)	(16,778)	(4,288)	(4,879)	—	(38,116)
Net carrying amount	146,226	115,996	13,288	18,523	18,636	312,669
At 1 January 2009, net of accumulated depreciation	146,226	115,996	13,288	18,523	18,636	312,669
Additions	424	7,692	2,484	2,507	26,731	39,838
Disposal *	(87,684)	—	—	—	—	(87,684)
Depreciation provided during the period	(2,912)	(6,486)	(1,139)	(1,480)	—	(12,017)
At 30 June 2009, net of accumulated depreciation	56,054	117,202	14,633	19,550	45,367	252,806
At 30 June 2009:						
Cost	59,428	140,466	20,060	25,910	45,367	291,231
Accumulated depreciation	(3,374)	(23,264)	(5,427)	(6,360)	—	(38,425)
Net carrying amount	56,054	117,202	14,633	19,550	45,367	252,806

The Group's buildings are located in Mainland China.

Certificates of ownership in respect of certain buildings of the Group located in Shenyang with net carrying amounts of approximately RMB54,110,000, RMB89,139,000, RMB133,116,000 and RMB 43,273,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively, have not yet been issued by the relevant PRC authorities. The Group is in process of obtaining these certificates.

* The buildings were sold to Sany Group at the net carrying amount in May 2009, and subsequent to 30 June 2009, Sany Group injected the buildings to Sany Transportation, which was 100% acquired by the Group on 23 July 2009. Futher details of the transaction are set out in note 32.

16. PREPAID LAND LEASE PAYMENTS

	31 December			30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	—	—	—	—
Additions	—	—	—	301,927
Recognised during the year/period	—	—	—	(1,380)
Carrying amount at 31 December/30 June	—	—	—	300,547
Current portion included in prepayments, deposits and other receivables	—	—	—	(6,039)
Non-current portion	—	—	—	294,508

The Group's leasehold land is held under a medium term lease and is situated in Mainland China.

17. INTEREST IN AN ASSOCIATE

	31 December			30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	—	137,198	137,141	—
Due from an associate	—	—	285,327	—
	—	137,198	422,468	—

The outstanding amount due from its associate as at 31 December 2008 were non-trade in nature, unsecured, interest-free and repayable on demand.

The Group's outstanding amounts payable to its associate as at 31 December 2007 and 2008 are disclosed in note 22.

Particulars of the associate are as follows:

Company name	Place and date of registration and operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company: Direct	Percentage of equity attributable to the Company: Indirect	Principal activities
Sany Junma. . .	PRC/Mainland China 21 August 2000	RMB216,807,298	—	51*	Manufacture and sale of coal mining machine engines

Sany Heavy Equipment acquired a 51% equity interest in Sany Junma in 2007. The Group's control over Sany Junma is restricted by its memorandum and articles of association.

On 31 May 2009, Sany Heavy Equipment disposed of the equity interest in Sany Junma to Sany Group for a consideration of RMB141,466,000, being the carrying amount of the investment. No gain or loss was resulted in the disposal.

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts:

Sany Junma	Assets	Liabilities	Revenue	Profit
	RMB'000	RMB'000	RMB'000	RMB'000
Five months ended 31 May 2009.	501,792	209,467	169,177	8,480
2008	745,192	476,288	292,475	(112)
2007	413,592	144,576	256,686	2,076

18. INVENTORIES

	31 December			30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	33,864	86,094	155,359	221,199
Work in progress.	31,871	61,222	81,315	111,167
Finished goods.	43,799	97,871	142,367	141,318
	109,534	245,187	379,041	473,684
Less: Provision for slow-moving and obsolete inventories.	(1,998)	(2,511)	(5,199)	(7,714)
	107,536	242,676	373,842	465,970

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

		31 December			30 June
	Note	**2006**	**2007**	**2008**	**2009**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January		—	1,998	2,511	5,199
Charge for the year/period	8	1,998	513	2,688	2,515
At 31 December/30 June		1,998	2,511	5,199	7,714

19. TRADE AND BILLS RECEIVABLE

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables	58,656	141,160	291,547	501,594
Impairment	—	(1,271)	(9,824)	(22,743)
Trade receivables, net	58,656	139,889	281,723	478,851
Bills receivable	15,190	56,107	182,058	483,530

The Group generally requires its customers to make payment at various stages of the sales transaction, however, the Group grants certain credit periods to those long standing customers with good payment history. The credit period of individual customers is considered on a case-by-case basis and 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. Trade receivables are non-interest-bearing.

At 31 December 2006, 2007, 2008 and 30 June 2009, an aging analysis of the trade receivables, based on the invoice date and net of provision for impairment, is as follows:

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 60 days	23,119	37,709	113,088	294,108
61 to 90 days	3,876	11,476	41,376	36,651
91 to 180 days	15,703	48,243	63,445	40,562
181 to 360 days	12,156	26,112	44,811	90,425
Over 1 year	3,802	16,349	19,003	17,105
	58,656	139,889	281,723	478,851

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

	Note	31 December			30 June
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
At 1 January		—	—	1,271	9,824
Charge for the year/period	8	—	1,271	8,553	12,919
At 31 December/30 June		—	1,271	9,824	22,743

Included in the above provisions for impairment of trade receivables as at 31 December 2007, 2008 and 30 June 2009 were the provisions for individually impaired trade receivables of amounts approximate to RMB1,271,000, RMB9,824,000 and RMB22,743,000, which are also their respective carrying amounts. The individually impaired trade receivables related to customers that were in financial difficulties or in default in payments. The Group does not hold any collateral or other credit enhancements over these balances.

An aging analysis of the trade receivables, based on the credit term, that are neither individually nor collectively considered to be impaired, is as follows:

			Past due but not impaired			
	Total	Neither past due nor impaired	< 90 days	91 to 180 days	181 to 360 days	Over 1 year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2006	58,656	23,119	3,876	15,703	12,156	3,802
31 December 2007	139,889	37,709	11,476	48,243	26,112	16,349
31 December 2008	281,723	113,088	41,376	63,445	44,811	19,003
30 June 2009	478,851	294,108	36,651	40,562	90,425	17,105

The trade receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

The trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The maturity profiles of the bills receivable of the Group as at each of the balance sheet dates during the Relevant Periods are as follows:

	31 December			30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	15,190	56,107	182,058	483,530

Included the balance of bills receivables approximately RMB14,470,000, RMB48,867,000, RMB31,153,000 and RMB93,344,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively, were pledged to secure the issurance of bills payable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December			30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current prepayments	4,204	310,230	324,616	23,191
Current assets				
Prepayments	9,587	25,884	40,226	91,705
Deposits and other receivables	14,420	18,028	190,105	18,373
	24,007	43,912	230,331	110,078

Included in the Group's non-current prepayments as at 31 December 2007 and 2008 are prepayments for the acquisition of a land use right for a piece of land of approximately RMB304,310,000.

Included in the Group's deposits and other receivables under current assets as at 31 December 2008 was an amount of approximately RMB176,000,000 relating to amounts paid in advance to a supplier for the purchase of raw materials for the Group. The contract was cancelled in October 2008 and the amount was received from the supplier in April 2009, by way of endorsement to the Group of bank acceptances issued by Sany Group to the supplier, a supplier to Sany Group.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December			30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	29,789	56,603	81,457	309,055
Less: Bank deposits pledged for banking facilities	(15,482)	(24,890)	(21,668)	(35,192)
Cash and cash equivalents	14,307	31,713	59,789	273,863

Cash and cash equivalents held by the Group are denominated in RMB.

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 represented balances pledged to banks for the issuance of the Group's bills payable and letters of credit.

22. TRADE AND BILLS PAYABLE

At 31 December 2006, 2007, 2008 and 30 June 2009, an aging analysis of the trade and bills payable, based on the invoice date, is as follows:

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 30 days	39,132	55,856	60,911	116,683
31 to 90 days	29,412	72,623	81,882	112,519
91 to 180 days	18,207	63,606	59,698	49,793
180 days to 360 days	7,775	16,577	15,449	28,020
Over 1 year	—	—	—	4,920
	94,526	208,662	217,940	311,935

Included in the trade and bills payable are trade payables of RMB1,634,000, RMB3,088,000, RMB14,878,000 and RMB7,893,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively due to related parties which are repayable within 30 days.

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. The carrying amounts of the trade and bills payable approximate to their fair values.

The bills payable are all due to mature within 180 days.

23. OTHER PAYABLES AND ACCRUALS

	31 December			30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Deposits received from customers	31,838	72,288	192,008	259,063
Other payables	15,900	155,954	94,549	139,298
Accruals	599	1,004	2,519	10,796
	48,337	229,246	289,076	409,157

The other payables are non-interest-bearing and are due to mature within one year.

24. INTEREST-BEARING BANK BORROWINGS

	Effective floating interest rate (%)	Maturity	31 December 2006	31 December 2007	31 December 2008	30 June 2009
			RMB'000	RMB'000	RMB'000	RMB'000
Current						
Bank loans - secured	4.54 - 7.47	2007 - 2009	60,000	190,000	280,000	—
Current portion of long term bank loans - secured.	7.2	2009	—	—	30,000	—
			60,000	190,000	310,000	—
Non-current						
Bank loans - secured	7.2	2009 - 2010	—	55,000	75,000	—
			60,000	245,000	385,000	—
Analysed into:						
Bank loans repayable:						
Within one year			60,000	190,000	310,000	—
In the second year			—	30,000	75,000	—
In the third year			—	25,000	—	—
			60,000	245,000	385,000	—

The Group's secured bank loans were guaranteed by certain related parties (note 32).

All bank loans are denominated in RMB.

The Group has the following undrawn banking facilities:

	31 December 2006	31 December 2007	31 December 2008	30 June 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Floating rate - expiring within one year	—	—	80,000	450,000

The Group's banking facilities amounting to RMB80,000,000 and RMB450,000,000 as at 31 December 2008 and 30 June 2009 respectively (31 December 2006 and 2007: Nil) were guaranteed by Sany Group.

25. PROVISION FOR WARRANTIES

	Note	31 December 2006	31 December 2007	31 December 2008	30 June 2009
		RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period		—	2,646	5,466	16,801
Charge for the year/period	8	5,281	9,247	23,081	17,974
Utilised during the year/period		(2,635)	(6,427)	(11,746)	(8,954)
At the end of year/period		2,646	5,466	16,801	25,821

The Group provides one-year warranties for repair and maintenance of the products sold to its customers. The amount of the warranty provision is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised when appropriate.

The warranties for repair and maintenance the Group provides to its products include the products sold to its customer, China Kangfu International Leasing Co., Ltd. ("Kangfu International") (中國康富國際租賃有限公司), a company owned and controlled by the Controlling Shareholders. Kangfu International is a finance company engaging in the business of providing finance leases services. Revenue on sales to Kangfu International is recognised upon the acceptance of installation of the products sold. Further details of the sales to Kangfu International are included in note 32 (1).

26. GOVERNMENT GRANTS

	31 December 2006	31 December 2007	31 December 2008	30 June 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	—	5,139	236,320	261,138
Grant recognised during the year/period	8,147	236,255	31,431	940
Amortised as income during the year/period (note 7)	(3,008)	(5,074)	(6,613)	(1,233)
Carrying amount at 31 December/30 June	5,139	236,320	261,138	260,845
Current portion	(2,626)	(3,080)	—	—
Non-current portion	2,513	233,240	261,138	260,845

Included in the Group's government grants as at 31 December 2007, 2008 and 30 June 2009 were government grants received for the development of certain industrial areas, of RMB 228,240,000 and RMB 21,623,000 respectively, which are not amortised during the year 2007 and 2008 and the six months ended 30 June 2009 as the relevant construction work had not yet commenced as at 30 June 2009.

27. DEFERRED TAX

Deferred tax assets

	Government grants	Provision against slow-moving and obsolete inventories	Warranty provision	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	—	—	—	—
Credited to the combined income statement (note 12)	—	300	—	300
At 31 December 2006 and 1 January 2007	—	300	—	300
Credited/(debited) to the combined income statement (note 12)	58,587	(49)	492	59,030
At 31 December 2007 and 1 January 2008	58,587	251	492	59,330
Credited to the combined income statement (note 12)	6,698	269	1,188	8,155
At 31 December 2008 and 1 January 2009	65,285	520	1,680	67,485
Credited/(debited) to the combined income statement (note 12)	(73)	329	1,159	1,415
At 30 June 2009	65,212	849	2,839	68,900

For the six months ended 30 June 2009, the Group has tax losses arising in Mainland China of RMB2,918,000 (Year ended 31 December 2006, 2007 and 2008: Nil) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in a subsidiary that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. PAID-IN CAPITAL/ISSUED SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 23 July 2009 with an authorised share capital of HK$318,000 divided into 3,180,000 shares of HK$0.1 each, and one share of HK$0.1 of the Company was allotted and issued on the same date. As at 30 June 2009, the Company had no distributable reserve.

Save for the aforesaid and the Reorganisation, the Company has not conducted any business since its date of incorporation.

29. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its dormitories and warehouse under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 December 2006, 2007 and 2008 and 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December			30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	—	610	1,105	668
In the second to third years, inclusive	—	250	482	113
	—	860	1,587	781

30. COMMITMENTS

In addition to the operating lease commitments as set out in note 29 above, the Group had the following capital commitments as at 31 December 2006, 2007 and 2008 and 30 June 2009:

	31 December			30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Buildings	32,976	63,925	123,302	118,642
Plant and machinery	11,300	3,080	12,850	8,406
	44,276	67,005	136,152	127,048

31. CONTINGENT LIABILITIES

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to a bank in connection with banking facilities granted to and utilised by Sany Junma	—	—	18,000	—

The guarantees given to a bank in connection with the banking facilities granted to and utilised by Sany Junma were released in full in March 2009.

32. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

(1) Recurring transactions

	Notes	Year ended 31 December			Six months ended 30 June	
		2006	**2007**	**2008**	**2008**	**2009**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Sales of products to:						
Kangfu International	(i)	—	5,470	159,327	47,144	97,874
Purchases of raw materials from:						
Sany Junma	(ii)	—	2,746	21,751	7,080	21,634
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件 有限公司) . . .	(iii)	—	—	4,455	969	9,302
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(iii)	807	13,616	41,568	18,543	22,575
		807	16,362	67,774	26,592	53,511

Notes:

(i) The sales to Kangfu International were made with reference to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from the associate were made on prices and conditions as mutually agreed.

(iii) The purchases from companies owned and controlled by the Controlling Shareholders were made on prices and conditions as mutually agreed.

In the opinion of the Directors, the above transactions were carried out in the ordinary course of business of the Group and will continue after the [●] of the Company's shares on the Stock Exchange.

(2) Non-recurring transactions

	Notes	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of products to:						
Sany Heavy Industry Co., Ltd.	(i)&(ii)	—	—	4,060	4,060	—
Sales of raw materials to:						
Hunan Sany Road Machinery Co., Ltd. (湖南三一路面機械有限公司)	(i)&(iii)	—	—	—	—	26,787
Hunan Sany Pump Machinery Co., Ltd. (湖南三一泵送機械有限公司)	(i)&(iii)	—	—	—	—	1,377
Sany Heavy Machinery Co., Ltd. （三一重機有限公司）	(i)&(iii)	—	—	—	—	67,392
Shanghai Sany Teconology Co., Ltd.（上海三一科技有限公司）	(i)&(iii)	—	—	—	—	23,811
		—	—	—	—	119,367
Purchases of raw materials from:						
Synnium Machinery Co., Ltd. (新利恒機械有限公司)	(i)&(iv)	—	—	—	—	117,969
Bank loans guaranteed by:						
Sany Group	(i)&(v)	10,000	145,000	345,000	295,000	—
Sany Heavy Machinery Co., Ltd.	(i)&(v)	—	30,000	—	30,000	—
Sany Group & Sany Heavy Machinery Co., Ltd. - jointly and severally	(i)&(v)	50,000	70,000	40,000	70,000	—
		60,000	245,000	385,000	395,000	—
Guarantees provided to:						
Sany Junma	(vi)	—	—	18,000	—	—
Bills payable guaranteed by:						
Sany Group	(i)&(vii)	—	61,844	—	—	—
Sany Group & Sany Heavy Machinery Co., Ltd. - jointly and severally	(i)&(vii)	4,673	—	—	—	—
		4,673	61,844	—	—	—
Purchases of machinery from:						
Sany Heavy Industry Co.,Ltd.	(i)&(viii)	6,982	196	2,471	—	—
Hunan Sany Bus Co., Ltd. (湖南三一客車有限公司)	(i)&(viii)	427	761	—	—	—
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(viii)	161	—	—	—	—
Sany Automotive Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(viii)	—	—	573	—	—
		7,570	957	3,044	—	—
Disposal of buildings to:						
Sany Group	(i)&(ix)	—	—	—	—	87,684

Notes:

(i) Sany Group, Sany Heavy Industry Co., Ltd., Sany Heavy Machinery Co., Ltd., Shanghai Sany Teconology, Synnium Machinery Co., Ltd., Hunan Sany Bus Co., Ltd., Hunan Sany Road Machinery Co., Ltd., Hunan Sany Pump Machinery Co., Ltd. and Sany Automotive Manufacturing Co., Ltd. are companies which are owned and controlled by the Controlling Shareholders.

(ii) The sales to Sany Heavy Industry Co., Ltd. were made with reference to the published prices and conditions offered to the major customers of the Group.

(iii) The sales to Hunan Sany Road Machinery Co., Ltd., Hunan Sany Pump Machinery Co., Ltd., Sany Heavy Machinery Co., Ltd., and Shanghai Sany Teconology Co., Ltd. were made on prices and conditions as mutually agreed.

(iv) The purchase from Synnium Machinery Co., Ltd. was made on prices and conditions as mutually agreed.

(v) Certain of the Group's bank loans were guaranteed jointly and severally by Sany Group and Sany Heavy Machinery Co., Ltd.

(vi) As at 31 December 2008, the Group provided corporate guarantees totalling RMB18,000,000 to a bank in connection with banking facilities granted to and utilised by Sany Junma. Such guarantees were released in full in March 2009.

(vii) Certain of the Group's bills payable were guaranteed jointly and severally by Sany Group and Sany Heavy Machinery Co., Ltd.

(viii) The purchases of machineries from the related parties were conducted at prices agreed between the Group and the related parties.

(ix) The disposal of buildings to Sany Group was made at the net carrying amount as at 31 May 2009.

In addition to the above transactions, on 31 May 2009, Sany Heavy Equipment disposed of the equity interest in Sany Junma to Sany Group for a consideration of RMB141,466,000, being the carrying amount of the investment. No gain or loss was resulted in the disposal.

In the opinion of the Directors, the above related party transactions were carried out in the ordinary course of the Group's business during the Relevant Periods and these transactions will not continue after the [●] of the Company's shares on the Stock Exchange.

(3) Outstanding balances with related parties

	31 December			30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from companies which are owned by close family members of the Controlling Shareholders				
Synnium Machinery Co., Ltd.	—	387,101	149,892	40,944
Shanghai Synnium Leasing Co., Ltd. (上海新利恒租賃有限公司)	—	—	13,106	—
	—	387,101	162,998	40,944
Amounts due from companies which are owned and controlled by the Controlling Shareholders				
Sany Group	—	—	—	165,820
Sany Automotive Manufacturing Co., Ltd.	—	—	417,473	—
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	—	—	217,399	—
Sany Heavy Industry Co., Ltd.	—	234	42,756	
Others	305	1,394	635	—
	305	1,628	678,263	165,820
Amounts due to companies which are owned and controlled by the Controlling Shareholders				
Sany Group	66,197	522,091	358,778	—
Sany Heavy Machinery Co., Ltd.	4,825	47	—	—
Hunan Sany Bus Co., Ltd.	1,075	2,068	—	—
Sany Transportation	—	—	—	11,744
Others	98	25	618	—
	72,195	524,231	359,396	11,744

Included in the balances due from related parties as at 31 December 2006, 2007, 2008 and 30 June 2009 are aggregated amounts of approximately RMB242,000, RMB1,279,000, RMB860,000 and nil respectively, which were trade in nature, unsecured, interest-free and have no fixed terms of repayment. Included in the balances due to related parties as at 31 December 2007 and 2008 were aggregated amounts of approximately RMB890,000 and RMB535,000, respectively, which were trade in nature, unsecured, interest-free and have no fixed terms of repayment. The remaining balances with related parties were non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts of the balances with related parties were related to parties for whom there was no recent history of default.

Details of the Group's amount due from an associate as at 31 December 2006, 2007, 2008 and 30 June 2009 are included in note 17 above.

The carrying amounts of the balances with the related parties approximate to their fair values.

(4) Amount due from a shareholder

The Group had an outstanding receivable from a shareholder as follows:

	31 December			30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Due from a shareholder	198	1,855	4,427	91

The amount due from the shareholder was non-trade in nature, unsecured, interest-free and had no fixed terms of repayment. The carrying amount of the balance approximated to its fair value.

(5) Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 10 above.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	487	961	1,060	530	356
Pension scheme contributions	68	69	69	35	35
Total compensation paid to key management personnel	555	1,030	1,129	565	391

Further details of directors' emoluments are included in note 10 above.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2006	**Loans and receivables**
Financial assets	**RMB'000**
Trade receivables	58,656
Bills receivable	15,190
Financial assets included in deposits and other receivables	14,420
Due from a shareholder	198
Due from related parties	305
Pledged deposits	15,482
Cash and cash equivalents	14,307
	118,558

	Financial liabilities at amortised cost
Financial liabilities	**RMB'000**
Trade and bills payable	94,526
Financial liabilities included in other payables and accruals	47,738
Interest-bearing bank borrowings	60,000
Due to related parties	72,195
	274,459

2007	**Loans and receivables**
Financial assets	**RMB'000**
Trade receivables	139,889
Bills receivable	56,107
Financial assets included in deposits and other receivables	18,028
Due from a shareholder	1,855
Due from related parties	388,729
Pledged deposits	24,890
Cash and cash equivalents	31,713
	661,211

	Financial liabilities at amortised cost
Financial liabilities	**RMB'000**
Trade and bills payable	208,662
Financial liabilities included in other payables and accruals	228,242
Interest-bearing bank borrowings	245,000
Due to related parties	524,231
	1,206,135

2008	Loans and receivables
Financial assets	**RMB'000**
Due from an associate	285,327
Trade receivables	281,723
Bills receivable	182,058
Financial assets included deposits and other receivables	190,105
Due from a shareholder	4,427
Due from related parties	841,261
Pledged deposits	21,668
Cash and cash equivalents	59,789
	1,866,358

	Financial liabilities at amortised cost
Financial liabilities	**RMB'000**
Trade and bills payable	217,940
Financial liabilities included in other payables and accruals	286,557
Interest-bearing bank borrowings	385,000
Due to related parties	359,396
	1,248,893

30 June 2009	Loans and receivables
Financial assets	**RMB'000**
Trade receivables	478,851
Bills receivable	483,530
Financial assets included in deposits and other receivables	18,373
Due from a shareholder	91
Due from related parties	206,764
Pledged deposits	35,192
Cash and cash equivalents	273,863
	1,496,664

	Financial liabilities at amortised cost
Financial liabilities	**RMB'000**
Trade and bills payable	311,935
Financial liabilities included in other payables and accruals	398,361
Due to related parties	11,744
	722,040

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, amounts due from/to related parties, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates and time deposits with fixed interest rates which are short term.

The effective interest rates and terms of repayment of the interest-bearing bank loans of the Group are set out in note 24 above.

The following table demonstrates the sensitivity to a reasonably possible change in RMB interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) during the Relevant Periods.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		RMB'000
31 December 2006		
RMB	100	—
RMB	(100)	—
31 December 2007		
RMB	100	(545)
RMB	(100)	545
31 December 2008		
RMB	100	(1,518)
RMB	(100)	1,518
30 June 2009		
RMB	100	(226)
RMB	(100)	226

Foreign exchange risk

The Group's businesses are located in the PRC and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB except for an amount due from one of the related parties denminated in the United States dollars ("USD"). The Group has not hedged its foreign exchange rate risk based on the consideration that the foreign currency transactions are not significant to the Group.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in USD rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	**RMB'000**	**RMB'000**
31 December 2006			
If RMB weakens against USD	5	1,917	—
If RMB strengthens against USD	(5)	(1,917)	—
31 December 2007			
If RMB weakens against USD	5	7,495	—
If RMB strengthens against USD	(5)	(7,495)	—
31 December 2008			
If RMB weakens against USD	5	19,355	—
If RMB strengthens against USD	(5)	(19,355)	—
30 June 2009			
If RMB weakens against USD	5	—	—
If RMB strengthens against USD	(5)	—	—

* Excluding retained earnings

Credit risk

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are dispersed. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 19 and 20 above.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, amounts due from an associate and related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through capital contribution and financial support from related parties and bank borrowings.

The maturity profile of financial liabilities as at 31 December 2006, 2007 and 2008 and 30 June 2009, based on the contractual undiscounted payments, was as follows:

	31 December 2006			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payable	—	94,526	—	94,526
Other payables and deposits received from customers	—	47,738	—	47,738
Interest-bearing bank borrowings	—	61,961	—	61,961
Due to related parties	72,195	—	—	72,195
	72,195	204,225	—	276,420

	31 December 2007			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payable	—	208,662	—	208,662
Other payables and deposits received from customers	—	228,242	—	228,242
Interest-bearing bank borrowings	—	200,951	61,677	262,628
Due to related parties	524,231	—	—	524,231
	524,231	637,855	61,677	1,223,763

	31 December 2008			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payable	—	217,940	—	217,940
Other payables and deposits received from customers	—	286,557	—	286,557
Interest-bearing bank borrowings	—	324,125	80,082	404,207
Due to related parties	359,396	—	—	359,396
	359,396	828,622	80,082	1,268,100

	30 June 2009			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payable	—	307,015	4,920	311,935
Other payables and deposits received from customers	—	398,361	—	398,361
Due to related parties	11,744	—	—	11,744
	11,744	705,376	4,920	722,040

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank loans less cash and cash equivalents and pledged deposits. Capital represents equity attributable to equity holders of the Company. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each of the Relevant Periods are as follows:

	31 December			30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	60,000	245,000	385,000	—
Less: Cash and cash equivalents and pledged deposits	(29,789)	(56,603)	(81,457)	(309,055)
Net debt	30,211	188,397	303,543	N/A
Equity attributable to equity holders of the Company	69,684	175,750	1,574,571	1,627,699
Capital and net debt	99,895	364,147	1,878,114	1,318,644
Gearing ratio	30%	52%	16%	N/A

35. POST BALANCE SHEET EVENTS

The following significant post balance sheet events took place subsequent to 30 June 2009:

(1) The companies comprising the Group underwent the Reorganization in the preparation for the [●] of the company's shares on the Main Board of the Stock Exchange.

(2) An amount of approximately RMB 206,764,000 due from related parties and an amount of approximately RMB 11,744,000 due to related parties as at 30 June 2009 were fully settled subsequent to 30 June 2009.

(3) According to the Reorganization, Sany Heavy Equipment acquired the 100% interest in Sany Transportation from Sany Group in July 2009, at a consideration of RMB 166,800,000. Save for the Reorganization, Sany Transportation has not conducted any business since its date of incorporation. The transaction will be accounted for as the acquisition of assets rather than as a business combination.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong