SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00631

Quality Changes The World

2013 Annual Report

Contents

Company Profile	2
Financial Summary	3
Important Milestones in Year 2013	4
Chairman's Statement	5
Management Discussion and Analysis	9
Directors and Senior Management	16
Directors' Report	23
Corporate Governance Report	37
Corporate Information	47
Independent Auditors' Report	48
Consolidated Statement of Profit or Loss	50
Consolidated Statement of Comprehensive Income	51
Consolidated Statement of Financial Position	52
Consolidated Statement of Changes in Equity	54
Consolidated Statement of Cash Flows	56
Statement of Financial Position	58
Notes to Financial Statements	59
Five Year Financial Summary	122

Company Profile

Sany Heavy Equipment International Holdings Company Limited (hereinafter "Sany International" or the "Company") was incorporated on 23 July 2009 in the Cayman Islands. The Company and its subsidiaries (hereinafter the "Group") is a major corporation specializing in coal mining and excavation research and development, manufacturing and sale of whole set of roadheaders, mining and transportation vehicles and a leading provider of comprehensive coal mining equipment in China. On 25 November 2009, Sany International was listed on the Main Board of The Stock Exchange of Hong Kong Limited (hereinafter the "Stock Exchange").

The Group is a coal mining machinery manufacturer with the widest product range and the most comprehensive product lines in China. At present, the Group's products include underground and surface coal mining equipment such as combined coal mining unit ("CCMU"), semi-coal rock roadheader, full-rock roadheader, coal mine transportation vehicle (including underground and surface) and concrete pump for coal mines. The Group has promoted the CCMU and coal ploughing units which has integrated design and manufacturing. We are the first company to provide integrated mining equipment and one stop solutions in China. Not only such solutions fundamentally changed the original mode of manufacturing of coal mining machinery manufacturers in China where machines are designed and manufactured individually, but also contributed new ideas to the industry such as manufacturing in whole-set coal mining products and intelligent manufacturing operations.

As a leading enterprise spearheading the industry's technological advances, the Group considers research and development ("R&D") as one of its most important competitive strengths. By virtue of its strong R&D capability, the Group achieved remarkable achievements in its R&D and successively launched new product models that led the development direction of the industry. During the year under review, the Group has successfully produced coal mining machinery for thin coal seams, and started generating sales in the market; it successfully produced light intelligent support system and gross profit margin of its supportive products has improved; it successfully introduced the third generation S type roadheaders, and started generating sales in the market; it successfully produced the first non-coal double-arm large-height mining roadheader (EBS630) in the world and such products were sold to potash mines; it successfully produced coal mining transportation vehicles such as SRT45, SRT95C and SRT55D etc., which laid a solid foundation for the improvement of the results of coal mining transportation vehicle products; it also achieved a significant technology breakthrough in hard rock exploration dust-removal, thereby greatly improved the efficiency in dust-removal. As at the end of December 2013, the Group has altogether applied for 1,188 national patents, among which 424 were invention patents. Besides, the coal mining machine which the Group has design patent, was awarded the 15th Prize of Excellence in Patent in China. This is the fourth consecutive year that the Group won this award.

Given the outstanding product quality and friendly after-sales services, the Group's products gain market share in the coal production zones in Mainland and each coal mining group, and are exported to certain countries and regions, including Ukraine, Russia, Australia, Philippines, Indonesia, Laos and Iran.

Financial Summary

(RMB'000)	**2013 (audited)**	2012 (audited)	Increase (%)
Revenue	**3,225,463**	3,640,739	(11.4%)
Gross profit	**1,163,053**	1,328,691	(12.5%)
Profit before tax	**407,585**	592,623	(31.2%)
Net profit	**358,179**	500,034	(28.4%)
Profit attributable to owners of the parent	**356,208**	499,532	(28.7%)
Profit attributable to owners of the parent (excluding one-off items and revaluation items)[1]	**356,208**	499,532	(28.7%)
Total assets	**8,712,651**	7,979,222	9.2%
Total equity	**5,827,503**	5,695,658	2.3%
Cash flows of operating activities	**(223,629)**	86,315	–
Cash flows of investing activities	**(450,841)**	237,799	–
Cash flows of financing activities	**152,411**	46,607	–
Earnings per share[2]			
– Basic (RMB Yuan)	**RMB0.12**	RMB0.16	–
– Diluted (RMB Yuan)	**RMB0.12**	RMB0.16	–

(Percentage)	**2013**	2012	Increase (points)
Gross profit margin	**36.1%**	36.5%	(0.4)
Percentage of profit attributable to shareholders of the Company[3]	**11.0%**	13.7%	(2.7)
Percentage of profit attributable to shareholders of the Company (excluding one-off items and revaluation items)	**11.0%**	13.7%	(2.7)
Assets turnover	**38.6%**	47.1%	(8.5)
Asset – Liability ratio	**33.1%**	28.6%	4.5
Average total assets (RMB'000)	**8,345,937**	7,722,687	

1 The Group has no one-off item and revaluation item.

2 The weighted average number of ordinary shares for the year ended 31 December 2013 was 3,064,886,334, the weighted average number of ordinary shares for the year ended 31 December 2012 was 3,109,994,137 (details of which are set out in note 13 to financial statements).

3 Profit attributable to shareholders of the Company divided by revenues.

Important Milestones in Year 2013

Awarded two Shenyang Industrial Design Competition Awards

On 19 April, roadheaders and coal mining machines, which Sany International has design patents, were awarded Second Prize and Third Prize in Shenyang Industrial Design Competition, respectively. Sany International is the only corporation which has two awards among other participating companies.

The first ML360 continuous coal mining machine put into industrial testing

On 8 May, the ML360 continuous coal mining machine, which is self-developed by Sany International, was successfully launched, and has been sent to the mine operator to undergo industrial testing.

Participated in Guizhou coal mining machine exhibition with the largest display area

On 6 June, the 12th China Guizhou Coal Mining Safety Production Technology and Equipment Exhibition was opened in Guiyang International Convention & Exhibition Center. Sany International participated the exhibition with the largest display area, and major models such as EBZ160S roadheader, 700A coal mining machine and light intelligent remote hydraulic support system etc, were exhibited.

Entered into technical agreement with China Kingho Energy Group Co., Ltd., in respect of 15 off-highway mining trucks

On 8 July, Sany International entered into technical agreement with China Kingho Energy Group Co., Ltd in respect of SRT95 technology of 15 100 tonne off-highway mining trucks.

Our "coal mining machine" was awarded Prize of Excellence in Patents in China

In October, the State Intellectual Property Office announced the "coal mining machine" which Sany Heavy Equipment Co., Ltd. (hereinafter "Sany Heavy Equipment") has design patents, was awarded the 15th Prize of Excellence in Patents in China. This is the fourth consecutive year that Sany Heavy Equipment won this award.

Awarded Golden Bauhinia Awards

On 28 November, Sany International was named "Highest Growth Potential Listed Company" in the Golden Bauhinia Awards of Ta Kung Pao, a major media group in Hong Kong.

Dear Shareholder,

Full-Year Review

For the 2013 fiscal year, the Group's sales revenue amounted to approximately RMB3,225.5 million, representing a year-on-year decrease of approximately 11.4%; the Group's profit before tax amounted to approximately RMB407.6 million, representing a year-on-year decrease of approximately 31.2%; the Group's net profit amounted to approximately RMB358.2 million, representing a year-on-year decrease of approximately 28.4%; and the Group's earnings per share amounted to approximately RMB0.12.

In 2013, the global economy remained sluggish without any clear sign of recovery, and the coal industry continued to undergo adjustments. Coal price in China declined throughout the year and the growth rate of the coal industry's investment in fixed assets turned to the negative side. Under such circumstances, the Group made positive responses and started business transformation. With its strong capability in opening market and R&D and effective management measures, the Group further consolidated the position of its products in the market and the series of transformation policy has begun to take effect.

To cope with the situation the industry was under, the Group became the first in the industry to put forward a transformation strategy focusing on structural adjustment, which has been implemented to a significant extent. During 2013, the Group maintained the largest share in the China's roadheader market, and brought batches of the Third generation of roadheaders into the market, the feedback of which was positive. At the same time, driven by the innovative light hydraulic support system, revenue from CCMU grew despite the adverse environment. The improving qualities of coal mining machines and scrapper conveyors enabled the Group to sell large high-volume coal mining machines for super thick seams. The profit margin of CCMU was also significantly improved as compared with last year. With the continuous expansion of production and sales of CCMU in the future, related costs will be further reduced, which will in turn further enhance profitability. Surface coal mine transportation vehicles, as a key product to the business transformation of the Group, has achieved a significant increase in sales and market share in 2013 and has further enhanced the Group's position in the industry.

To achieve the goal of having "high-quality", the Group elevated its manufacturing standards by leveraging the Group's advantage in hardware with the Group's new industrial park located in the Shenyang Economic Development Zone. During the period under review, the Group put forward technology reform to improve the utilization of equipment and has significantly enhanced the utilization rate of production capacity of products as compared to last year. To further enhance product quality, the Group being the first in the industry, has established the first System of Five-Steps to Excellence (五步卓越體系) and commenced the establishment of a streamlined, on-time and automated standard operation system. Supported by the production capacity of the Group, the Group has replaced all picks in its roadheader products with picks manufactured by the Group, which were also officially priced and sold to external parties as parts. The steadily improving product quality was recognised and the Group was rewarded with the Governor's Quality Award of Liaoning Province (遼寧省省長品質獎).

The Group underwent structural reorganization in 2013 with a view to enhancing the operational efficiency of member companies and strengthening cost control and the effort was beginning to pay-off. In particular, the comprehensive cost reduction measures have significantly reduced costs of consumable products such as cutters and fuels. Control over inventory was also strengthened and "idle materials" was cleared to increase the cash flow of the Group.

In order to "gain market share by good service", the Group continued to strengthen cooperation with agents. The Group kept its marketing service at a leading standard in the industry and has set up 70 service points, 53 provincial sales warehouses and 2 large repair factories nationwide, ensuring a service radius less than 50 km. At the same time, the Group is the first in the coal industry of China to launch the service hotline 4008 to maintain internal monitoring over the process of providing customer services to ensure the delivery of an efficient and multi-layers service without any delays.

In 2013, the R&D team of the Group continued to maintain high standards. The team completed application of 125 patents, including 58 patented inventions, 100 coal mine safety certificates and 32 explosion-proof certificates. It cooperated with R&D institutions and tertiary education institutions in China in 19 research projects, 8 of which have been completed. There were breakthroughs in product R&D and 9 new products were launched in the year, including the type II coal mining machines 400B, the new high-pressure automatic backwash filtration station EFS1600/31.5/25S, the continuous coal mining machine ML400 and others. 13 key technologies were put into application, including the new generation roadheader monitoring programme, the technologic research of the material of scraper conveyor's middle slot, the research of dual-driver scraper of continuous mining machines, the integrated test bed for multi-frequency mining devices and others.

The Group promotes that "contribution to the country is more important than the profit of an enterprise" and fulfills its social responsibility by making notable contribution to economic and social development. On 20 April 2013, a 7.0 magnitude earthquake occurred in Ya'an, Sichuan. The Group and its affiliate Sany Group Limited ("Sany Group") arrived at the stricken area immediately to assist with the rescue. Meanwhile, the Group also treats the development of teenagers and children with utmost importance. On 22 June 2013, the Group gathered its employees to form a team of volunteers who paid a visit to an institute of children's welfare and donated necessities such as clothes, toys and books to the children. The Group upheld the principle of "helping employees to success" by visiting staff with family difficulties and providing them with consolation money and items, while raising funds for staff requiring assistance and showing love and care to staff who are in need of support. In addition, the Group from time to time held the "Little Swallow", an activity in which the Group arranged family gathering for staff working far away from home and has so far offered the chance of reunion to 39 families.

Outlook

For the Group, 2013 has been an extraordinary year, during which it overcame difficulties and challenges and achieved excellent results.

Although the economy of China will likely remain in its arduous transformation in 2014, the Group believes with reasons that China will welcome a brand new development after the third plenum of the eighteenth Party Congress. Both opportunities and challenges lie in store for the Group. Competition in the coal machine industry is increasing due to new companies entering into the industry and the declining growth rate of demand of the machines. Under the pressure of low coal price, many of the companies in the industry consolidated their production, eliminating out-dated production products with high cost, small scale and low rate of mechanization which creates new markets for large-scaled and mechanized mine wells. Propelled by the trend of such consolidation and the increasing exploitation efficiency, the enhancement of coal production per well, demand for mechanization of coal mining and emphasis on mine safety will be the key drivers for the demand of coal machineries. The increasing demand for mining products under development of China's economy will also drive the demand for non-coal-related equipment. As such, we are prudent yet optimistic towards the future of the macro environment in the long term.

The Group will seize every opportunity and continue its business transformation according to the trend of development. During 2013, it developed and launched 9 new products, which will undoubtedly bring to the Group competitive edge in the future. It is evident that the Group has made great progress in the adjustment of its product structure. With its strong capability of applying R&D results to the products of the Group, the Group has extended its business beyond traditional coal mining machine products. In 2013, its new products ML360 and ZRB400 intelligent emulsifier security system were marketed after industrial tests and the first non-coal large mining two-arm high roadheader EBS630 were successfully sold to foreign markets. The upgraded coal mine transportation vehicles SRT95C and SRT55D have also been sold into the market, paving the way for new products to be released in 2014. The coal mine transportation vehicle SET230 has completed its 30,000 km credibility tests. The Group is confident that its products will be launched on time and satisfy all customer needs in the energy sector in the future. The Group will also seize opportunities of business transformation to expand into the area of manufacture of energy-related equipment and its related service and strive for becoming a supplier with comprehensive solutions for the energy sector.

Facing the brand new economic environment, the development pattern of the Group entered into a new era. All of its staff will spare no effort and rise to challenges with conviction and courage to create a brighter future for the operation of Sany and realize the dream of establishing a world-class enterprise of China.

Lastly, on behalf of the board of directors of the Company, I would like to express my gratitude to our Shareholders and customers for their trust and support as well as my deep appreciation to our management and staff for their untiring efforts and contribution.

Zhao Xiangzhang
Chairman

Hong Kong, 24 March 2014

Management Discussion and Analysis

Business Review

In 2013, the coal mining machinery market remained sluggish without any clear sign of recovery. In this key moment when the whole industry faced challenges, the Group started to transform its business. By virtue of its technology resources and management experience accumulated over the years, it launched a series of non-coal mining products, which brought new profit growth points. The business transformation strategy has achieved initial success and put the Group at a leading position in the industry.

Major products

With the ongoing transformation, the Group divided its products into three categories, namely the coal mining business, which included roadheaders (all types of soft rock, hard rock roadheader, large mining high roadheader EBS630 and drilling machinery) and CCMU (coal mining machines (shearer), hydraulic support system, scraper conveyor (Armored-Face Conveyer) and centralized control system); the non-coal-related business, which included mining transport equipment (mechanical drive off-highway dump truck, electric drive off-highway dump truck, articulated truck and underground coal mining vehicle) and other new model products (continuous mining machineries and concrete pump for coal mines); and other non-coal-related business (parts and services).

Development of new products

By virtue of its strong R&D ability, the Group launched various new original products in view of market demands and actively expanded towards the non-coal-related business. Through innovation, the Group successfully launched the first non-coal large mining two-arm high roadheader EBS630 for potash mining as well as piloted the use of roadheaders in tunnel digging in certain regions during the period under review. These set a new direction for the development of excavation and mining equipment for the Group. Meanwhile, the R&D team of the Group is developing electric shovels, which will become a breakthrough for the Group in leading the development of the industry. The launch of new products will enable the Group to manage the risk of a weakening market demand in coal mining machineries while bringing in new source of profit growth for the Group.

Research and development capability

As a leading enterprise spearheading the industry's technological advances, the Group considered R&D as one of its most important competitive strengths and a main drive to provide customers with products different from those of its peers in the industry, products that were of higher quality at a more reasonable price. During the year under review, the Group achieved remarkable achievements in its R&D and successively launched new product models that led the development direction of the industry. The Group launched a light intelligent remote hydraulic support system – a revolutionary breakthrough in its hydraulic support products. The machine, which is significantly lighter than standard hydraulic support products, utilizes high-strength steel plates and fully-automated remote control which contributes to improved safety and higher efficiency. The Group successfully produced the third generation of roadheaders incorporating various new technologies such as features of high intelligence, which is industry leading. The efficiency of removing respirable dust new model roadheaders has been significantly enhanced, effectively removing dust even in tunnels with high gas content. Meanwhile, the development of coal mine transportation vehicles such as SRT45, SRT95C and SRT55D and the launch of thin coal seams CCMU and ML400 continuous coal mining machine laid a solid foundation for the future performance of the Group. For the year ended 31 December 2013, the Group had obtained a total of 125 R&D patents, including 58 patented inventions.

Production and manufacturing

Currently, the Group have eight plants in the new industrial park located in the Economic and Technological Development Zone of Shenyang city with a total area of 629,000 sq.m. The Group focused on enhancement of processing technology and assembly technology with a view to further lower production cost and to enhance efficiency and product quality through diversifying the products offered.

Also, the testing plant in the new industrial park has commenced operation. Various large test beds and laboratories, including a 1500KW high power test bed, outdoor testing site for roadheader, integrated test bed for scrapper conveyor, loading test bed for hydraulic servo, test bed for single geared cutting, integrated test bed for multi-frequency mining devices, etc, have been constructed and commenced operation. All these testing facilities are of the highest standard in the industry which will guarantee the credibility of products from the Group.

Distribution and service

The Group will adhere to its service philosophy of "All For Customers, All From Innovations", by providing first-class service and highly efficient response to make every effort in meeting customers' needs and raising customers' satisfaction and to address any concerns of our customers. The Group's superior product quality, attentive after-sales service and efficient response have achieved a high degree of recognition from our customers.

Financial Review

Revenue

For the year ended 31 December 2013, the Group recorded revenue of approximately RMB3,225.5 million (2012: approximately RMB3,640.7 million), representing a decrease of approximately 11.4% as compared with the year ended 31 December 2012. The decrease was mainly attributable to (1) a decrease in conventional roadheader revenue of approximately 32.4% resulting from the significant decrease in the demand of coal mining machines and relocation of the Company; and (2) a decline in selling price of parts due to the sales mode selling through agents. Although the Group's revenue decreased for the year ended 31 December 2013, the percentage of decrease in revenue was significantly lower than the percentage of decrease in revenue of 29.1% for the six months ended 30 June 2013 when compared with the six months ended 30 June 2012. Such improvement was mainly attributable to the efforts the Group put into transforming its business and extending its product line into non-coal-related business and the excellent sales of mine transportation vehicles, which amounted to approximately RMB387.0 million, approximately 88.5% more than that in 2012 and became a new profit growth source of the Group. At the same time, with more mature technology of CCMU, the Group made significant improvements in its credibility and efficiency and the revenue increased by approximately 19.8%. With more new models coming into the stream, the product structure of the Group has begun, and will continue to change.

Other income and gains

For the year ended 31 December 2013, the Group's other income and gains was approximately RMB168.7 million (2012: approximately RMB231.4 million), representing a year-on-year decrease of approximately 27.1%. The decrease was mainly attributable to a decrease in government grants received.

Cost of sales

For the year ended 31 December 2013, the Group's cost of sales was approximately RMB2,062.4 million (2012: approximately RMB2,312.0 million), representing a decrease of approximately 10.8%. The change was mainly due to the decrease in the Group's revenue.

Gross profit and gross margin

For the year ended 31 December 2013, the gross profit of the Group was approximately RMB1,163.1 million (2012: approximately RMB1,328.7 million), representing a year-on-year decline of approximately 12.5%. Gross margin was approximately 36.1% (2012: approximately 36.5%), representing a decrease of approximately 0.4 percentage points year-on-year. Such changes were mainly due to further increase in the proportion of revenue from CCMU and the non-coal-related products which had a gross margin lower than that of traditional roadheader products, to total revenue. The Group has been gradually improving the gross profit margin of CCMU and the non-coal-related products via improvements in product design, processing technology and production process.

Profit margin before tax

For the year ended 31 December 2013, the Group's profit margin before tax was approximately 12.6%, representing a decrease of approximately 3.7 percentage points as compared to approximately 16.3% for the year ended 31 December 2012. The decrease was mainly due to the input of more resources of the Group into R&D.

Selling and distribution expenses

For the year ended 31 December 2013, the selling and distribution expenses were approximately RMB500.7 million (2012: approximately RMB566.0 million), representing a decrease of approximately 11.5%. For the year ended 31 December 2013, the ratio of the Group's selling and distribution expenses to revenue was approximately 15.5%, remained approximately the same as 2012 (2012: 15.5%).

Research and development expenses

For the year ended 31 December 2013, the research and development expenses of the Group were approximately RMB177.7 million, and its ratio to revenue was approximately 5.5%, representing an increase of approximately 0.8 percentage point from approximately 4.7% of 2012. Such increase was mainly attributable to the increased input of resources into the business transformation, the development of non-coal-related products and the expanded application of new products such as coal-mining transportation vehicles, concrete pumps for coal mines and continuous mining machines. Also, the Group has been continuously improving the R&D of its CCMU to further enhance its products' credibility and stability.

Administrative expenses

For the year ended 31 December 2013, administrative expenses of the Group were approximately RMB359.3 million. The ratio of administrative expenses excluding research and development expenses to revenue was approximately 5.6%, basically the same as 2012 (2012: 5.6%).

Finance costs

For the year ended 31 December 2013, finance costs of the Group were approximately RMB17.2 million (2012: approximately RMB4.7 million), mainly due to bank loans drawn down by the Group.

Taxation

Sany Heavy Equipment, a wholly-owned subsidiary of the Group, is a National High New Technology Enterprise in Liaoning Province and is entitled to preferential tax treatments. The Group's effective tax rate in 2013 was approximately 12.1% (2012: effective tax rate of approximately 15.6%). For details regarding income tax, please refer to note 10 to the financial statements.

Profit attributable to owners of the parent

For the year ended 31 December 2013, the Group's profit attributable to owners of the parent decreased to approximately RMB356.2 million (2012: approximately RMB499.5 million), representing a decrease of approximately 28.7%. For the main reason of the decrease, please refer to the above paragraphs titled "**Revenue**" and "**Profit margin before tax**".

Liquidity and financial resources

As at 31 December 2013, current assets of the Group were approximately RMB5,613.9 million (31 December 2012: approximately RMB4,608.4 million). As at 31 December 2013, current liabilities of the Group were approximately RMB2,442.1 million (31 December 2012: approximately RMB1,809.5 million).

As at 31 December 2013, total assets of the Group were approximately RMB8,712.7 million (31 December 2012: approximately RMB7,979.2 million), and total liabilities were approximately RMB2,885.1 million (31 December 2012: approximately RMB2,283.6 million). As at 31 December 2013, the asset to liability ratio of the Group was approximately 33.1% (31 December 2012: approximately 28.6%).

As of 31 December 2013, the Group had sufficient cash and a large amount of credit facility at banks that had not been utilized.

Trade and bills receivables

As at 31 December 2013, the Group's trade and bills receivables were approximately RMB3,375.1 million, representing an increase of approximately 44.6% from approximately RMB2,334.0 million as at 31 December 2012, of which trade receivables were approximately RMB2,715.9 million, representing an increase of approximately 57.3% from approximately RMB1,726.6 million as at 31 December 2012 and bills receivable were approximately RMB659.2 million, representing an increase of approximately 8.5% from approximately RMB607.3 million as at 31 December 2012. The increase was mainly due to the ratio of revenue from sales of CCMU to total revenue which increased by approximately 7.7 percentage points from 2012 to approximately 29.5%, and the time of making payment of CCMU was much longer than that of conventional roadheaders. In addition, in order to maintain long-term strategic cooperation with high-quality customers, the Group extended the credit period of certain state-owned customers with good reputation. The Group had also established a specific department to carry out the strict control of outstanding receivables and follow up on debt collection to minimise the credit risk.

Cash flow

As at 31 December 2013, cash and cash equivalents of the Group, investment deposits and time deposits with maturity of three months or more were approximately RMB757.3 million in total.

For the year ended 31 December 2013, the net cash outflow of the Group from operating activities was approximately RMB223.6 million (2012: net cash inflow of approximately RMB86.3 million). For the reason of such decrease, please refer to the paragraph titled "**Trade and bills receivables**" above.

For the year ended 31 December 2013, the net cash outflow from investing activities was approximately RMB450.8 million (2012: net cash inflow of approximately RMB237.8 million). The change of net cash outflow from investing activities was mainly for (1) the purchase of financial products of approximately RMB300.0 million, which has not matured; and (2) the capital expenditure amounted to approximately RMB229.2 million.

For the year ended 31 December 2013, the net cash inflow of the Group from financing activities was approximately RMB152.4 million (2012: net cash inflow of approximately RMB46.6 million).

Turnover days

The Group's average turnover days of inventory were approximately 137.3 days in 2013, representing an increase of approximately 10.5 days from 126.8 days in 2012, mainly because of (1) the decrease in revenue; and (2) more raw materials and products in demand were retained.

The turnover days of trade and bills receivables in 2013 were approximately 330.1 days, representing an increase of approximately 94.1 days from approximately 236.0 days in 2012. Please refer to the above paragraph titled "**Trade and bills receivables**" for the reasons of such increase.

Turnover days of trade and bills payables increased by approximately 25.5 days from approximately 115.3 days in 2012 to approximately 140.8 days in 2013.

Contingent liabilities

As at 31 December 2013, the Group had no material contingent liability (2012: nil).

Capital commitment

As at 31 December 2013, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB228.2 million (31 December 2012: approximately RMB396.8 million).

Employees and remuneration policy

The Group persists in training and developing talents. Accordingly, it provides internal training, external training and correspondence courses to its staff according to their ranking and at different times with an aim to self-improving and enhancing their skills relevant to work as well as strengthening their senses of belonging. In addition, the Group paid year-end bonuses to staff to reward them for their contributions and dedication to the Group. The remuneration of the directors of the Group was determined with reference to their positions, responsibilities and experience and prevailing market conditions.

Material acquisition and disposal

On 21 June 2013, the Company entered into a share transfer agreement with Sany Hongkong Group Limited ("Sany HK"). Pursuant to the share transfer agreement, the Company had agreed to sell and Sany HK had agreed to acquire shares representing 2.19% of the equity interest in Kinetic Mines and Energy Limited ("Kinetic") at a consideration of HK$235,233,288.86. After completion of the disposal, the Company will cease to hold any interest in Kinetic.

Pledge of assets

As at 31 December 2013, pledged deposits and pledged bills with aggregate value of approximately RMB117.6 million (2012: approximately RMB192.5 million), which were for the purpose of issuing bills payable. As at 31 December 2013, certain of the Group's bank loans were secured by property, plant and equipment and prepaid land lease payments with a carrying amount of RMB510.2 million (2012: Nil).

Foreign exchange risk

As at 31 December 2013, the Group's cash and bank balances denominated in HK$ and US$ were equivalent to approximately RMB5.2 million. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

Social responsibility

The Group promotes that "contribution to the country is more important than the profit of an enterprise" and fulfills its social responsibility by making notable contribution to economic and social development. On 20 April 2013, a 7.0 magnitude earthquake occurred in Ya'an, Sichuan. The Group and its affiliate Sany Group arrived at the stricken area immediately to assist with the rescue. Meanwhile, the Group also treats the development of teenagers and children with utmost importance. On 22 June 2013, the Group formed a team of volunteers who paid a visit to a children's asylum and donated necessities such as clothes, toys and books to the children. The Group persisted in the principle of "enabling staff's success" by visiting staff with family difficulties and providing them with consolation money and items, while also raised funds for staff requiring assistance and spread love and care to staff who are in need of support. In addition, the Group from time to time held the "Little Swallow", an activity in which it arranged family gathering for staff working far away from home and has so far offered the chance of reunion to 39 families.

Directors and Senior Management

Executive Directors

Mr. Zhao Xiangzhang (趙想章), aged 48, has been the Chairman of the Board of the Company since 12 October 2012, Mr. Zhao has over 20 years of experience working in the machinery industry. Mr. Zhao has been a director of Sany Group since 2007, and a director and the senior vice president of Sany Heavy Industry Co., Ltd. ("Sany Heavy Industry") since 2010.

Mr. Zhao joined Sany Group in 2000 and has since worked in various positions in Sany Group and its subsidiaries, including the financial controller of Sany Heavy Industry from 2000 to 2004 and the secretary of the board of directors of Sany Heavy Industry from 2001 to 2008. Before joining Sany Group, Mr. Zhao served as a director, the vice general manager and chief accountant of Zhongqi Changdian Company Limited from July 1985 to September 2000. Mr. Zhao is the vice president of Hunan Youth Federation and a director of the China Machinery Industry Accounting Society. Mr. Zhao graduated from Hunan College of Finance and Economics with a bachelor's degree in Economics in July 1985 and graduated from Hunan University with a master's degree in Business Administration in December 2000.

Mr. Mao Zhongwu (毛中吾), aged 52, was the chairman of the Company from 23 July 2009 to 12 October 2012. From July 2009 to April 2010, he was also the Chief Executive Officer of the Company. Mr. Mao has been the managing director and general manager of Sany Heavy Equipment since July 2006, and has been an executive director of Sany Heavy Integrated Coal Mining Equipment Co., Ltd. ("Sany Zongcai") and Sany Group Shenyang Mining Transportation Equipment Co., Ltd. ("Sany Transportation") since their respective establishments in May 2008 and September 2009. He is mainly responsible for the overall strategic planning and investment decisions of the Group. Mr. Mao has over 25 years of experience in the machinery industry.

Mr. Mao is a non-executive Director of Sany Group and has held no executive position in the Sany Group. He founded the Sany Group in 1989 and was mainly responsible for its business development. Since then, he held various posts in the subsidiaries of the Sany Group, and he has been a director of the group since 2000. He was appointed as the vice president of the Sany Group from June 2005 to June 2006. During his tenure with the Sany Group, Mr. Mao was awarded the honor of "Pioneering Star (創業之星)" by the Research & Development Centre of the State Council (國務院發展研究中心). Mr. Mao was also elected as the vice president of the Loudi Industrial and Commercial Union, Hunan Province (湖南省婁底工商聯) in 2000.

Mr. Mao received professional training in Economics and Management at the National University of Singapore in 1999.

Mr. Kuang Canghao (匡蒼豪), aged 43, has been an executive Director of the Company since 6 December 2012. Mr. Kuang has nearly 20 years of experience in the machinery industry and over 10 years of experience in business procurement and international trade. Mr. Kuang has been the standing vice general manager of the Company since September 2012.

Mr. Kuang Canghao joined Sany Group in 1993, and has since worked in various positions in Sany Group and its subsidiaries, including the standing vice general manager of the pump business department and the general manager of sales department of Sany Heavy Industry from February 2012 to September 2012, the standing vice general manager of the pump business department and the director of manufacturing operations of Sany Heavy Industry, from September 2011 to February 2012, the general manager of Loudi Zhongxing Hydraulic Parts Co., Ltd. from January 2010 to June 2011, and the director of commercial department of Sany Heavy Industry from July 2008 to January 2010. From October 1993 to July 2008, Mr. Kuang held various positions in Sany Group including operator, department head and director of commercial department.

Mr. Kuang obtained a bachelor's degree in Chinese Language and Literature and obtained a master's degree in Business Administration from Wuhan University in January 2007 and December 2008, respectively.

Mr. Huang Xiangyang (黃向陽), aged 52, deputy general manager of the Company and head of our research institute of the Group. Mr. Huang has been appointed as an executive Director of the Company since 18 May 2012. He has 30 years of work experience in electrical and mechanical industry. He joined Sany Heavy Equipment in June 2010 as the deputy general manager of the coal mining operation division. Since October 2010, Mr. Huang Xiangyang has been working as the deputy general manager and head of our research institute.

During his time with the Group from 2001 to 2010, Mr. Huang was granted 7 technological awards at provincial level or above, 6 awards at city level and obtained around 200 patents, about 20 of which were patented inventions. Mr. Huang was selected as the "Most innovative person in Hunan province" for twice and obtained many awards including "First Prize in Sichun Technological Innovation", "Special Prize" from China Railway Engineering Corporation, Second Prize in China Standard Innovation Award, outstanding award of the State Intellectual Property, China Machinery Industry Science and Technology Award, Second Prize in Liaoning Technological Innovation, First Prize in Changsha Technological Innovation, First Prize in Shenyang Technological Innovation, outstanding scientific and technical worker in Shenyang, Shenyang May 1st Day Labour Medal and Tiexi May 1st Day Labour Medal.

Mr. Liu Weili (劉偉立), aged 51, is the general manager of the sales department of the Company. Mr. Liu has been appointed as an executive Director of the Company since 18 May 2012. He was a director of Sany Transportation from September 2009 to December 2010. Mr. Liu has over 10 years of experience in the machinery industry. Mr. Liu has been the general manager of the sales department and the vice president in Sany Heavy Equipment since 2006. From 1996 to 2006, Mr. Liu worked in the Sany Group and held various positions, including operator, department head and deputy general manager. Prior to joining the Sany Group, Mr. Liu had worked in Changsha Clothing Industry Company (長沙市服裝工業公司) as a manager between 1991 and 1995 and in Changsha No. 2 Textile Printing and Dyeing Factory (長沙第二紡織印染廠) between 1978 and 1991.

Mr. Liu received in-service training at the Textile Administrator's College in China (中國紡織政治函授學院) between 1985 and 1987 and also received an EMBA from Sun Yat-sen University in Guangdong Province, China in 2003.

Non-executive Director

Mr. Xiang Wenbo (向文波), aged 52, was appointed as a non-executive Director of the Company on 23 July 2009. He has also been a non-executive director of Sany Heavy Equipment since January 2004. Mr. Xiang has over 20 years of experience in the machinery industry. Mr. Xiang joined the Sany Group in 1991 and was a standing director and general manager of the marketing department and executive president of the Sany Group. He is currently the president and vice-chairman of Sany Heavy Industry.

Mr. Xiang graduated in 1982 from the Department of Casting of Hunan University with a Bachelor's degree in Engineering Science and graduated from Materials Department of Dalian University of Technology (大連理工大學) with a master's degree in Engineering in 1988. Mr. Xiang holds the title of senior engineer and is an expert entitled to government allowance from the State Council.

Mr. Xiang has also held a number of social positions such as vice president of China International Chamber of Commerce for Private Sector, a council member of China Machinery Industry Confederation (中國機械工業聯合會), a vice chairman of China Construction Machinery Industry Association (中國工程機械工業協會) and Industrial and Commercial Union in Hunan Province (湖南省工商聯合會).

Mr. Xiang was awarded "2012 Bauhinia Cup Outstanding Entrepreneur Awards (2002年紫荊花杯傑出企業家獎)", "2007 China's top ten leaders in manufacturing (2007中國製造業十大領袖)", "2008 Top Ten Outstanding CEO in China (2008年度中國十大傑出CEO)", "Forbes 2010 Best CEO in China (福布斯2010年中國最佳CEO)" and "Forbes 2011 A-share listed companies non-state Best CEO (福布斯2011年A股非國有上市公司最佳CEO)".

Independent non-executive Directors

Dr. Ngai Wai Fung (魏偉峰), aged 52, was appointed as an independent non-executive Director of the Company on 5 November 2009. Dr. Ngai is currently the managing director of MNCOR Consulting Limited, the managing director of SW Corporate Services Group Limited and the vice president of the Hong Kong Institute of Chartered Secretaries and Adjunct Professor of Department of Law in Hong Kong Shue Yan University. Dr. Ngai recently was appointed by Chief Executive of Hong Kong Special Administrative Region of the People's Republic of China as non-official member of Working Group on Professional Services of Economic Development Commission and obtained professional qualifications from Hong Kong Institute of Certified Public Accountants and committee member of Examinations Board.

From 2006 to 2009, Dr. Ngai was an independent non-executive director and a member of the audit committee of China Life Insurance Company Ltd. (中國人壽保險股份有限公司) which is listed on the Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange. From 2007 to 2011, Dr. Ngai was also an independent non-executive director and a member of audit committee of Franshion Properties (China) Limited (方興地產(中國)有限公司) which is listed on the Stock Exchange. Dr. Ngai is currently an independent non-executive Director and member or chairman of the audit committee of Bosideng International Holding Limited (波司登國際控股有限公司), China Railway Construction Corporation Limited (中國鐵建股份有限公司), China Coal Energy Company Limited (中國中煤能源股份有限公司), BaWang International (Group) Holdings Limited (霸王國際(集團)控股有限公司), SITC International Holdings Company Limited (海豐國際控股有限公司), Juda International Holdings Limited (鉅大國際控股有限公司), Biostime International Holdings Limited (合生元國際控股有限公司) and Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), which are companies listed on the Stock Exchange. Dr. Ngai is currently also an independent non-executive director and a member/chairman of audit committee of LDK Solar Co., Ltd, which is listed on the New York Stock Exchange.

Dr. Ngai was a director and head of listing services of an independent operation enterprise service provider (formerly the corporate services divisions and commercial divisions of KPMG and Grant Thornton). Prior to this, Dr. Ngai served in various senior management positions, including executive director, company secretary and chief financial officer, of a number of listed companies (including Industrial and Commercial Bank of China (Asia) Ltd. (中國工商銀行(亞洲)有限公司), China Unicom (Hong Kong) Limited (中國聯通(香港)有限公司) and China COSCO Holdings Co., Ltd (中國遠洋控股股份有限公司).

Dr. Ngai has led or participated in major financing projects such as listing, mergers and acquisitions as well as issuance of debt securities, and the provision of professional services and support to many State-owned enterprises and redchip companies in the areas of regulatory compliance, corporate governance and secretarial services.

Dr. Ngai obtained a master's degree in Business Administration from Andrews University of Michigan in 1992 and a master's degree in Corporate Finance from the Hong Kong Polytechnic University in 2002. He obtained his doctor's degree in Finance at Shanghai University of Finance and Economics in 2011. Dr. Ngai is a fellow member of the Association of Chartered Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of the Hong Kong Institute of Company Secretaries, a fellow of the Hong Kong Institute of Directors and a member of the Hong Kong Securities Institute.

Mr. Xu Yaxiong (許亞雄), aged 67, a professor-level senior engineer, was appointed as an independent non-executive Director of the Company on 5 November 2009. Mr. Xu joined the China National Coal Machinery Industry Association in June 2007 and was elected as the President. Mr. Xu will resign as the President of China National Coal Machinery Industry Association in September 2013 due to old age and will transfer as the senior consultant of the China National Coal Machinery Industry Association, the director of experts committee and the deputy director of China National Coal Association. He is currently a legal representative of the association.

Mr. Xu worked as the head of mechanical and electrical section of the Capital Construction Engineer Corps 41st Team (基建工程兵第四十一支隊) between 1965 and 1983 and was the team leader and deputy party committee secretary (assistant department level) in No. 2 Construction Company of the Ministry of Coal (煤炭部第二建設公司) between 1983 and 1985. From 1985 to 1994, Mr. Xu served several positions such as deputy director and director of the general office in Northeast Inner Mongolian Coal United Company (東北內蒙古煤炭聯合公司). Between 1994 and 2007, Mr. Xu worked in the general office of Ministry of Coal Industry (煤炭工業部辦公廳) and subsequently in the State Administration of Work Safety (國家安全生產監督管理總局) and took up positions such as deputy director and director.

Mr. Ng Yuk Keung (吳育強), aged 49, was appointed as an independent non-executive Director of the Company on 5 November 2009. Mr. Ng is currently the Executive Director and chief financial officer of Kingsoft Corporation Limited (金山軟件有限公司) and the honorary adviser of China Huiyuan Juice Group Limited (中國匯源果汁集團有限公司).

Mr. Ng worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2001 to 2003, he was the chief financial officer of Beijing International School, and was the accounting adviser of Australian Commercial Lawyers Agency in 2004. From November 2004 to August 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (彩虹集團電子股份有限公司). He was the independent non-executive director of Xinjiang Xinxin Mining Industry Company Limited (新疆新鑫礦業股份有限公司) from February 2007 to October 2011. He was the executive director, chief financial officer and company secretary of China NT Pharma Group (中國泰凌醫藥集團) from March 2010 to 1 July 2012. He is also the independent non-executive director of Beijing Capital Land Limited (首創置業股份有限公司), Zhongsheng Group Holdings Limited (中升集團控股有限公司) and Winsway Coking Coal Holdings Limited (永暉焦煤股份有限公司).

Mr. Ng graduated from The University of Hong Kong with a bachelor's degree in Management Studies and Economics and a master's degree in Global Business Management and E-commerce. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

Senior Management

Mr. Wu Jialiang (吴佳梁), aged 52, founded Sany Heavy Equipment in 2004. He was the general manager of Sany Heavy Equipment from January 2004 to August 2007 and a non-executive director of the Company from 23 July 2009 to 6 December 2012. Mr. Wu was also the senior vice president of Sany Group Limited and general manager and vice chairman of Sany Heavy Energy Equipment Co., Limited, a subsidiary of the Sany Group. Mr. Wu has over 10 years of experience in the machinery industry with 46 patents granted during his tenure.

Mr. Wu started his career in Sichuan Changzheng Machinery Factory, Aerospace Department as a technician from 1982 to 1985. Between 1988 and 1997, Mr. Wu served as the general manager of various companies, including HRB Zhongguang Electronics Co., Ltd., Zhuhai Tiancheng Mechanical Equipment Co., Ltd. and Zhuhai Weier Jinka Co., Ltd.. Between 1998 and 2002, Mr. Wu worked as assistant to the chairman and U.S. representative in Harbin Industrial University Xinghe Industrial Co., Ltd.

Mr. Wu graduated with a bachelor's degree in precision machinery manufacturing from National University of Defence Technology in 1982 and a master's degree in mechanical engineering from Harbin Industrial University in 1987.

Mr. Lu Ben (陸犇), aged 43, graduated from Central South University with a master's degree in Business and Administration on 1 May 2003. He was appointed as the vice president of the Company on 27 January 2013.

Mr. Lu joined Sany in 2003 and was responsible for EHR system and building-up of the remuneration system of the Group. He transferred to the performance committee of the Group and established the performance management system and equity incentive system of the Sany Group in 2005. He put the Group in an ideal position to standardize the incentive system of the Group and offered the Group the drive for long term development. He was praised by the Chairman for his achievements many a time. He transferred to finance and accounting department in 2009 and made an important contribution to enhancing the human resources management, one of the top five systems of the Group.

Mr. Du Xing (杜興), aged 45, is the chief financial officer of Sany Heavy Equipment and has held this position since 2006. Mr. Du has over 10 years of experience in the machinery industry. From 2001 to 2006, Mr. Du held the position of financial manager of the Sany Group. Prior to joining the Sany Group, Mr. Du was the financial manager of Guangzhou branch of Shenzhen Konka Telecommunication Technology Co., Ltd. (深圳康佳通信科技有限公司) from 1999 to 2001 and was the chief financial and auditing officer of Yueyang Engineering Company (岳陽工程公司) from 1993 to 1999.

Mr. Du graduated from Shanghai University of Finance and Economics (上海財經大學) in June 1993 with a bachelor's degree in Economics and has also received business administration training for financial management from Shanghai National Accounting Institute. He received an Executive Master of Business Administration degree awarded by Arizona State University WP Carey School of Business (美國亞利桑那州凱瑞商學院).

Mr. Hu Tao (胡濤), aged 32, a member of Revolutionary Committee of the Chinese Kuomintang, serves as joint company secretaries of the Company since July 2012 to assist the Chairman to handle matters related to the Board and is responsible for information disclosure and strategic planning. Also, he serves as the chief investment officer of the Group and in various positions regarding to investor relations responsible for investment and financing business and investor communication. Prior to his appointment as joint company secretaries of the Group in June 2009, he had been served as an assistant company secretary and in a position regarding to investor relationship of the Group and responsible for information disclosure and investor relations management. He was also a chief investment officer responsible for planning and implementing investment and financing projects. Before joining the Group, he served in various positions in Sany Group and Sany Heavy Industry, mainly responsible for investment management and overseas listing. Given the background of Mr. Hu, he has extensive practical experience in handling compliance matters and planning investment and financing business of a Hong Kong listed company. Mr. Hu received a bachelor's degree in Information and Computer Science (also known as Computational Mathematics) from Xiangtan University in 2004 and received a Master of Finance awarded by University of Wollongong in Australia in 2006.

Joint Company Secretaries

Mr. Hu Tao, is a member of the senior management of the Company and one of the joint company secretaries of the Company.

Ms. Kam Mei Ha Wendy (甘美霞), aged 46, was appointed as one of the joint company secretaries of our Company. Ms. Kam is a director of Corporate Services at Tricor Services Limited ("Tricor"). Tricor is a global professional services provider specializing in business, corporate and investor services. Ms. Kam is a Chartered Secretary and a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She holds a Practitioner's Endorsement Certificate from the Hong Kong Institute of Chartered Secretaries. She has extensive experience in a diversified range of corporate services and has been providing professional secretarial services for over 20 years. Other than our company, Ms. Kam has been appointed as named company secretary of six other listed companies in Hong Kong.

Directors' Report

The Board is pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2013.

Principal Activities and Subsidiaries

The principal activity of the Company is investment holding. Details of the principal subsidiaries and their principal activities are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year under review.

Results and Dividends

The results of the Group for the year ended 31 December 2013 are set out in the financial statements on pages 50 to 121 of this annual report.

The Company has not declared any dividend during the year ended 31 December 2013. The Board does not recommend any final dividend for the year ended 31 December 2013.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 122 of this annual report.

Reserves

Details of movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and note 33(a) to the financial statements, respectively.

Borrowings

Details of bank borrowings of the Group as at 31 December 2013 are set out in note 27 to the financial statements.

Distributable Reserves

As at 31 December 2013, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands ("Companies Law"), amounted to approximately RMB3,202.5 million, of which approximately RMB0 million has been proposed as a final dividend for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Share Capital

Details of the changes in the share capital of the Company during the year ended 31 December 2013 are set out in note 31 to the financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

Share Option Scheme

The Company has adopted the share option scheme (the "Share Option Scheme") on 16 February 2013 for the purpose of motivating eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 50,000,000 shares, representing approximately 1.64% of the issued share capital as at the date of this annual report.

No option may be granted to any participant of the Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company RMB1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a share;

(b) the closing price of a share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options will be granted or offered.

Details of the movement of share options granted under the Share Option Scheme as at 31 December 2013 are as follows:

Name or class of participant(s)	Date of Grant [(1)]	Exercise price per Share	Exercise period	As at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	As at 31 December 2013
Directors								
Zhao Xiangzhang	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	–	5,315,000	–	–	5,315,000
Kuang Canghao	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	–	1,711,000	–	–	1,711,000
Liu Weili	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	–	1,116,000	–	–	1,116,000
Huang Xiangyang	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	–	1,032,000	–	–	1,032,000
Mao Zhongwu	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	–	404,000	–	–	404,000
Other staff				–	18,946,000	–	–	18,946,000
Total				–	28,524,000	–	–	28,524,000

Note:

(1) *The closing price per Share immediately before 26 February 2013 (the date on which share options were granted) was HK$3.22.*

The vesting schedule is as follows:

Vesting date	Percentage of the share option to vest
If the audited net profit for the year ending 31 December 2013 has an increase of 10% or more as compared to that of the year ended 31 December 2012 ("Target Performance I"), starting from the later of 1 March 2014 or the dispatch date of the Company's 2013 annual report(1)	10%
If the audited net profit for the year ending 31 December 2014 has an increase of 10% or more as compared to the audited net profit of the year ended 31 December 2013 ("Target Performance II"), starting from the later of 1 March 2015 or the dispatch date of the Company's 2014 annual report(2) (4)	35%
If the audited net profit for the year ending 31 December 2015 has an increase of 10% or more as compared to the audited net profit of the year ended 31 December 2014 ("Target Performance III"), starting from the later of 1 March 2016 or the dispatch date of the Company's 2015 annual report(3) (4)	55%

Notes:

(1) If the Target Performance I is not achieved, then the 10% Share Options (the "First Tranche Options") cannot be exercised in the year of 2014. However, if Target Performance II is achieved, then the First Tranche Options will vest starting from the later of 1 March 2015 or the dispatch date of the Company's 2014 annual report. If neither of the Target Performance I or Target Performance II is achieved, then the First Tranche Options shall lapse;

(2) If the Target Performance II is not achieved, then the 35% Share Options (the "Second Tranche Options") cannot be exercised in the year of 2015. However, if the Target Performance III is achieved, then the Second Tranche Options will vest starting from the later of 1 March 2016 or the dispatch date of the Company's 2015 annual report. If neither of the Target Performance II or Target Performance III is achieved, then the Second Tranche Options shall lapse; and

(3) If the Target Performance III is not achieved, then the 55% Share Options (the "Third Tranche Options") cannot be exercised in the year of 2016. However, if the audited net profit for the year ending 31 December 2016 has an increase of 10% or more as compared to the audited net profit of the year ending 31 December 2015 ("Target Performance IV")(4), then the Third Tranche Options will vest starting from the later of 1 March 2017 or the dispatch date of the Company's 2016 annual report. If neither of the Target Performance III or Target Performance IV is achieved, then the Third Tranche Options shall lapse.

(4) The audited net profit for the year ended 31 December 2013, 2014 and 2015 under the Target Performance II, the Target Performance III and the Target Performance IV, respectively, refers to the lower of (i) the actual audited net profit of such year; and (ii) the amount equals to the actual audited net profit for the year ended 31 December 2012 compounded annually at a rate of 10%.

The total number of shares available for issue under the Share Option Scheme is 28,524,000, representing approximately 0.9% of the Company's issued share capital as at the date of this annual report.

Major Suppliers and Customers

During the year under review, the aggregate sales attributable to the Group's five largest customers comprised approximately 17.1% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 4.6% of the Group's total sales. The aggregate purchases during the year under review attributable to the Group's five largest suppliers were approximately 25.5% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 6.5% of the Group's total purchases.

So far as is known to the Directors, at no time during the year under review did the Directors, their associates or substantial shareholders own more than 5% of the Company's issued share capital nor had any interest in the share capital of any of the five largest customers and suppliers of the Group.

Donations

During the year under review, there was no charitable and other donations made by the Group (2012: nil).

Property, Plant and Equipment

During the year ended 31 December 2013, the Group held property, plant and equipment of approximately RMB2,151.1 million. Details of the movements are set out in note 14 to the financial statements.

Repurchase and cancellation of the Company's Shares

For the year ended 31 December 2013, the Company repurchased 64,110,000 shares through the Stock Exchange (2012: 7,365,000) at a total amount of approximately HK$186.9 million (approximately RMB150.4 million) (2012: HK$29.5 million (approximately RMB24.1 million)). Such shares have been cancelled afterwards. Details of repurchase are as follows:

Month of repurchase	Number of ordinary shares repurchased	Purchasing price for each share Highest HK$	Lowest HK$	Total amount of payment HK$ Million	RMB Million
March 2013	33,863,000	3.70	3.22	121.4	98.1
July 2013	30,247,000	2.43	1.79	65.5	52.3
Total	64,110,000			186.9	150.4

Save as disclosed above, during the year ended 31 December 2013, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company.

Directors

The Directors during the year ended 31 December 2013 comprised:

Executive Directors:
Mr. Zhao Xiangzhang *(Chairman of the Board)*
Mr. Mao Zhongwu
Mr. Kuang Canghao
Mr. Huang Xiangyang
Mr. Liu Weili

Non-executive Director:
Mr. Xiang Wenbo

Independent non-executive Directors:
Dr. Ngai Wai Fung
Mr. Xu Yaxiong
Mr. Ng Yuk Keung

In accordance with article 84 of the Company's articles of association, each of Mr. Kuang Canghao, Mr. Huang Xiangyang and Mr. Liu Weili will retire from the office of Director by rotation at the forthcoming annual general meeting and will not offer themselves for re-election. Eligible Directors will offer themselves for re-election.

Directors' Service Contracts

The executive Directors on the Board during the year ended 31 December 2013 have entered into a service agreement with the Company for an initial term of three years commencing from 12 October 2012 for Mr. Zhao Xiangzhang, 25 November 2012 for Mr. Mao Zhongwu, 6 December 2012 for Mr. Kuang Canghao and 18 May 2012 for Mr. Huang Xiangyang and Mr. Liu Weili respectively and the non-executive Director on the Board has entered into a service agreement with the Company for an initial term of three years commencing from 25 November 2012 whereas each of the independent non-executive Director on the Board during the year ended 31 December 2013 have entered into letters of appointment with the Company and are appointed for an initial term of three years commencing from 25 November 2012.

The above service contracts/letters of appointment are subject to retirement by rotation and re-election at an annual general meeting at least every three years in accordance with the articles of association of the Company.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Directors' Remuneration

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. None of the Directors waived any emoluments during the year ended 31 December 2013. Details of Directors' remuneration are set out in note 8 to the financial statements.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 22 of this annual report.

Controlling Shareholders and Directors' Interests in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director or a controlling shareholder had a material interest in, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the financial year under review save as disclosed under the sub-section headed "Connected Transaction" below and "Related party transactions" in note 36 to the financial statements.

Director's Interests in Competing Business

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2013 and up to and including the date of this annual report.

Directors' Rights to Purchase Shares or Debentures

Save as disclosed in the sub-section headed "Share Option Scheme" above, at no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Interests and Short Positions of the Directors and Chief Executive of the Company in the Shares, Underlying Shares and Debentures of the Company or any of its associated corporation

As at 31 December 2013, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Company (the "Model Code") as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares of Sany Heavy Equipment Investments Company Limited ("Sany BVI") (being the ultimate holding company of the Company)

Name of Director	Nature of interest	Number of shares held	Percentage of issued share capital
Mr. Zhao Xiangzhang (Note)	Beneficial owner	100	1.00%
Mr. Mao Zhongwu (Note)	Beneficial owner	800	8.00%
Mr. Xiang Wenbo (Note)	Beneficial owner	800	8.00%

Note: Each of Mr. Zhao Xiangzhang, Mr. Mao Zhongwu and Mr. Xiang Wenbo holds 1.00%, 8.00% and 8.00% of the issued share capital of Sany BVI, respectively, which in turn holds the entire issued share capital of Sany Hongkong Group Limited ("Sany HK", a controlling shareholder of the Company).

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company or any of their spouses or children under the age of eighteen were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its holding company, subsidiaries or other associated corporation(within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries been participated in any arrangements to enable the directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of shares or underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

Interests and Short Positions of Substantial Shareholders and Other Parties in the Shares and Underlying Shares of the Company

As at 31 December 2013, so far as the Directors and chief executive of the Company were aware, the following persons and corporations (excluding the directors and chief executives of the Company) had interests or short positions in any of the shares or underlying shares of the Company which were required to be notified to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who, directly or indirectly, is interested in 10% or more of the nominal value of any class of share capital to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of issued share capital
Sany HK	Beneficial owner	2,271,043,000	74.68%
Sany BVI (Note 1)	Interest of a controlled corporation	2,271,043,000	74.68%
Mr. Liang Wengen (Note 2)	Interest of a controlled corporation	2,271,043,000	74.68%

Notes:

1. *Sany BVI owns 100% of the issued share capital of Sany HK. Sany BVI is therefore deemed to be interested in al the shares of the Company held by Sany HK under the SFO.*

2. *Mr. Liang Wengen is interested in 57.12% of Sany BVI. Mr. Liang Wengen is therefore deemed to be interested in all the shares of the Company held by Sany HK under the SFO.*

Deed of Non-Competition

Each of the controlling shareholders has confirmed to the Company of his/her compliance with the deed of non-competition provided to the Company under the Deed of Non-Competition (as defined in the Company's prospectus dated 12 November 2009). The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained sufficient public float required under the Listing Rules for the year ended 31 December 2013 and up to as at the date of this annual report.

Retirement Scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and employee are required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$25,000. Contributions made to the scheme are vested immediately.

The employees of the subsidiaries in the People's Republic of China participate in the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of their salaries to these schemes to pay the benefits. The only obligation of the Group in respect to these schemes is the required contributions under the schemes.

For the year ended 31 December 2013, the Group's total contributions to the retirement schemes charged in the income statement amounted to RMB33.7 million (2012: RMB41.8 million). Details of the Group's pension scheme are set out in note 6 to the financial statements.

Code on Corporate Governance Practices

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. Except for the deviation from code A.2.1 of the Old Code and the New Code and A.6.7 of the New Code, the Company has complied with the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2013. The Group's principal corporate governance practices are set out on pages 37 to 46 of the annual report.

Connected Transaction

During the year ended 31 December 2013, the Group entered into the following connected transaction which is subject to the reporting requirements set out in Chapter 14A of the Listing Rules.

(1) Disposal of the shares in Kinetic Mines and Energy Limited to Sany Hong Kong Group Limited ("Sany HK")

On 21 June 2013, the Company entered into a share transfer agreement with Sany HK, pursuant to which, the Company agreed to dispose of and Sany HK agreed to acquire the sales shares, representing 2.19% equity interest of Kinetic Mines and Energy Limited, a company listed on the main board of the Stock Exchange (stock code: 1277), at a consideration of HK$ 235,233,288.86.

Sany HK holds 73.94% of the shares of the Company. Sany HK, being the controlling shareholder of the Company, is therefore a connected person of the Company under the Listing Rules. Please refer to the Company's announcement dated 21 June 2013 for the further details of share transfer.

(2) Purchase of parts and components, and pumps from the SG Group

On 5 November 2009, the Company entered into a master agreement (the "Master Purchase Agreement") with Sany Group together with its subsidiaries, ("SG Group")), pursuant to which the Company agreed to purchase or procure its subsidiaries to purchase from members of the SG Group certain parts and components (including fuel tanks and electric motors) and pumps produced by members of the SG Group for the production of the Group's products for a term of two years commencing from 1 January 2009 to 31 December 2010. The price for the parts and components, and pumps supplied by members of the SG Group was determined on the following basis in order of priority: (i) the price prescribed by the State (including any price prescribed by any relevant local authorities), if applicable; (ii) the price recommended under the State pricing guidelines, when no State-prescribed price is available; (iii) the market price, when neither the State-prescribed price nor the State recommended price is available; or (iv) the price which is no less favourable to the Group than is available from independent third parties, when none of the above is available or applicable. Further details of the Master Purchase Agreement are set out in the Company's prospectus dated 12 November 2009.

As the Master Purchase Agreement had expired on 31 December 2010, the Company and Sany Group have entered into a master purchase renewal agreement on 24 December 2010 (the "Master Purchase Renewal Agreement") to renew the terms of the Master Purchase Agreement for one year commencing from 1 January 2011 to 31 December 2011 (both days inclusive). The proposed cap amount of such transactions under the Master Purchase Renewal Agreement will not exceed RMB94.0 million for the financial year ended 31 December 2011. Further details of the Master Purchase Renewal Agreement are set out in the Company's announcement dated 24 December 2010.

On 14 November 2011, the Company and Sany Group entered into a supplemental agreement (the "Supplemental Agreement"), pursuant to which the maximum annual transaction amount under the Master Purchase Renewal Agreement for the year ending 31 December 2011 was increased by RMB30.0 million to RMB124.0 million (the "Revised Cap"). Other terms and conditions of the Master Purchase Renewal Agreement remained unchanged. The Revised Cap is calculated and determined after taking into account (i) the amount of purchases made under the Master Purchase Renewal Agreement as at 31 October 2011 of approximately RMB84.9 million based on the unaudited management accounts of the Group; and (ii) the forecast amount of purchases to be placed with Sany Group by the Company under the Master Purchase Renewal Agreement for the two months ending 31 December 2011, which is based on the Company's sales projection and production plans. Further details of the Supplemental Agreement are set out in the Company's announcement dated 14 November 2011.

As the Master Purchase Agreement (as amended by the Supplemental Agreement) expired on 31 December 2011, the Company entered into the Master Purchase Agreement with Sany Group on 25 November 2011, pursuant to which the Company agreed to purchase from members of the SG Group certain parts and components at cash considerations not exceeding RMB357,680,000, RMB 654,938,000 and RMB927,011,000 for a period of three years from 1 January 2012 to 31 December 2014 (both days inclusive). As disclosed in the announcement dated 25 November 2011, the proposed annual cap amount for the under the Master Purchase Agreement for financial year ending 31 December 2013 would not exceed RMB654,938,000.

Sany Group is owned as to 57.12% by Mr. Liang Wengen, a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. During the year under review, the aggregate amount of the transactions under the Master Purchase Agreement was approximately RMB242,972,000, which was within the annual cap of RMB654,938,000. Details of the Master Purchase Agreement are set out in the announcement of the Company dated 25 November 2011.

(3) *Purchase of Equipment from Sany Jingji*

On 14 November 2011, the Company (for itself and on behalf of its subsidiaries) entered into the equipment purchase agreement (the "Equipment Purchase Agreement") with Shanghai Sany Jingji Co., Ltd. ("Sany Jingji"), pursuant to which the Group agreed to purchase certain equipments from Sany Jingji at cash considerations not exceeding RMB110,560,000, RMB120,000,000, RMB130,000,000 for a period of three years from 1 January 2012 to 31 December 2014 (both days inclusive). As disclosed in the announcement dated 14 November 2011, the proposed annual cap amount under the Equipment Purchase Agreement for financial years ending 31 December 2013 would not exceed RMB120 million. During the year under review, the aggregate amount of the transactions under the Equipment Purchase Agreement was approximately RMB0 million, which was within the annual cap of RMB120 million.

Sany Jingji is a subsidiary of Sany Group. Sany Group is owned as to 57.12% by Mr. Liang Wengen, a substantial shareholder of the Company. Sany Jingji, being an associate of Mr. Liang Wengen, is therefore a connected person of the Company under Rule 14A.11(1) of the Listing Rules. Accordingly, the Purchase made under the Equipment Purchase Agreement constitutes a connected transaction of the Company under the Listing Rules. Details of the Equipment Purchase Agreement are set out in the announcement of the Company dated 14 November 2011.

(4) *Master Transportation Agreement*

On 14 November 2011, Sany Heavy Equipment and Sany Zongcai, wholly-owned subsidiaries of the Company, entered into a master transportation agreement (the "Master Transportation Agreement") with Hunan Sany Logistics Co., Ltd. ("Sany Logistics") pursuant to which Sany Logistics agreed to provide certain logistics services to Sany Heavy Equipment and Sany Zongcai at cash considerations not exceeding RMB100,000,000, RMB120,000,000 and RMB130,000,000 respectively for a term commencing from 1 January 2012 to 31 December 2014 (both days inclusive).

Sany Logistics is a wholly-owned subsidiary of Sany Group, and therefore is an associate of Mr. Liang Wengen and a connected person of the Company.

As disclosed in the announcement of the Company dated 14 November 2011, the annual cap amount for the transactions under the Master Transportation Agreement for the financial year ending 31 December 2013 is RMB120 million. During the year under review, the aggregate amount of the transactions under the Master Transportation Agreement was approximately RMB70 million, which was within the annual cap of RMB120 million. Details of the Master Transportation Agreement are set out in the Company's announcement dated 14 November 2011.

Pursuant to Rule 14A.38 of the Listing Rules, the Board has engaged the auditors of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Company;

(ii) either (a) on normal commercial terms or; (b) where there is no available comparable terms, on terms no less favorable to the Company than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditors of the Company have reported to the Directors that during the financial year:

(i) the above continuing connected transactions have been approved by the board of Directors;

(ii) the above continuing connected transactions are in accordance with the pricing policies of the Company;

(iii) the above continuing connected transactions have been entered into in accordance with the terms of the agreements governing such transactions; and

(iv) the respective cap amounts set out in the relevant agreements referred to above have not been exceeded.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 36 to the financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those described in the sub-sections headed "Connected Transaction" and "Continuing Connected Transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Management Contracts

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 17 June 2014 to Friday, 20 June 2014, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to attend and vote at the annual general meeting is 20 June 2014. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on 20 June 2014, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 16 June 2014.

Events After the Reporting Period

Details of the significant events after the reporting period of the Group are set out in Note 40 to the financial statement.

Audit Committee

The Audit Committee had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2013.

Auditors

The consolidated financial statements for the year ended 31 December 2013 have been audited by Ernst & Young. Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed by the Company at the forthcoming annual general meeting to re-appoint Ernst & Young as auditors of the Company.

By Order of the Board

Zhao Xiangzhang
Chairman

Hong Kong, 24 March 2014

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

Except for the code provision A.2.1, the Company has complied with the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from 1 January 2013 to 31 December 2013. In accordance with code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Further, the division of responsibilities between the chairman and chief executive officer should be clearly established.

Prior to 1 September 2013, the Company did not separate the roles of the Chairman and the Chief Executive Officer. Mr. Zhao Xiangzhang is the Chairman of the Company and, prior to 1 September 2013, also acted as the Chief Executive Officer of the Company. He is responsible for monitoring the operation of the Group. Although the Board believes that vesting the roles of both chairman and chief executive officer in Mr. Zhao Xiangzhong will not impair the balance of power and authority between the Board and the management of the Company, the Company nevertheless appointed Mr. Wu Jialiang to replace Mr. Zhao Xiangzhang as the Chief Executive Officer with effect from 1 September 2013 in accordance with code provision A.2.1 of CG Code. Please refer to the announcement of the Company dated 27 August 2013 for further details.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the review period, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they had complied with the Model Code throughout the year ended 31 December 2013.

The Board

The Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. The executive Directors are Mr. Zhao Xiangzhang, Mr. Mao Zhongwu, Mr. Kuang Canghao, Mr. Huang Xiangyang and Mr. Liu Weili. The non-executive Director is Mr. Xiang Wenbo. The independent non-executive Directors are Dr. Ngai Wai Fung (possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules), Mr. Xu Yaxiong and Mr. Ng Yuk Keung. The functions and duties conferred on the Board include convening Shareholders' meetings and reporting on the work of the Board to the Shareholders at Shareholders' meetings as may be required by applicable laws, implementing resolutions passed at Shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions as well as exercising other powers, functions and duties as conferred on it by the articles of association of the Company (the "Articles") and applicable laws. The senior management is delegated with the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Biographical information of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors representing one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules.

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that the three independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

All Directors have separate and independent access to the Company's senior management to fulfil their duties and, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board committees, which records in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the company secretary and are open for inspection by Directors.

The Company has subscribed appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against directors arising out of corporate activities. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company.

Chairman and Chief Executive Officer

Prior to 1 September 2013, Mr. Zhao Xiangzhang was both the Chairman and the Chief Executive Officer of the Company and was responsible for monitoring the operation of the Group. Since 1 September 2013, the division of responsibilities between the chairman and chief executive officer has been clearly established, with Mr. Zhao Xiangzhang continuing to be the Chairman and Mr. Wu Jialiang taking up the role of Chief Executive Officer with effect from 1 September 2013.

Joint Company Secretaries

Ms. Kam Mei Ha Wendy of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary to act jointly with Mr. Hu Tao (William Hu) (appointed in July 2012). Its primary contact person at the Company is Mr. Hu Tao. Please refer to the paragraph headed "Investor Relations" under the section headed "Corporate Information" in this annual report. Details of the biographies of the joint company secretaries of the Company are set out in the section headed "Directors and Senior Management" of the annual report of which this corporate governance report forms part. In accordance with Rule 3.29 of the Listing Rules, the Company has received training information from the joint company secretaries of the Company, pursuant to the content of which, the Company considers that the training of those two joint company secretaries was in compliance with the requirements under Rule 3.29 of the Listing Rules. Please see below for the details:

Name of company Secretaries	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read materials	Attend Seminars (Times)/Briefings	Read materials	Attend Seminars (Times)/Briefings
Mr. Hu Tao		8 (15.0 hours in total)		4 (3.5 hours in total)
Ms. Kam Mei Ha Wendy		5 (17.0 hours in total)		0 (0.0 hour in total)

Appointments and Re-election of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for a specific term, and is subject to retirement by rotation and re-election at an annual general meeting in accordance with the Articles. The Articles provide that in accordance with article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Diversity Policy

Pursuant to the CG Code, the Board adopted a board diversity policy (the "Board Diversity Policy") in August 2013. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

Board Committees

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs. Each of these committees comprises independent non-executive Directors who have been invited to join as members. The terms of reference of the board committees which explain their respective role and the authority delegated to them by the Board are available on the website of the Company at www.sanyhe.com and the website of the Stock Exchange at www.hkexnews.hk. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

Audit Committee

The audit committee of the Company ("Audit Committee") was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Board. The members meet regularly with the external auditors and the Company's senior management for the review, supervision and discussion of the Company's financial reporting and internal control procedures and ensure that management has discharged its duty to have an effective internal control system. The Audit Committee consists of three members, namely Dr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung, of which are all independent non-executive Directors. Dr. Ngai Wai Fung, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The Group's unaudited interim results for the six months ended 30 June 2013 and the audited annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors.

Remuneration Committee

The remuneration committee ("Remuneration Committee") was established with written terms of reference in compliance with the CG Code. The principal responsibilities of the Remuneration Committee are to determine the policies in relation to human resources management, to review the compensation strategies, to determine the remuneration packages of the senior executives and managers, to approve the term of the service contract of the executive Directors, to assess the performance of the executive Directors, to recommend and establish annual and long-term performance criteria and targets as well as to review and supervise the implementation of all executive compensation packages and employee benefit plans. The Board expects the Remuneration Committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration. The Remuneration Committee consists of three members, namely Mr. Xu Yaxiong, Dr. Ngai Wai Fung and Mr. Ng Yuk Keung. Mr. Xu Yaxiong was appointed as the chairman of the Remuneration Committee.

During the year ended 31 December 2013 the Remuneration Committee held three meetings. During the year ended 31 December 2013, the Remuneration Committee reviewed the remuneration packages of the Directors and the senior management and recommended the remuneration of Mr. Wu Jialiang to the Board.

Nomination Committee

The nomination committee ("Nomination Committee") was established with written terms of reference in compliance with the CG Code. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships, appointment, reappointment of Directors and Board succession and assessing the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for the implementing the Board Diversity Policy and to monitor the progress on achieving these objectives. The Nomination Committee consists of three members, namely Mr. Xu Yaxiong, Mr. Mao Zhongwu and Dr. Ngai Wai Fung. Mr. Xu Yaxiong was appointed as the chairman of the Nomination Committee.

During the year ended 31 December 2013 the Nomination Committee held one meeting. The Nomination Committee reviewed and recommended the appointment of Mr. Wu Jialiang as the Chief Executive Officer to the Board, and reviewed the structure, size and composition of the Board during the year of 2013.

Strategic Investment Committee

The strategic investment committee of the Company (the "Strategic Investment Committee") was established on 4 October 2012. The Strategic Investment Committee is responsible for the proposal and analysis of the business development and investment of the company. Mr. Zhao Xiangzhang acted as the Chairman of the Strategic Investment Committee and the other seven members were Mr. Mao Zhongwu, Mr. Kuang Canghao, Mr. Huang Xiangyang, Mr. Liu Weili, Dr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung.

The Board may seek advice from the Strategic Investment Committee on the business development plan of the Group and the feasibility of investment project whenever necessary. During the year ended 31 December 2013, no meeting has been held by the Strategic Investment Committee.

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with Code Provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. During the year of 2013, the Board determined the policy for the corporate governance of the Company.

Number of Meetings and Directors' Attendance

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Strategic Investment Committee and general meetings of the Company during the year ended 31 December 2013 is set out below:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Strategic Investment Committee	General Meeting
Executive Directors						
Mr. Zhao Xiangzhang *(Chairman of the Board)*	4/4	N/A	N/A	N/A	N/A	2/2
Mr. Mao Zhongwu	4/4	N/A	N/A	1/1	N/A	2/2
Mr. Kuang Canghao	4/4	N/A	N/A	N/A	N/A	2/2
Mr. Huang Xiangyang	4/4	N/A	N/A	N/A	N/A	2/2
Mr. Liu Weili	4/4	N/A	N/A	N/A	N/A	2/2
Non-executive Director						
Mr. Xiang Wenbo	4/4	N/A	N/A	N/A	N/A	2/2
Independent non-executive Directors						
Dr. Ngai Wai Fung	4/4	2/2	3/3	1/1	N/A	2/2
Mr. Xu Yaxiong	4/4	2/2	3/3	1/1	N/A	2/2
Mr. Ng Yuk Keung	4/4	2/2	3/3	N/A	N/A	2/2

None of the meetings set out above was attended by any alternate Director.

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the company secretary of the Company at all time and may seek independent professional advice at the Company's expense. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of Board meetings are given to the Directors at least 14 days before the meeting and Board procedures comply with the articles of association of the Company, as well as relevant rules and regulations.

Continuous Professional Development

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company.

The Directors have been informed of the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development. For the year ended 31 December 2013, the Company has received training information from each Director, pursuant to the content of which, the Company considers that the training of Directors was in compliance with the requirements under Rule A.6.5 of the Listing Rules.

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the year ended 31 December 2013:

Name of Director	Corporate Governance/Updates on Laws, Rules and Regulations: Read materials	Corporate Governance/Updates on Laws, Rules and Regulations: Attend Seminars/ Briefings	Accounting/Financial/Management or Other Professional Skills: Read materials	Accounting/Financial/Management or Other Professional Skills: Attend Seminars/ Briefings
Executive Directors				
Mr. Zhao Xiangzhang	✓	✓	✓	✓
Mr. Mao Zhongwu	✓		✓	
Mr. Kuang Canghao	✓	✓	✓	
Mr. Huang Xiangyang	✓		✓	
Mr. Liu Weili	✓		✓	
Non-executive Director				
Mr. Xiang Wenbo	✓	✓	✓	✓
Independent non-executive Directors				
Dr. Ngai Wai Fung	✓	✓	✓	✓
Mr. Xu Yaxiong	✓	✓	✓	✓
Mr. Ng Yuk Keung	✓	✓	✓	✓

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the period under review, they were in compliance with the required provisions set out in the Model Code.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2013 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

Auditors' Remuneration

The audit committee of the Board is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company has appointed Ernst & Young as the auditors of the Company. The fees for the audit services and non-audit services provided by the auditor to the Group for the year ended 31 December 2013 amounted to RMB2.41 million, details of which are as follows:

Types of service	RMB'000
Audit service	2,400
Non-audit service	12

Note: The non-audit service mainly represented the tax compliance service provided to the Company.

The statement of the auditors of the Company concerning their responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on pages 48 to 49 of this annual report.

Internal Control

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and Shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout 2013 and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the year under review, the Board has conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2013. External consultants were engaged to assist the Board to perform high-level review of the internal control systems for its business operations and processes. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment was made by discussions with the management of the Company and its external auditors. The Board believes that the existing internal control system is adequate and effective.

Shareholders' Rights

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meeting

Pursuant to the article 58 of the articles of association of the Company, any one or more Shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail at hut2@sany.com.cn to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at No.25, 16 Kaifa Road, Shenyang Economic & Technological Development Zone, Shenyang, Liaoning, China or by email at hut2@sany.com.cn. The company secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

During the year ended 31 December 2013, there has been no significant change in the Company's constitutional documents.

Communication with Shareholders

The Board recognizes the importance of maintaining a clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors of the Company and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.sanyhe.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and members of various board committees will attend the annual general meeting of the Company to answer questions raised by the Shareholders. The resolution of every important proposal will be proposed at general meetings separately.

Voting at general meetings of the Company are conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

Corporate Information

Directors

Executive Directors
Mr. Zhao Xiangzhang
Mr. Mao Zhongwu
Mr. Kuang Canghao
Mr. Huang Xiangyang
Mr. Liu Weili

Non-executive Director
Mr. Xiang Wenbo

Independent Non-executive Directors
Dr. Ngai Wai Fung
Mr. Xu Yaxiong
Mr. Ng Yuk Keung

Joint Company Secretaries
Mr. Hu Tao (William Hu)
Ms. Kam Mei Ha (Wendy)

Audit Committee
Dr. Ngai Wai Fung *(Chairman)*
Mr. Xu Yaxiong
Mr. Ng Yuk Keung

Remuneration Committee
Mr. Xu Yaxiong *(Chairman)*
Dr. Ngai Wai Fung
Mr. Ng Yuk Keung

Nomination Committee
Mr. Xu Yaxiong *(Chairman)*
Mr. Mao Zhongwu
Dr. Ngai Wai Fung

Strategic Investment Committee
Mr. Zhao Xiangzhang *(Chairman)*
Mr. Mao Zhongwu
Mr. Kuang Canghao
Mr. Huang Xiangyang
Mr. Liu Weili
Dr. Ngai Wai Fung
Mr. Xu Yaxiong
Mr. Ng Yuk Keung

Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong
Room 1301, 13th Floor
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

Principal Banks
Bank of China
Bank of Communications
Shanghai Pudong Development Bank
Industrial and Commercial Bank of China
Agricultural Bank of China
China Guangfa Bank
China Construction Bank
China Everbright Bank
Industrial Bank
Hua Xia Bank
Bank of Yingkou

Auditors
Ernst & Young
Certified Public Accountants

Legal Advisers
Orrick, Herrington & Sutcliffe (as to Hong Kong law)
Jingtian & Gongcheng (as to PRC law)

Stock Code
00631

Hong Kong Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Company Website
www.sanyhe.com

Investor Relations
Mr. Hu Tao (William Hu)

Direct Line	:	+86 24 89318000
Fax	:	+86 24 89318111
Address	:	No. 25, 16 Kaifa Road, Shenyang Economic and Technological Development Zone, Shenyang, Liaoning Province, PRC
Postal code	:	110027

Independent Auditors' Report

EY 安永

Building a better working world

To the shareholders of Sany Heavy Equipment International Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sany Heavy Equipment International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 121, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the shareholders of Sany Heavy Equipment International Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
24 March 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	**3,225,463**	3,640,739
Cost of sales		**(2,062,410)**	(2,312,048)
Gross profit		**1,163,053**	1,328,691
Other income and gains	5	**168,675**	231,424
Selling and distribution expenses		**(500,675)**	(566,041)
Administrative expenses		**(359,264)**	(375,040)
Other expenses		**(47,024)**	(21,733)
Finance costs	7	**(17,180)**	(4,678)
PROFIT BEFORE TAX	6	**407,585**	592,623
Income tax expense	10	**(49,406)**	(92,589)
PROFIT FOR THE YEAR		**358,179**	500,034
Attributable to:			
Owners of the parent	11	**356,208**	499,532
Non-controlling interests		**1,971**	502
		358,179	500,034
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB Yuan)	13	**0.12**	0.16
Diluted (RMB Yuan)	13	**0.12**	0.16

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
PROFIT FOR THE YEAR		**358,179**	500,034
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Change in fair value		**–**	(95,145)
Reclassification adjustments to the consolidated statement of Profit or loss	19	**95,145**	–
Income tax effect		**(15,699)**	15,699
		79,446	(79,446)
Exchange differences on translation of foreign operations		**613**	341
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**80,059**	(79,105)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**80,059**	(79,105)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**438,238**	420,929
Attributable to:			
Owners of the parent		**436,267**	420,427
Non-controlling interests		**1,971**	502
		438,238	420,929

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,151,073**	2,233,706
Prepaid land lease payments	15	**466,145**	501,271
Intangible assets	17	**101,789**	127,951
Available-for-sale investments	19	**10,636**	106,552
Non-current prepayments	22	**209,647**	226,057
Deferred tax assets	30	**159,456**	175,249
Total non-current assets		**3,098,746**	3,370,786
CURRENT ASSETS			
Inventories	20	**691,337**	859,988
Trade receivables	21	**2,715,876**	1,726,624
Bills receivable	21	**659,198**	607,338
Prepayments, deposits and other receivables	22	**287,746**	372,268
Due from the immediate holding company	36(2)	**184,947**	–
Investment deposits	23	**300,000**	–
Time deposits	24	**126,934**	100,000
Pledged deposits	24	**106,757**	93,640
Cash and cash equivalents	24	**330,404**	848,578
		5,403,199	4,608,436
Non-current assets classified as held for sale	16	**210,706**	–
Total current assets		**5,613,905**	4,608,436
CURRENT LIABILITIES			
Trade and bills payables	25	**867,681**	723,133
Other payables and accruals	26	**749,811**	703,830
Interest-bearing bank borrowings	27	**676,974**	188,523
Tax payable		**83,991**	124,943
Provision for warranties	28	**43,682**	50,779
Government grants	29	**19,980**	18,288
Total current liabilities		**2,442,119**	1,809,496
NET CURRENT ASSETS		**3,171,786**	2,798,940
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,270,532**	6,169,726

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	30	**5,343**	16,114
Government grants	29	**437,686**	457,954
Total non-current liabilities		**443,029**	474,068
Net assets		**5,827,503**	5,695,658
EQUITY			
Equity attributable to owners of the parent			
Issued capital	31	**264,366**	269,509
Reserves	33(a)	**5,494,384**	5,198,228
Proposed final dividend	12	**–**	161,139
		5,758,750	5,628,876
Non-controlling interests		**68,753**	66,782
Total equity		**5,827,503**	5,695,658

Zhao Xiangzhang
Director

Mao Zhongwu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 31)	Share premium account RMB'000	Contributed surplus RMB'000 (note 33(a))	Share option reserve RMB'000 (note 32)	Reserve funds RMB'000 (note 33(a))	Exchange fluctuation reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve* RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	269,509	1,667,316	1,332,316	-	288,555	(41,419)	(79,446)	601	2,030,305	161,139	5,628,876	66,782	5,695,658
Profit for the year	-	-	-	-	-	-	-	-	356,208	-	356,208	1,971	358,179
Other comprehensive income for the year:													
Reclassification adjustments for disposal of available-for-sale investments, net of tax	-	-	-	-	-	-	79,446	-	-	-	79,446	-	79,446
Exchange differences on translation of foreign operations	-	-	-	-	-	613	-	-	-	-	613	-	613
Total comprehensive income for the year	-	-	-	-	-	613	79,446	-	356,208	-	436,267	1,971	438,238
Adjustment to proposed dividend for repurchase of shares	-	-	-	-	-	-	-	-	1,757	(1,757)	-	-	-
Repurchase of issued shares (note 31)	(5,143)	(150,342)	-	-	-	-	-	5,143	-	-	(150,342)	-	(150,342)
Final 2012 dividend declared	-	-	-	-	-	-	-	-	-	(159,382)	(159,382)	-	(159,382)
Share-based payments (note 32)				3,331	-	-	-	-	-	-	3,331	-	3,331
Transfer from retained profits	-	-	-	-	39,438	-	-	-	(39,438)	-	-	-	-
At 31 December 2013	264,366	1,516,974#	1,332,316#	3,331#	327,993#	(40,806)#	–#	5,744#	2,348,832#	-	5,758,750	68,753	5,827,503

\# These reserve accounts comprise the consolidated reserves of RMB5,494,384,000 (2012: RMB5,198,228,000) in the consolidated statement of financial position.

* Capital redemption reserve represents the nominal amount of the shares repurchased and cancelled.

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 31)	Share premium account RMB'000	Contributed surplus RMB'000 (note 33(a))	Reserve funds RMB'000 (note 33(a))	Exchange fluctuation reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	270,110	1,691,461	1,332,316	233,275	(41,760)	–	–	1,747,192	141,164	5,373,758	–	5,373,758
Profit for the year	–	–	–	–	–	–	–	499,532	–	499,532	502	500,034
Other comprehensive income/(loss) for the year:												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	(79,446)	–	–	–	(79,446)	–	(79,446)
Exchange differences on translation of foreign operations	–	–	–	–	341	–	–	–	–	341	–	341
Total comprehensive income/(loss) for the year	–	–	–	–	341	(79,446)	–	499,532	–	420,427	502	420,929
Capital injection from a minority shareholder	–	–	–	–	–	–	–	–	–	–	66,280	66,280
Repurchase of issued shares (note 31)	(601)	(24,145)	–	–	–	–	601	–	–	(24,145)	–	(24,145)
Final 2011 dividend declared	–	–	–	–	–	–	–	–	(141,164)	(141,164)	–	(141,164)
Proposed final 2012 dividend	–	–	–	–	–	–	–	(161,139)	161,139	–	–	–
Transfer from retained profits	–	–	–	55,280	–	–	–	(55,280)	–	–	–	–
At 31 December 2012	269,509	1,667,316	1,332,316	288,555	(41,419)	(79,446)	601	2,030,305	161,139	5,628,876	66,782	5,695,658

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**407,585**	592,623
Adjustments for:			
Finance costs	7	**17,180**	4,678
Interest income	5	**(5,650)**	(5,048)
Gains from investment deposits	5	**(14,331)**	(8,566)
Loss on disposal of items of property, plant and equipment	6	**718**	4,084
Depreciation	14	**110,728**	110,526
Amortisation of land lease prepayments	15	**9,899**	11,148
Government grants	29	**(96,608)**	(145,095)
Impairment of trade receivables	21	**42,621**	11,587
Amortisation of intangible assets	17	**26,162**	1,476
Amortisation of deferred expenses		**–**	15,521
Provision against slow-moving and obsolete inventories	20	**17,371**	6,461
Share option expense	32	**3,331**	–
		519,006	599,395
Decrease/(increase) in inventories		**151,280**	(147,400)
Increase in trade receivables		**(1,031,873)**	(211,859)
Increase in bills receivable		**(51,860)**	(127,357)
Decrease in prepayments, deposits and other receivables		**86,725**	9,610
Increase/(decrease) in trade and bills payables		**128,950**	(95,775)
Increase in other payables and accruals		**81,781**	69,736
(Decrease)/increase in provision for warranties		**(7,097)**	3,196
Receipt of government grants		**440**	84,391
Cash (used in)/generated from operations		**(122,648)**	183,937
PRC tax paid		**(100,981)**	(97,622)
Net cash flows (used in)/generated from operating activities		**(223,629)**	86,315

	Notes	2013 RMB'000	2012 RMB'000
Net cash flows (used in)/generated from operating activities		**(223,629)**	86,315
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**5,650**	5,048
Purchases of items of property, plant and equipment		**(229,210)**	(296,155)
Acquisition of a business from a related party		**–**	(100,005)
Decrease in financial assets at fair value through profit or loss		**–**	12,490
Purchase of a parcel of land		**–**	(30,955)
Deposit paid for acquisition of a parcel of land		**–**	(29,713)
Additions to intangible assets		**–**	(86,653)
Proceeds from disposal of items of property, plant and equipment		**10,557**	2,164
Collection of investment deposits		**–**	535,670
Payment for investments deposits		**(300,000)**	–
Gains from investment deposits		**11,504**	13,164
Purchase of available-for-sale investments		**–**	(201,643)
Collection of non-pledged deposits with original maturity of three months or more when acquired		**120,000**	424,196
Investment in non-pledged deposits with original maturity of three months or more when acquired		**(146,934)**	(200,000)
Receipt of government grants		**77,592**	190,091
Net cash flows (used in)/generated from investing activities		**(450,841)**	237,799
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection from a minority shareholder		**–**	66,280
Repurchase of issued shares		**(150,342)**	(24,145)
New bank loans		**1,049,418**	368,367
Repayment of bank loans		**(558,179)**	(179,844)
Interest paid		**(15,987)**	(4,678)
Dividends paid		**(159,382)**	(141,164)
Addition of pledged deposits		**(13,117)**	(38,209)
Net cash flows generated from financing activities		**152,411**	46,607
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(522,059)**	370,721
Cash and cash equivalents at beginning of year		**848,578**	477,516
Effect of foreign exchange rate changes, net		**3,885**	341
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**330,404**	848,578

Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**54**	68
Available-for-sale investments	19	**–**	95,916
Deferred tax assets	30	**–**	15,645
Investment in a subsidiary	18	**3,366,747**	3,366,747
Total non-current assets		**3,366,801**	3,478,376
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	**95**	434
Due from the immediate holding company	36(2)	**184,947**	–
Due from a subsidiary	18	**78,942**	34,127
Cash and cash equivalents	24	**10,222**	168,906
Total current assets		**274,206**	203,467
CURRENT LIABILITIES			
Other payables and accruals	26	**539**	–
Interest-bearing bank borrowings	27	**179,148**	188,523
Total current liabilities		**179,687**	188,523
NET CURRENT ASSETS		**94,519**	14,944
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,461,320**	3,493,320
Net assets		**3,461,320**	3,493,320
EQUITY			
Issued capital	31	**264,366**	269,509
Reserves	33(b)	**3,196,954**	3,062,672
Proposed final dividend	12	**–**	161,139
Total equity		**3,461,320**	3,493,320

Zhao Xiangzhang
Director

Mao Zhongwu
Director

1. Corporate Information

Sany Heavy Equipment International Holdings Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 23 July 2009. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business of the Company is located at No.25, 16 Kaifa Road, Economic and Technological Development Area, Shenyang City, Liaoning Province, the People's Republic of China (the "PRC"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of roadheader, combined coal mining unit ("CCMU"), mining transport equipment (including underground and surface), spare parts and service in Mainland China.

In the opinion of the directors of the Company (the "Directors"), as at the date of this report, the holding company and the ultimate holding company of the Company are Sany Hongkong Group Limited ("Sany HK"), a company incorporated in Hong Kong, and Sany Heavy Equipment Investments Company Limited ("Sany BVI"), a company incorporated in the British Virgin Islands, respectively.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. Non-current assets held for sale are stated at the lower of their carrying amounts and fair value less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	*Employee Benefits*
IAS 27 (2011)	*Separate Financial Statements*
IAS 28 (2011)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of amendments to IAS 1, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

2.3 Issued but not yet Effective IFRSs

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

IFRS 9	*Financial Instruments* [4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39* [4]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities* [1]
IFRS 14	*Regulatory Deferred Accounts* [3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions* [2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [2]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* [1]
IFRIC 21	*Levies* [1]
IFRS Amendments	*Annual Improvements to IFRSs 2010 – 2012 Cycle* [2]
IFRS Amendments	*Annual Improvements to IFRSs 2011 – 2013 Cycle* [2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is expected that these amendments will not have any impact on the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

Amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.3 Issued but not yet Effective IFRSs (continued)

Amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current year. However, these amendments would be considered for future novations.

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity) controlled by the Company and/or its other subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group’s voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Fair value measurement

The Group measures its listed equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, 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 statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of the reporting period as to whether there is an 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 statement of profit or loss in the period in which it arises.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a); and

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 Summary of Significant Accounting Policies (continued)

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 statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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 annual rate used for this purpose are as follows:

	Estimated useful lives	**Annual rates**
Buildings	20 – 40 years	2.4% – 4.9%
Plant and machinery	10 years	9.7%
Office and other equipment	8.33 years	11.6%
Motor vehicles	8.33 years	11.6%

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including, any significant part initially recognised 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 statement of profit or loss 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. It 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.

2.4 Summary of Significant Accounting Policies (continued)

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five years.

Research and development costs

All research costs are charged to the statement of profit or loss 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.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

2.4 Summary of Significant Accounting Policies (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss 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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any interest earned on these financial assets, which is recognised in accordance with the policy set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is 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 and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

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 statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated 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 consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash, 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 the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of less than three months, 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 end of the reporting period 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 statement of profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Provisions (continued)

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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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:

- when the deferred tax liability 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 taxable temporary differences associated with investments in subsidiaries, when 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when 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, 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.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to government grants and is released to the statement of profit or loss 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;

(b) from the rendering of services, when the services have been rendered;

(c) rental income, on a time proportion basis over the lease terms; and

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

2.4 Summary of Significant Accounting Policies (continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 Summary of Significant Accounting Policies (continued)

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 statement of profit or loss in the period in which they are incurred.

For Hong Kong employees, the Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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 ceases 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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, 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 Company, which was incorporated in the Cayman Islands, uses the Hong Kong dollar ("HK$") as its functional currency. The functional currency of the PRC subsidiaries is RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Company. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing 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 end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

On consolidation, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company which is RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of foreign currency transactions are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of foreign currency transactions which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

Useful lives and residual values of property, plant and equipment and intangible assets

In determining the useful life and residual value of an item of property, plant and equipment and intangible assets, 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/amortisation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment and intangible assets are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. Further details are included in note 14 and 17 to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2013, the best estimate of the carrying amount of capitalised development costs was RMB96,178,000 (2012: RMB120,567,000) and included in "patents and licences" in 2013. Further details are included in note 17 to the financial statements.

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. Further details are included in note 28 to the financial statements.

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, the differences will have an impact on the carrying amounts of inventories and the write-down charge/write-back of inventories in the period in which the estimate has been changed. Further details are included in note 20 to the financial statements.

Impairment of trade receivables

The Group estimates the provisions for impairment of trade receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amount of trade receivables and thus the impairment loss in the period in which the estimate is changed. The Group reassesses the provisions at the end of the reporting period. Further details are included in note 21 to the financial statements.

4. Operating Segment Information

During the year, the Group is principally engaged in the manufacture and sale of heavy equipment including roadheader, CCMU, mining transport equipment (including underground and surface), spare parts and service. For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment.

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

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

Information about a major customer

Revenue of approximately RMB648,314,000 (2012: RMB903,043,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. Revenue, Other Income and Gains

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

An analysis of revenue, other income and gains is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Revenue		
Sale of goods	**3,175,096**	3,590,135
Rendering of services	**50,367**	50,604
	3,225,463	3,640,739
Other income		
Bank interest income	**5,650**	5,048
Profit from the sale of scrap materials	**47,226**	67,715
Government grants	**96,608**	145,095
Others	**4,860**	5,000
	154,344	222,858
Gains		
Gains from investment deposits	**14,331**	8,566
	168,675	231,424

6. Profit before Tax

The Group's profit before tax is arrived at after charging:

	Notes	Group 2013 RMB'000	2012 RMB'000
Cost of inventories sold		2,015,552	2,272,601
Cost of services provided		46,858	39,447
Depreciation	14	110,728	110,526
Amortisation of land lease prepayments**	15	9,899	11,148
Amortisation of intangible assets**	17	26,162	1,476
Auditors' remuneration		2,400	2,280
Provision for warranties*	28	29,180	45,001
Research and development costs**		177,694	170,057
Minimum lease payments under operating leases:			
Dormitories for staff		29	323
Warehouses		4,286	6,888
Office equipment		287	515
		4,602	7,726
Employee benefit expenses (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		263,519	272,958
Equity-settled share option expense		3,331	–
Employee retirement benefits		33,706	41,765
Other staff welfare		18,165	22,826
		318,721	337,549
Foreign exchange differences, net***		3,685	5,400
Impairment of trade receivables***	21	42,621	11,587
Impairment of other receivables***		–	662
Provision against slow-moving and obsolete inventories****	20	17,371	6,461
Loss on disposal of items of property, plant and equipment***		718	4,084

* Included in "Selling and distribution expenses" in the consolidated statement of profit or loss.

** Included in "Administrative expenses" in the consolidated statement of profit or loss.

*** Included in "Other expenses" in the consolidated statement of profit or loss.

**** Included in "Cost of sales" in the consolidated statement of profit or loss.

7. Finance Costs

	Group	
	2013	2012
	RMB'000	RMB'000
Interest on interest-bearing bank borrowings wholly repayable within five years	**12,919**	2,073
Interest on documentary bills	**231**	1,972
Interest on discounted bills	**4,030**	633
	17,180	4,678

8. Directors' and Chief Executive's Remuneration

Details of directors' and chief executive's remuneration are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Fees	**640**	553
Other emoluments:		
Salaries, allowances and benefits in kind	**3,103**	3,237
Equity-settled share option expense	**1,383**	–
Employee retirement benefits and other staff welfare	**279**	312
	4,765	3,549
	5,405	4,102

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. Directors' and Chief Executive's Remuneration (continued)

(a) Independent non-executive directors

The fees and mandatory provident fund paid to independent non-executive directors during the year were as follows:

	Fees RMB'000	Mandatory provident fund RMB'000	Total remuneration RMB'000
2013			
Mr. Xu Yaxiong	208	–	208
Mr. Ngai Wai Fung	224	–	224
Mr. Ng Yuk Keung	208	–	208
	640	–	640
2012			
Mr. Xu Yaxiong	179	–	179
Mr. Ngai Wai Fung	195	7	202
Mr. Ng Yuk Keung	179	–	179
	553	7	560

There were no emoluments payable to the independent non-executive directors during the year (2012: Nil).

8. Directors' and Chief Executive's Remuneration (continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions and other staff welfare RMB'000	Total remuneration RMB'000
2013					
Executive directors:					
Mr. Zhao Xiangzhang (Chief executive before 1 September 2013)		256	768	52	1,076
Mr. Mao Zhongwu	–	23	58	71	152
Mr. Kuang Canghao	–	513	247	9	769
Mr. Huang Xiangyang	–	1,123	149	69	1,341
Mr. Liu Weili	–	1,037	161	61	1,259
	–	2,952	1,383	262	4,597
Non-executive director:					
Mr. Xiang Wenbo	–	–	–	–	–
Chief executive:					
Mr. Wu Jialiang (Chief executive from 1 September 2013)	–	151	–	17	168

8. Directors' and Chief Executive's Remuneration (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and other staff welfare RMB'000	Total remuneration RMB'000
2012				
Executive directors:				
Mr. Mao Zhongwu	–	287	81	368
Mr. Kuang Canghao	–	511	4	515
Mr. Huang Xiangyang	–	861	51	912
Mr. Liu Weili	–	651	43	694
Mr. Liang Jianyi	–	114	–	114
Mr. Zhou Wanchun (Chief executive before 12 October 2012)	–	539	68	607
Mr. Zhao Xiangzhang (Chief executive from 12 October 2012)	–	76	13	89
	–	3,039	260	3,299
Non-executive directors:				
Mr. Xiang Wenbo	–	–	–	–
Mr. Huang Jianlong	–	–	–	–
Mr. Wu Jialiang	–	198	45	243
	–	198	45	243

There was no other arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2012: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included four directors (2012: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2012: one) highest paid employee who is neither a director nor chief executive of the Company is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries and allowances	**248**	158
Bonuses	**280**	240
Equity-settled share option expense	**81**	–
Employee retirement benefits and other staff welfare	**52**	36
	661	434

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

	Group	
	2013	2012
Nil to RMB780,000 (HK$1,000,000)	**1**	1

During the year, share options were granted to the non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employee's remuneration disclosures.

10. Income Tax

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to a certain subsidiary operating in Mainland China, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the year ended 31 December 2013.

10. Income Tax (continued)

The Group's principal operating company, Sany Heavy Equipment Co., Ltd. (三一重型裝備有限公司) ("Sany Heavy Equipment"), obtained the high technology enterprise accreditation and hence was subject to CIT at a rate of 15% in 2013 (2012: 15%).

	Group	
	2013	2012
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	**60,029**	122,621
Deferred	**(10,623)**	(30,032)
Total tax charge for the year	**49,406**	92,589

A reconciliation of the income tax expense 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 at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	Group			
	2013		2012	
	RMB'000	**%**	RMB'000	%
Profit before tax	**407,585**		592,623	
Tax at the statutory tax rate	**101,896**	**25.0**	148,156	25.0
Entities subject to lower statutory income tax rates	**(38,277)**	**(9.4)**	(61,247)	(10.3)
Expenses not deductible for tax	**1,268**	**0.3**	16,394	2.7
Different tax rate when temporary difference is realised	**(1,967)**	**(0.5)**	(12,863)	(2.2)
Super-deduction of research and development costs	**(12,212)**	**(3.0)**	(5,513)	(0.9)
Income not subject to tax	**(3,891)**	**(1.0)**	(12,646)	(2.1)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**260**	**0.1**	16,114	2.7
Tax losses not recognised	**2,329**	**0.6**	4,194	0.7
Tax charge at the Group's effective tax rate	**49,406**	**12.1**	92,589	15.6

11. Loss attributable to owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a loss of RMB26,562,000 (2012: RMB9,756,000) which has been dealt with in the financial statements of the Company.

12. Dividend

	2013 RMB'000	2012 RMB'000
Proposed final – nil (2012: HK6.4 cents per ordinary share)	–	161,139

The board does not recommend the payment of any dividend for the year ended 31 December 2013.

13. Earnings per Share attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share is based on the profit for the year ended 31 December 2013 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,064,886,334 (2012: 3,109,994,137) in issue during the year, as adjusted to reflect the repurchase of 64,110,000 issued shares during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year ended 31 December 2013 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented. No adjustment has been made to the basic earning per share amounts presented for the years ended 31 December 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year.

14. Property, Plant and Equipment

Group	Buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013						
At 31 December 2012 and at 1 January 2013:						
Cost	658,964	822,918	83,248	32,974	874,714	2,472,818
Accumulated depreciation	(43,099)	(157,900)	(22,743)	(15,370)	–	(239,112)
Net carrying amount	615,865	665,018	60,505	17,604	874,714	2,233,706
At 1 January 2013, net of accumulated depreciation	615,865	665,018	60,505	17,604	874,714	2,233,706
Additions	36,418	43,555	1,528	1,895	140,829	224,225
Disposals	(3,013)	(985)	(5,078)	(2,199)	–	(11,275)
Assets held for sale (note 16)	(177,879)	–	(6,976)	–	–	(184,855)
Depreciation provided during the year	(16,752)	(89,659)	(2,162)	(2,155)	–	(110,728)
Transfers	12,936	30,284	–	–	(43,220)	–
At 31 December 2013, net of accumulated depreciation	467,575	648,213	47,817	15,145	972,323	2,151,073
At 31 December 2013:						
Cost	495,128	895,772	66,569	32,670	972,323	2,462,462
Accumulated depreciation	(27,553)	(247,559)	(18,752)	(17,525)	–	(311,389)
Net carrying amount	467,575	648,213	47,817	15,145	972,323	2,151,073

14. Property, Plant and Equipment (continued)

Group	Buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012						
At 31 December 2011 and at 1 January 2012:						
Cost	615,777	588,754	66,826	39,341	480,837	1,791,535
Accumulated depreciation	(21,733)	(82,434)	(15,692)	(14,876)	–	(134,735)
Net carrying amount	594,044	506,320	51,134	24,465	480,837	1,656,800
At 1 January 2012, net of accumulated depreciation	594,044	506,320	51,134	24,465	480,837	1,656,800
Additions	–	120,394	16,709	750	555,827	693,680
Disposals	(102)	(1,712)	(756)	(3,678)	–	(6,248)
Depreciation provided during the year	(21,377)	(76,991)	(8,225)	(3,933)	–	(110,526)
Transfers	43,300	117,007	1,643	–	(161,950)	–
At 31 December 2012, net of accumulated depreciation	615,865	665,018	60,505	17,604	874,714	2,233,706
At 31 December 2012:						
Cost	658,964	822,918	83,248	32,974	874,714	2,472,818
Accumulated depreciation	(43,099)	(157,900)	(22,743)	(15,370)	–	(239,112)
Net carrying amount	615,865	665,018	60,505	17,604	874,714	2,233,706

The Group's buildings are located in Mainland China.

Certificates of ownership in respect of newly-built buildings of the Group located in Shenyang with a net carrying amount of approximately RMB378,752,000 as at 31 December 2013 (2012: RMB456,502,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

At 31 December 2013, certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's buildings and machinery, which had a net carrying amount of approximately RMB484,367,000 (2012: Nil) (note 27(b)).

15. Prepaid Land Lease Payments

	Group	
	2013	2012
	RMB'000	RMB'000
Carrying amount at 1 January	**512,117**	444,201
Addition	**–**	79,064
Assets held for sale (note 16)	**(25,851)**	–
Recognised during the year (note 6)	**(9,899)**	(11,148)
Carrying amount at 31 December	**476,367**	512,117
Current portion included in prepayments, deposits and other receivables	**(10,222)**	(10,846)
Non-current portion	**466,145**	501,271

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

16. Non-Current Assets Classified as Held for Sale

On 12 July 2013, as required by the government of Shenyang City ("the local government"), the Group agreed to sell certain lands, buildings and equipment located in Shenyang City (the "Disposal Assets") to the local government. The operation associated with the Disposal Assets has been ceased in July 2013. According to the agreement entered into between the Group and the local government dated 20 February 2014, the consideration for the Disposal Assets was RMB605 million, which was determined based on the fair values of the Disposal Assets valued by a PRC independent appraiser. As at 31 December 2013, the carrying amounts of the Disposal Assets classified as held for sale are as follows:

	Notes	**2013**
		RMB'000
Disposal Assets		
Property, plant and equipment	14	**184,855**
Prepaid land lease payments	15	**25,851**
Total		**210,706**

Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's leasehold lands which had been classified as non-current assets held for sale with a net carrying amount of approximately RMB25,851,000 as at 31 December 2013 (31 December 2012: Nil) (note 27(b)).

17. Intangible Assets

Group	Patents and licences RMB'000	Deferred development cost RMB'000	Total RMB'000
31 December 2013			
Cost at 1 January 2013, net of accumulated amortisation	7,384	120,567	127,951
Transfer	120,567	(120,567)	–
Recognised during the year (note 6)	(26,162)	–	(26,162)
At 31 December 2013	101,789	–	101,789
At 31 December 2013:			
Cost	129,427	–	129,427
Accumulated amortisation	(27,638)	–	(27,638)
Net carrying amount	101,789	–	101,789
31 December 2012			
At 1 January 2012:			
Cost	8,860	33,914	42,774
Accumulated amortisation	–	–	–
Net carrying amount	8,860	33,914	42,774
Cost at 1 January 2012, net of accumulated amortisation	8,860	33,914	42,774
Additions – internal development	–	86,653	86,653
Recognised during the year (note 6)	(1,476)	–	(1,476)
At 31 December 2012	7,384	120,567	127,951
At 31 December 2012 and 1 January 2013:			
Cost	8,860	120,567	129,427
Accumulated amortisation	(1,476)	–	(1,476)
Net carrying amount	7,384	120,567	127,951

During the year, the Group has obtained patents for the technology related to the capitalised deferred development cost.

18. Investment in a Subsidiary

	Company 2013 RMB'000	Company 2012 RMB'000
Unlisted shares, at cost	3,366,747	3,366,747

18. Investment in a Subsidiary (continued)

The amounts due from a subsidiary included in the Company's current assets of RMB78,942,000 (2012: RMB34,127,000) are unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries are as follows:

Company name	Place and date of registration and place of operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sany Heavy Equipment	PRC/Mainland China 13 January 2004	RMB2,918,070,000	100	–	Manufacture and sale of integrated excavation machinery, integrated coal mining equipment and coal mine transportation equipment
Sany Heavy Integrated Coal Mining Equipment Co., Ltd. ("Sany Zongcai") (三一重型綜採成套裝備有限公司) *	PRC/Mainland China 20 May 2008	RMB500,000,000	–	100	Manufacture and sale of integrated excavation machinery, integrated coal mining equipment and coal mine transportation equipment
Shanxi Sany Coal Mining Equipment Co., Ltd. ("Sany Mining Equipment") (山西三一煤機裝備有限公司) *	PRC/Mainland China 12 June 2010	RMB50,000,000	–	100	Provision of maintenance service
Xinjiang Sany Heavy Equipment Co., Ltd. ("Xinjiang Sany") (新疆三一重型裝備有限公司) * #	PRC/Mainland China 7 July 2011	RMB20,000,000	–	100	Provision of maintenance service
Sany Mining Machinery Co., Ltd. ("Sany Mining Machinery") (三一礦機有限公司) *	PRC/Mainland China 26 March 2012	RMB180,864,600	–	91	Manufacture and sale of off-highway mining trucks
Shenyang Zhongjing Property Development Co., Ltd. ("Shenyang Zhongjing") (瀋陽中璟房地產開發有限公司) * #	PRC/Mainland China 11 July 2012	RMB50,000,000	–	51	Property development

* Companies established as limited liability companies under the PRC law.
\# The companies have not yet commenced operation.

19. Available-for-sale Investments

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed equity investments, at fair value:				
Hong Kong	**–**	95,916	**–**	95,916
Unlisted equity investments, at cost less impairment	**10,636**	10,636	**–**	–
	10,636	106,552	**–**	95,916

During the year, the Group disposed of the listed equity investments to the immediate holding company of the Company and no material net profit or loss effect was derived from this transaction. Further details of the transaction are included in note 36(2) to the financial statements.

The unlisted equity investment of the Group is not stated at fair value but at cost less any accumulated impairment losses, because it does not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. The Group does not intend to dispose of it in the near future.

20. Inventories

	Group	
	2013	2012
	RMB'000	RMB'000
Raw materials	**336,013**	336,902
Work in progress	**117,079**	180,936
Finished goods	**248,243**	355,712
	701,335	873,550
Less: Provision against slow-moving and obsolete inventories	**(9,998)**	(13,562)
	691,337	859,988

20. Inventories (continued)

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

		Group	
	Note	**2013** **RMB'000**	2012 RMB'000
At 1 January		**13,562**	13,385
Charge for the year	6	**17,371**	6,461
Amount written off		**(20,935)**	(6,284)
At 31 December		**9,998**	13,562

21. Trade and Bills Receivables

	Group	
	2013 **RMB'000**	2012 RMB'000
Trade receivables	**2,799,257**	1,768,701
Impairment	**(83,381)**	(42,077)
Trade receivables, net	**2,715,876**	1,726,624
Bills receivable	**659,198**	607,338

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentrations of credit risk as 32% (2012: 27%) of the Group's trade receivables were due from the Group's largest customer, including a group of entities which are known to be under common control with that customer. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	Group	
	2013 **RMB'000**	2012 RMB'000
Within 60 days	**659,430**	786,605
61 to 90 days	**308,090**	189,436
91 to 180 days	**693,590**	189,547
181 to 365 days	**874,202**	373,127
Over 1 year	**180,564**	187,909
	2,715,876	1,726,624

21. Trade and Bills Receivables (continued)

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

	Note	Group 2013 RMB'000	Group 2012 RMB'000
At 1 January		**42,077**	34,121
Impairment losses recognised	6	**42,621**	11,587
Amount written off as uncollectible		**(1,317)**	(3,631)
At 31 December		**83,381**	42,077

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB83,381,000 (2012: RMB42,077,000) with a carrying amount before provision of RMB83,381,000 (2012: RMB42,077,000).

The individually impaired trade receivables relate 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.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group	**Total** RMB'000	**Neither past due nor impaired** RMB'000	**Past due but not impaired: Within 180 days** RMB'000	**Past due but not impaired: 181 to 365 days** RMB'000	**Past due but not impaired: Over 1 year** RMB'000
31 December 2013	2,715,876	2,523,841	89,455	63,046	39,534
31 December 2012	1,726,624	1,548,490	137,055	33,528	7,551

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 of the Company 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.

21. Trade and Bills Receivables (continued)

The maturity profile of the bills receivable of the Group as at the end of the reporting period is as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Within six months	548,494	462,508
Over six months	110,704	144,830
	659,198	607,338

Included in the balances of bills receivable are amounts of approximately RMB10,840,000 (2012: RMB98,813,000) which were pledged to secure the issuance of bills payable.

Included in the bills receivable was an amount of RMB26,400,000 as at 31 December 2013 (2012: RMB9,000,000) endorsed to a fellow subsidiary for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2013, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "Endorsed Bills") with a carrying amount of RMB17,202,000 (2012: Nil) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB17,202,000 (2012: Nil) as at 31 December 2013.

Transferred financial assets that are derecognised in their entirety

At 31 December 2013, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB133,433,000 (2012: RMB476,179,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

22. Prepayments, Deposits and Other Receivables

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current prepayments	**209,647**	226,057	**–**	–
Current assets:				
Prepayments	**103,912**	105,680	**–**	–
Deposits and other receivables	**183,834**	266,588	**95**	434
	287,746	372,268	**95**	434

Non-current prepayments represent prepayment for the acquisition of land and property, plant and equipment.

Included in the current prepayments was an amount of RMB9,120,000 as at 31 December 2013 (2012: RMB1,300,000) paid to a fellow subsidiary for purchasing raw materials by the Group.

23. Investment Deposits

	2013	2012
	RMB'000	RMB'000
Investment deposits, with licensed banks in Mainland China, at amortised cost	**300,000**	–

Investment deposits as at 31 December 2013 represented investments in financial products purchased from licensed banks in Mainland China, at a consideration of RMB300,000,000. The investment deposits were classified by the Group as loans and receivables and measured at amortised cost. The principals of the investment deposits were guaranteed by licensed banks in Mainland China. The investment deposits bore variable interest return rates and the with expected interest return rates in the range of 2.8% to 5.2% per annum and have been matured on 8 March 2014.

24. Cash and Cash Equivalents, Time Deposits and Pledged Deposits

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and cash equivalents	**330,404**	848,578	**10,222**	168,906
Time deposits	**233,691**	193,640	**–**	–
	564,095	1,042,218	**10,222**	168,906
Less: Non-pledged time deposits with original maturity of three months or more when acquired as at 31 December	**(126,934)**	(100,000)	**–**	–
Pledged time deposits for banking facilities	**(106,757)**	(93,640)	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**330,404**	848,578	**10,222**	168,906
Cash and cash equivalents, time deposits and pledged deposits denominated in				
– RMB	**558,850**	841,160	**5,018**	6,088
– HK$	**5,204**	44,788	**5,203**	156,270
– United States dollars ("US$")	**41**	156,270	**1**	6,548
	564,095	1,042,218	**10,222**	168,906

At the end of the reporting period, the cash and bank balances of the Group were denominated in RMB, HK$ and US$. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Pledged bank deposits represent balances pledged to banks for the issuance of the Group's bills payable and letters of credit.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. Trade and Bills Payables

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

	Group	
	2013	2012
	RMB'000	RMB'000
Within 30 days	**487,452**	194,859
31 to 90 days	**208,828**	181,633
91 to 180 days	**136,865**	161,383
181 to 365 days	**26,425**	172,467
Over 1 year	**8,111**	12,791
	867,681	723,133

The trade payables are non-interest-bearing and are normally with credit terms of 30 to 120 days.

The bills payable are all due within 180 days.

Included in the trade and bills payable was an amount of RMB69,454,000 as at 31 December 2013 (31 December 2012: RMB4,100,000) payable to fellow subsidiaries for purchasing raw materials by the Group.

26. Other Payables and Accruals

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits received from customers	**116,244**	275,494	**–**	–
Other payables	**613,245**	407,364	**–**	–
Accruals	**20,322**	20,972	**539**	–
	749,811	703,830	**539**	–

No amount was included in the accruals as at 31 December 2013 (2012: RMB12,228,000) payable to a fellow subsidiary for purchasing logistics services by the Group.

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

27. Interest-Bearing Bank Borrowings

Group

	2013			2012		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank overdrafts – unsecured	4.48	On demand	197,827	—	—	—
Bank loans – unsecured	5.7, LIBOR+1.1	2014	229,147	2.24	2013	188,523
Bank loans – secured	5.7	2014	250,000	—	—	—
			676,974			188,523

Company

	2013			2012		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	LIBOR+1.1	2014	179,148	2.24	2013	188,523

Notes:

(a) The Group's overdraft facilities amounted to RMB200,000,000 (2012: Nil), of which RMB197,829,000 (2012: Nil) had been utilised as at the end of the reporting period.

(b) Certain of the Group's bank loans are secured by:

	Notes	2013 RMB'000
Property, plant and equipment	14	484,367
Prepaid land lease payments classified as held for sale	16	25,851
		510,218

(c) Except for an unsecured bank loan of RMB179,148,000 which is denominated in United States dollars, all borrowings are in RMB.

28. Provision for Warranties

		Group	
	Note	**2013 RMB'000**	2012 RMB'000
At 1 January		**50,779**	47,583
Additional provision	6	**29,180**	45,001
Amounts utilised during the year		**(36,277)**	(41,805)
At 31 December		**43,682**	50,779

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.

29. Government Grants

	Group	
	2013 RMB'000	2012 RMB'000
At 1 January	**476,242**	346,855
Grants recognised during the year	**78,032**	274,482
Recognised as income during the year	**(96,608)**	(145,095)
At 31 December	**457,666**	476,242
Current portion	**(19,980)**	(18,288)
Non-current portion	**437,686**	457,954

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

30. Deferred Tax

Deferred tax assets

Group	Government grants	Provision against slow-moving and obsolete inventories	Warranty provision	Losses available for offsetting against future taxable profits	Fair value adjustment arising from available-for-sale investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	70,631	918	7,137	34,772	–	113,458
Credited to the consolidated statement of profit or loss (note 10)	43,786	1,116	480	764	–	46,146
Credited to the consolidated statement of comprehensive income	–	–	–	–	15,699	15,699
Exchange differences	–	–	–	–	(54)	(54)
At 31 December 2012 and 1 January 2013	114,417	2,034	7,617	35,536	15,645	175,249
(Charged)/credited to the consolidated statement of profit or loss (note 10)	(2,990)	466	3,303	(927)	–	(148)
Charged to the consolidated statement of comprehensive income	–	–	–	–	(15,699)	(15,699)
Exchange differences	–	–	–	–	54	54
At 31 December 2013	111,427	2,500	10,920	34,609	–	159,456

30. Deferred Tax (continued)

Deferred tax assets (continued)

Company	Fair value adjustment arising from available-for-sale investments RMB'000
At 1 January 2012	–
Credited to the statement of comprehensive income	15,699
Exchange differences	(54)
At 31 December 2012 and 1 January 2013	15,645
Charged to the statement of comprehensive income	(15,699)
Exchange differences	54
At 31 December 2013	–

The Group has tax losses arising in Hong Kong of RMB11,799,000 (2012: RMB12,085,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in mainland China of RMB1,528,000 (2012: Nil) that with expire in five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have mainly arisen in the Company and a certain 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.

Deferred tax liabilities

Group	Withholding taxes on dividend RMB'000
At 1 January 2012	–
Charged to the consolidated statement of profit or loss (note 10)	16,114
At 31 December 2012 and 1 January 2013	16,114
Credited to the consolidated statement of profit or loss (note 10)	(10,771)
At 31 December 2013	5,343

30. Deferred Tax (continued)

Deferred tax liabilities (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. According to the approval obtained from the local tax bureau on 24 May 2013, the applicable rate to the Group is 5% since 1 January 2013 to 31 December 2015 (2012: 10%). The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2013, the Group has not recognised deferred tax liabilities of RMB28,049,000 (2012: RMB34,815,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB560,970,000 (2012: RMB348,150,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. Share Capital

	2013 HK$'000	2012 HK$'000
Authorised: 5,000,000,000 ordinary shares (2012: 5,000,000,000 ordinary shares) of HK$0.10 each	500,000	500,000
Issued and fully paid: 3,041,025,000 ordinary shares (2012: 3,105,135,000 ordinary shares) of HK$0.10 each	304,103	310,514
Equivalent to RMB'000	264,366	269,509

In March and July 2013, the Company repurchased 33,863,000 and 30,247,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited in cash consideration of HK$121,353,000 (equivalent to RMB98,061,000) and HK$65,466,000 (equivalent to RMB52,281,000), respectively. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(3) of the Companies Law of the Cayman Islands, amounts equivalent to the par value of the shares cancelled of HK$3,386,000 (equivalent to RMB2,736,000) and HK$3,025,000 (equivalent to RMB2,407,000) were transferred from share premium to the capital redemption reserve. The total premium paid on the repurchase of the shares of HK$180,642,000 (equivalent to RMB145,199,000) was charged to share premium.

32. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive directors and other employees of the Group. The Scheme became effective on 26 February 2013 ("the Date of Grant").

The share options granted shall vest in the proposed grantees in accordance with the timetable below, each with an exercise period commencing from the relevant Vesting Date and ending 10 years after the Date of Grant (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"), unless otherwise cancelled or amended:

Vesting Date	**Percentage of share options to vest**
If the audited net profit of the Group for the year ending 31 December 2013 has an increase of 10% or more as compared to that of the year ended 31 December 2012 ("Target Performance I"), starting from the later of 1 March 2014 or the dispatch date of the Company's 2013 annual report (1)	10%
If the audited net profit of the Group for the year ending 31 December 2014 has an increase of 10% or more as compared to the audited net profit of the year ended 31 December 2013 ("Target Performance II"), starting from the later of 1 March 2015 or the dispatch date of the Company's 2014 annual report (2) (4)	35%
If the audited net profit of the Group for the year ending 31 December 2015 has an increase of 10% or more as compared to the audited net profit of the year ended 31 December 2014 ("Target Performance III"), starting from the later of 1 March 2016 or the dispatch date of the Company's 2015 annual report (3) (4)	55%

Notes:

(1) If the Target Performance I is not achieved, then the 10% share options (the "First Tranche Options") cannot be exercised in the year of 2014. However, if Target Performance II is achieved, then the First Tranche Options will vest starting from the later of 1 March 2015 or the dispatch date of the Company's 2014 annual report. If neither of the Target Performance I or Target Performance II is achieved, then the First Tranche Options shall lapse;

(2) If the Target Performance II is not achieved, then the 35% share options (the "Second Tranche Options") cannot be exercised in the year of 2015. However, if the Target Performance III is achieved, then the Second Tranche Options will vest starting from the later of 1 March 2016 or the dispatch date of the Company's 2015 annual report. If neither of the Target Performance II or Target Performance III is achieved, then the Second Tranche Options shall lapse; and

(3) If the Target Performance III is not achieved, then the 55% share options (the "Third Tranche Options") cannot be exercised in the year of 2016. However, if the audited net profit for the year ending 31 December 2016 has an increase of 10% or more as compared to the audited net profit of the year ending 31 December 2015 ("Target Performance IV")(4), then the Third Tranche Options will vest starting from the later of 1 March 2017 or the dispatch date of the Company's 2016 annual report. If neither of the Target Performance III or Target Performance IV is achieved, then the Third Tranche Options shall lapse;

32. Share Option Scheme (continued)

(4) The audited net profit for the year ended 31 December 2013, 2014 and 2015 under the Target Performance II, the Target Performance III and the Target Performance IV, respectively, refers to the lower of (i) the actual audited net profit of such year; and (ii) the amount equals to the actual audited net profit for the year ended 31 December 2012 compounded annually at a rate of 10%.

The following share options were outstanding under the Scheme during the year:

	Exercise price HK$	**Number of options**
At 1 January 2013	–	–
Granted during the year	4.18	28,524,000
Outstanding as at 31 December 2013	4.18	28,524,000

The closing price of the Company's shares immediately before the date of grant of share options granted during the year was HK$3.50 per share. The fair value of the share options granted during the year was HK$31,843,000 (HK$1.12 each) (equivalent to RMB25,438,000), of which the Group recognised a share option expense of HK$4,169,000 (equivalent to RMB3,331,000) for the year ended 31 December 2013.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	4.34
Expected volatility (%)	52.00
Historical volatility (%)	52.00
Risk-free interest rate (%)	1.16
Expected life of options (year)	10
Weighted average share price (HK$ per share)	3.09

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

33. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor pursuant to the group reorganisation as defined in the prospectus of the Company dated 12 November 2009.

In accordance with the PRC Company Law, the PRC subsidiaries of the Group are required to allocate 10% of their profit after tax to the reserve funds until the reserve reaches 50% of the registered capital of the PRC subsidiaries. Subject to certain restrictions set out in the Company Law of the PRC, part of the reserve funds may be converted to increase paid-up capital/issued capital of the PRC subsidiaries, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The reserve funds of the PRC subsidiaries amounted to RMB327,993,000 as at 31 December 2013 (2012: RMB288,555,000).

(b) Company

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2012		1,691,461	1,676,409	–	(41,760)	–	–	10,106	3,336,216
Profit for the year		–	–	–	–	–	–	(9,756)	(9,756)
Other comprehensive income/(loss) for the year:									
Changes in fair value of available-for-sale investments, net of tax		–	–	–	–	(79,446)	–	–	(79,446)
Exchange differences on translation of foreign operations		–	–	–	341	–	–	–	341
Total comprehensive income/(loss) for the year		–	–	–	341	(79,446)	–	(9,756)	(88,861)
Repurchase of issued shares	31	(24,145)	–	–	–	–	601	–	(23,544)
Proposed final 2012 dividend	12	–	–	–	–	–	–	(161,139)	(161,139)
As at 31 December 2012 and 1 January 2013		1,667,316	1,676,409	–	(41,419)	(79,446)	601	(160,789)	3,062,672

33. Reserves (continued)

(b) Company (continued)

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Total RMB'000
Profit for the year		–	–	–	–	–	–	194,334	194,334
Other comprehensive income for the year:									
Changes in fair value of available-for-sale investments, net of tax		–	–	–	–	79,446	–	–	79,446
Exchange differences on translation of foreign operations		–	–	–	613	–	–	–	613
Total comprehensive income for the year		–	–	–	613	79,446	–	194,334	274,393
Share-based payments		–	–	3,331	–	–	–	–	3,331
Repurchase of issued shares	31	(150,342)	–	–	–	–	5,143	–	(145,199)
Adjustment to proposed dividend for repurchase of shares		–	–	–	–	–	–	1,757	1,757
As at 31 December 2013		1,516,974	1,676,409	3,331	(40,806)	–	5,744	35,302	3,196,954

34. Operating Lease Arrangements

(a) As lessor

The Group leases its buildings and plant under operating lease arrangements, with leases negotiated for terms of three years.

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within one year	**227**	236
In the second to fifth years, inclusive	**132**	366
	359	602

(b) As lessee

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

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within one year	**2,363**	3,308
In the second to third years, inclusive	**53**	524
	2,416	3,832

35. Commitments

In addition to the operating lease commitments as set out in note 34(b) above, the Group had the following capital commitments as at the end of the reporting period:

	Group 2013 RMB'000	Group 2012 RMB'000
Contracted, but not provided for:		
Prepaid land lease payments	–	699
Buildings	193,694	251,423
Plant and machinery	34,463	144,718
	228,157	396,840

36. Related Party Transactions and Balances

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(1) Recurring transactions

	Notes	Group 2013 RMB'000	Group 2012 RMB'000
Purchases of raw materials from:			
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(iv)	38,572	45,490
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(iv)	--	15,906
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(iv)	2,730	–
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(i)&(iv)	5,227	6,723
Hunan Sany Hoisting Machinery Co., Ltd. (湖南三一汽車起重機械有限公司)	(i)&(iv)	1,231	–
Hunan Sany Road Machinery Co., Ltd. (湖南三一路面機械有限公司)	(i)&(iv)	1	61
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(iv)	77,389	254
Beijing Sany Machinery Co., Ltd. (北京市三一重機有限公司)	(i)&(iv)	401	5
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(iv)	30,363	–
Hong Kong Winternity International Trade Co., Ltd. (香港中興恒遠國際貿易有限公司)	(i)&(iv)	7,224	–
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	(i)&(iv)	918	–
Kunshan Sany Machinery Co., Ltd. (昆山三一機械有限公司)	(i)&(iv)	2,707	–

36. Related Party Transactions and Balances (continued)

(1) Recurring transactions (continued)

	Notes	Group 2013 RMB'000	2012 RMB'000
Purchases of raw materials from: (continued)			
Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司)	(i)&(iv)	3	–
Sany Heavy Industry Co., Ltd. Hunan Branch (三一重工股份有限公司湖南分公司)	(i)&(iv)	9	–
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(iv)	657	–
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(iv)	44,297	54,403
Sany Electric Co., Ltd. (三一電氣有限責任公司)	(i)&(iv)	31,243	15,563
		242,972	138,405
Operating rental received from:			
Hunan Sany Repair Services Co., Ltd. (湖南三一維修有限公司)	(ii)&(iv)	–	132
Operating rental paid to:			
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(iv)	2,988	–
Service fee paid to:			
Hunan Xingxiang Construction Consultation Co., Ltd. (湖南興湘建設監理諮詢有限公司)	(iii)&(iv)	1,391	2,022
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(iii)&(iv)	70,078	41,562

Notes:

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

(ii) The rental was made according to the prevailing market rent.

(iii) The services were made at prices and conditions as mutually agreed.

36. Related Party Transactions and Balances (continued)

(1) Recurring transactions (continued)

Notes: (continued)

(iv) Loudi Zhongxing Hydraulic Parts Co., Ltd., Sany Heavy Industry Co., Ltd., Sany Automobile Manufacturing Co., Ltd., Suote Transmission Equipment Co., Ltd., Hunan Sany Intelligent Control Equipment Co., Ltd., Hunan Sany Hoisting Machinery Co., Ltd., Hunan Sany Road Machinery Co., Ltd., Loudi Zhongyuan New Material Co., Ltd., Beijing Sany Machinery Co., Ltd., Sany Electric Co., Ltd., Sany Heavy Industry Co., Ltd. Hunan Branch, Hunan Sany Repair Services Co., Ltd.**, Hunan Xingxiang Construction Consultation Co., Ltd., Sany Heavy Machinery Co., Ltd., Hong Kong Winternity International Trade Co., Ltd., Hunan Automobile Manufacturing Co., Ltd., Zhejiang Sany Equipment Co., Ltd., Changde Sany Machinery Co., Ltd., Kunshan Sany Machinery Co., Ltd. and Hunan Sany Logistics Co., Ltd. are companies which are owned and controlled by the Controlling Shareholders*.

* The Controlling Shareholders refer to the 15 individual shareholders: Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Zhao Xiangzhang, Wang Zuochun, Zhai Xian, Liang Linhe, Zhai Chun, Duan Dawei and Huang Jianlong, who hold 57.12%, 8.75%, 8.00%, 8.00%, 4.75%, 3.50%, 3.00%, 3.00%, 1.00%, 1.00%, 0.60%, 0.50%, 0.40%, 0.30% and 0.08% of the equity interests in Sany BVI, respectively.

** Hunan Sany Repair Services Co., Ltd. was deregistered in July 2012.

In the opinion of the directors, the above transactions were carried out in the ordinary course of business of the Group and will continue in future.

(2) Non-recurring transactions

		Group	
	Notes	2013 RMB'000	2012 RMB'000
Sales of shares of equity interest to:			
Sany Hong Kong Group Ltd. (三一香港集團有限公司)	(i)	187,375	–
Agent service fee paid to:			
Sany South Africa Pty., Ltd. (三一南非有限公司)	(ii)	864	–
Purchases of equipment from:			
Shanghai Sany Jingji Co., Ltd. (上海三一精機有限公司)	(iii)	–	23,701
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)	1,037	–
Sany Heavy Machinery Co., Ltd.（三一重機有限公司）	(iii)	1,502	–
		2,539	23,701

36. Related Party Transactions and Balances (continued)

(2) Non-recurring transactions (continued)

Notes:

(i) Pursuant to the resolution of the board of directors' meeting held on 21 June 2013, the Group entered into a contract with its immediate holding company, Sany HK to sell 184,830,000 shares of equity interest in Kinetic Mines and Energy Limited, a company listed on the Stock Exchange of Hong Kong Limited, at a total consideration of HK$235.2 million (equivalent to RMB184.9 million) mutually agreed by the parties by reference to the fair value determined by an independent external valuer. No material net profit or loss effect was derived from this transaction. The amount receivable from the immediate holding company of RMB184.9 million as at 31 December 2013 is unsecured, non-interest-bearing and will be stated in full on or before 30 June 2014.

(ii) The services were made at prices and conditions as mutually agreed.

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

(3) Commitments with related parties:

Pursuant to the Company's announcement dated 14 November 2011, the Group entered into a three-year agreement, which will end on 31 December 2014, with Hunan Sany Logistics Co., Ltd., to purchase logistics service for the Group's future production. The amount of the total purchases from Hunan Sany Logistics Co., Ltd. for the year is included in note 36(1) to the financial statements. The Group estimated that the total purchases from Hunan Sany Logistics Co., Ltd. in 2014 will not exceed RMB130,000,000.

Pursuant to the Company's announcement dated 25 November 2011, the Group entered into a three-year agreement, which will end on 31 December 2014, with Sany Group Limited (三一集團有限公司)("Sany Group"), to purchase raw materials for the Group's future production from members of Sany Group. The amount of the total purchases from members of Sany Group for the year is included in note 36(1) to the financial statements. The Group estimated that the total purchases from Sany Group in 2014 will not exceed RMB927,011,000.

Pursuant to the Company's announcement dated 14 November 2011, the Group entered into a three-year agreement, which will end on 31 December 2014, with Shanghai Sany Jingji Co., Ltd., to purchase equipment for the Group's future production. The amount of the total purchases from Shanghai Sany Jingji Co., Ltd. for the year is included in note 36(2) to the financial statements. The Group estimated that the total purchases from Shanghai Sany Jingji Co., Ltd. in 2014 will not exceed RMB130,000,000.

(4) Compensation of key management personnel of the Group:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,081**	3,150
Equity-settled share option expense	**1,566**	–
Employee retirement benefits and other staff welfare	**382**	214
Total compensation paid to key management personnel	**6,029**	3,364

Further details of the directors' emoluments and chief executives are included in note 8 to the financial statements.

37. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2013 **Group** **Financial assets**	**Loans and receivables** **RMB'000**	**Available-for-sale financial assets** **RMB'000**	**Total** **RMB'000**
Available-for-sale investments	–	10,636	10,636
Trade receivables	2,715,876	–	2,715,876
Bills receivable	659,198	–	659,198
Financial assets included in prepayments, deposits and other receivables	183,834	–	183,834
Due from the immediate holding company	184,947	–	184,947
Investment deposits	300,000	–	300,000
Time deposits	126,934	–	126,934
Pledged deposits	106,757	–	106,757
Cash and cash equivalents	330,404	–	330,404
	4,607,950	10,636	4,618,586

2013 **Group** **Financial liabilities**	**Financial liabilities at amortised cost** **RMB'000**
Trade and bills payables	867,681
Financial liabilities included in other payables and accruals	633,567
Interest–bearing bank borrowings	676,974
	2,178,222

37. Financial Instruments by Category (continued)

2012 Group Financial assets	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	106,552	106,552
Trade receivables	1,726,624	–	1,726,624
Bills receivable	607,338	–	607,338
Financial assets included in prepayments, deposits and other receivables	266,588	–	266,588
Time deposits	100,000	–	100,000
Pledged deposits	93,640	–	93,640
Cash and cash equivalents	848,578	–	848,578
	3,642,768	106,552	3,749,320

2012 Group Financial liabilities	Financial liabilities at amortised cost RMB'000
Trade and bills payables	723,133
Financial liabilities included in other payables and accruals	428,336
Interest–bearing bank borrowings	188,523
	1,339,992

37. Financial Instruments by Category (continued)

2013 **Company** **Financial assets**	**Loans and receivables** **RMB'000**
Financial assets included in prepayments, deposits and other receivables	**95**
Due from the immediate holding company	**184,947**
Due from a subsidiary	**78,942**
Cash and cash equivalents	**10,222**
	274,206

2013 **Company** **Financial liabilities**	**Financial liabilities at amortised cost** **RMB'000**
Financial liabilities included in other payables and accruals	**539**
Interest–bearing bank borrowings	**179,148**
	179,687

2012 Company Financial assets	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	95,916	95,916
Financial assets included in prepayments, deposits and other receivables	434	–	434
Due from a subsidiary	34,127	–	34,127
Cash and cash equivalents	168,906	–	168,906
	203,467	95,916	299,383

2012 Company Financial liabilities	Financial liabilities at amortised cost RMB'000
Interest–bearing bank borrowings	188,523

38. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the carrying amounts of the Group's and the Company's financial instruments including cash and cash equivalents, pledged deposits, time deposits, investment deposits, trade receivables, bills receivable, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, and an amount due from the ultimate holding company approximate to their fair as at the end of the reporting period values due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of listed equity investments are based on quoted market prices.

Fair value hierarchy

As at 31 December 2013, no financial asset was measured at fair value (2012: Available-for-sale investments with a fair value amount of RMB95,916,000 was determined based on the quoted prices in active markets (Level 1)).

39. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing bank loans and cash and term deposits. 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, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rate risk of the Group is mainly due to the interest rate fluctuations of its bank borrowings. Interest on these bank borrowings is computed based on market rates.

The Group will constantly assess the interest rate risk it encounters to decide whether it is required to hedge against the possible interest rate risk that may arise. As at 31 December 2013, assuming the interest rate of the floating rate bank borrowings increased/decreased by 5% and all other factors remained unchanged, then profit after tax for the year of the Group and the Company would have decreased/increased by approximately RMB155,000 (2012: RMB210,000).

39. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

The Group's businesses are located in Mainland China and most of transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain monetary assets and liabilities denominated in the Euro, HK$ and US$. The Group has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to immediately decide the hedging policy required to hedge against the possible foreign exchange risk that may arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro, US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity due to changes in the fair value of monetary assets and liabilities.

Group	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	RMB'000	RMB'000
31 December 2013			
If RMB weakens against US$	**5**	**(6,185)**	**–**
If RMB strengthens against US$	**(5)**	**6,185**	**–**
If RMB weakens against Euro	**5**	**676**	**–**
If RMB strengthens against Euro	**(5)**	**(676)**	**–**
If RMB weakens against HK$	**5**	**11,861**	**4,395**
If RMB strengthens against HK$	**(5)**	**(11,861)**	**(4,395)**
31 December 2012			
If RMB weakens against US$	5	(1,817)	–
If RMB strengthens against US$	(5)	1,817	–
If RMB weakens against Euro	5	1,008	–
If RMB strengthens against Euro	(5)	(1,008)	–
If RMB weakens against HK$	5	9,795	4,421
If RMB strengthens against HK$	(5)	(9,795)	(4,421)

* Excluding retained profits

39. Financial Risk Management Objectives and Policies (continued)

Credit risk

At the end of the reporting period, the Group had certain concentrations of credit risk as 32% (2012: 27%) of the Group's trade receivables were due from the Group's largest customer, including a group of entities which are known to be under common control with that customer. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 21 and 22 to the financial statements.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, pledged deposits, investment deposits, trade and bills receivables 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 objective is to maintain sufficient cash and cash equivalents and have available funding through capital contribution and financial support from bank borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	31 December 2013			
Group	**On demand RMB'000**	**Less than 1 year RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Trade and bills payables	**–**	**867,681**	**–**	**867,681**
Financial liabilities included in other payables and accruals	**–**	**633,567**	**–**	**633,567**
Interest-bearing bank borrowings	**250,714**	**440,666**	**–**	**691,380**
	250,714	**1,941,914**	**–**	**2,192,628**

	31 December 2012			
Group	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	–	723,133	–	723,133
Financial liabilities included in other payables and accruals	–	428,336	–	428,336
Interest-bearing bank borrowings	–	192,012	–	192,012
	–	1,343,481	–	1,343,481

39. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Company	31 December 2013 On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	–	539	–	539
Interest-bearing bank borrowings	–	180,875	–	180,875
	–	181,414	–	181,414

Company	31 December 2012 On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	192,012	–	192,012

Capital management

The primary objectives of the Group's capital management are 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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

40. Events after the Reporting Period

On 20 February 2014, the Group entered into an agreement with the Land Reserve Transaction Center of Economic and Technological Development Area in Shenyang City, Liaoning Province, the PRC, to sell certain of its lands, buildings and equipment situated in Shenyang City at a consideration of RMB605,000,000. This transaction is scheduled to be completed by 31 December 2014 and is expected to result in a gain on disposal before tax of approximately RMB394,294,000.

41. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 24 March 2014.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**3,225,463**	3,640,739	3,780,183	2,683,461	1,901,376
Cost of sales	**(2,062,410)**	(2,312,048)	(2,254,484)	(1,445,011)	(996,219)
Gross profit	**1,163,053**	1,328,691	1,525,699	1,238,450	905,157
Other income and gains	**168,675**	231,424	217,130	89,219	50,928
Selling and distribution expenses	**(500,675)**	(566,041)	(465,253)	(335,361)	(232,776)
Administrative expenses	**(359,264)**	(375,040)	(382,015)	(248,776)	(171,292)
Other expenses	**(47,024)**	(21,733)	(11,213)	(17,908)	(27,690)
Finance costs	**(17,180)**	(4,678)	(4,679)	(5,778)	(3,825)
Share of profit and loss of an associate	**–**	–	–	–	4,325
PROFIT BEFORE TAX	**407,585**	592,623	879,669	719,846	524,827
Income tax expense	**(49,406)**	(92,589)	(105,314)	(49,334)	(34,395)
PROFIT FOR THE YEAR	**358,179**	500,034	774,355	670,512	490,432
Attributable to:					
Owners of the parent	**356,208**	499,532	774,355	670,512	490,432
Non-controlling interests	**1,971**	502	–	–	–
	358,179	500,034	774,355	670,512	490,432

Assets, Liabilities and Non-Controlling Interests

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**8,712,651**	7,979,222	7,466,151	5,883,461	5,458,927
TOTAL LIABILITIES	**(2,885,148)**	(2,283,564)	(2,092,393)	(1,131,718)	(1,247,184)
NON-CONTROLLING INTERESTS	**68,753**	66,782	–	–	–