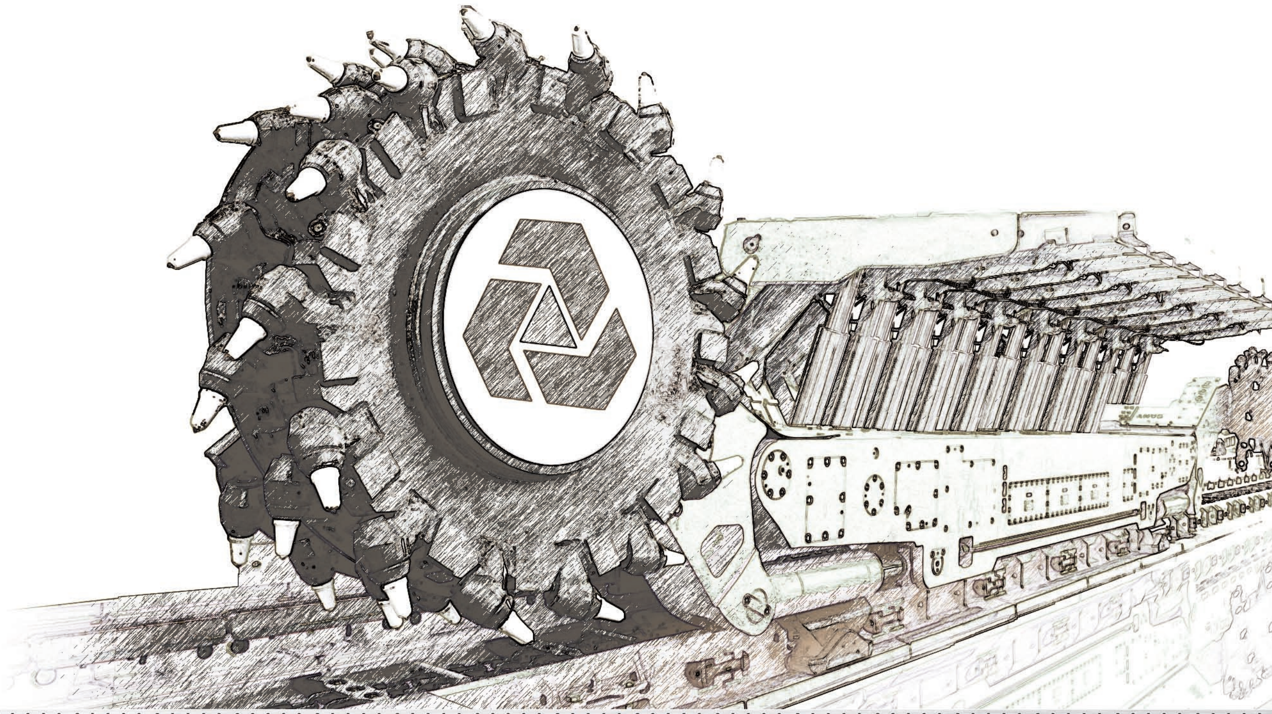
SANYI

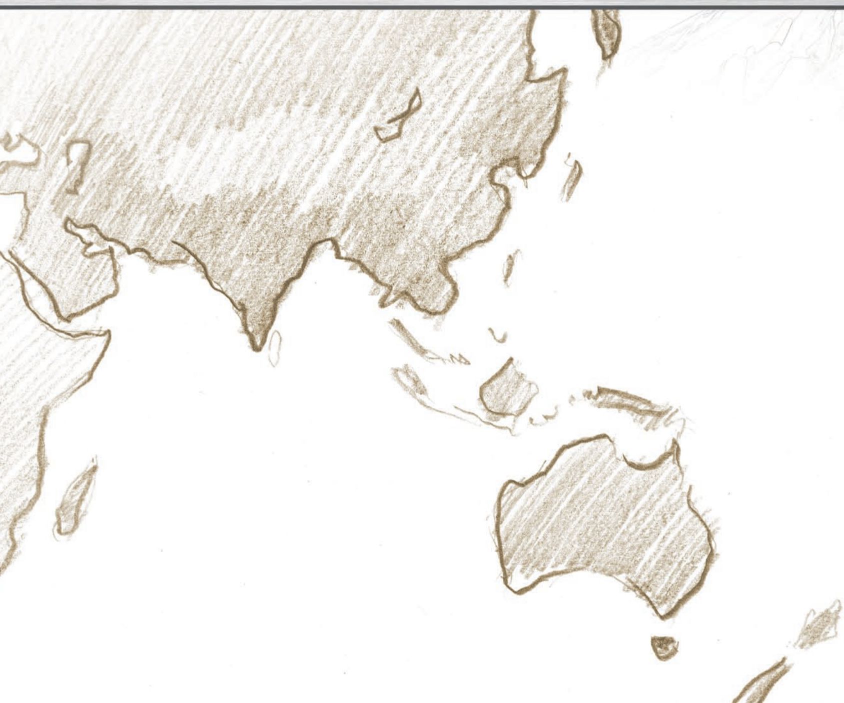
SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631



Interim Report 2014



Contents

Financial Summary

(RMB: '000)	For the six months ended 30 June 2014 (unaudited)	2013 (unaudited)	Increase (%)
Revenue	**1,444,328**	1,663,239	-13.2%
Gross profit	**549,152**	636,355	-13.7%
Profit before tax	**244,188**	330,634	-26.1%
Net profit	**206,581**	295,106	-30.0%
Profit attributable to shareholders of the Company	**203,285**	295,064	-31.1%
Profit attributable to shareholders of the Company (excluding one-off items and revaluation items)[1]	**203,285**	295,064	-31.1%
Total assets	**9,056,449**	8,468,636	6.9%
Total equity	**6,036,556**	5,814,410	3.8%
Cash flows of operating activities	**(30,335)**	(141,625)	–
Cash flows of investing activities	**235,838**	(411,006)	–
Cash flows of financing activities	**(183,552)**	(94,635)	–
Earnings per share[2]			
– Basic	**RMB0.07**	RMB0.10	–
– Diluted	**RMB0.07**	RMB0.10	–

(Percentage)	Six months ended 30 June 2014	2013	Increase (points)
Gross profit margin	**38.0%**	38.3%	-0.3
Percentage of profit attributable to shareholders of the Company[3]	**14.1%**	17.7%	-3.6
Percentage of profit attributable to shareholders of the Company (excluding one-off items and revaluation items)	**14.1%**	17.7%	-3.6
Assets turnover	**16.3%**	20.2%	-3.9
Asset – Liability ratio	**33.3%**	31.3%	2.0
Average total asset (RMB '000)	**8,884,550**	8,223,929	

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

2 The weighted average number of ordinary shares for the six months ended 30 June 2014 was 3,041,025,000 (six months ended 30 June 2013: 3,086,611,744), (details of which are set out in note 8 to the Interim Condensed Consolidated Financial Statements).

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

Corporate Information

Directors

Executive Directors
Mr. Zhao Xiangzhang *(Chairman)*
Mr. Mao Zhongwu

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) (Executive)
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
Dr. Ngai Wai Fung
Mr. Xu Yaxiong
Mr. Ng Yuk Keung

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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
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Hong Kong

Company Website
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Mr. Hu Tao (William Hu)

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Chairman's Statement

Dear Shareholder,

On behalf of the board (the "Board") of directors (the "Directors") of Sany Heavy Equipment International Holdings Company Limited (hereinafter "Sany International" or the "Company"), I am pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014.

Half year review

For the six months ended 30 June 2014, the Group's sales revenue amounted to approximately RMB1,444.3 million, representing a year-on-year decrease of approximately 13.2%; profit before tax amounted to approximately RMB244.2 million, representing a year-on-year decrease of approximately 26.1%; net profit amounted to approximately RMB206.6 million, representing a year-on-year decrease of approximately 30.0%; and the Group's earnings per share amounted to approximately RMB0.07.

During the first half of 2014, the global economy remained sluggish, there was no clear sign of recovery, and the adjustments in the coal industry still continued. Coal prices for the year in China continue a downward adjustment, the growth of fixed asset investment of the coal industry on a year-on-year basis was negative. Amid such environment, the Group actively coped with it and stepped ahead on the path of transformation. By virtue of stronger market exploration capability, rich research and development ("R&D") strength and effective management measures, the market position of all products of the Group was further strengthened, a series of transformation strategies have taken effect, a prototype of the equipment for natural gas station were successfully launched.

To cope with the current situation of the industry, the Group became the first in the market to put forward a transformation strategy focusing on "structural adjustment", which has been implemented vigorously. During the first half of 2014, the Group maintained the largest share in the China's roadheader market, the feedback from the clients about the third generation of roadheaders that we launched was positive, the Group is actively developing the fourth generation of roadheaders to ensure that we possess the absolute advantage in roadheader products in the industry. At the same time, driven by the innovative hydraulic support system ZY12000/25/50D, the stability of combined coal mining unit ("CCMU") was substantially enhanced. 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 revenue from surface coal mine transportation vehicles for the first half of 2014 had a substantial year-on-year increase of approximately 104.0%, their position in the industry was further enhanced. The Group actively expanded its non-coal energy machinery business, and entered into the natural gas machinery domain using gas station as an interface. The Group has successfully launched the first prototype of the 60m3LNG gas filling machine in the market, and bulk sales will commence within this year. This will bring a new source of profit growth for the Group. The Group attempts to further strengthen the profitability of the Group through the development, production and sales of key parts.

The Group has strengthened cost control in the first half of 2014, and such measures have taken effect; our comprehensive cost reduction measures have significantly reduced costs of consumables such as cutters and fuels. Control over inventory was also strengthened and "idle materials" were cleared to increase the cash flow of the Group. The Group continued to push forward cost reduction projects in all systems. For the first half year, 149 cost reduction projects were established, remarkable results were achieved. The Three Expenses, including selling and distribution costs, administrative expenses, and other operating expenses, were approximately RMB388.7 million in aggregate, or a year-on-year decrease of approximately 2.4%, of which selling and distribution costs reduced RMB53.046 million, or a year-on-year decrease of approximately 24.4%, administrative expenses fell RMB13.193million, or a year-on-year decrease of approximately 7.5%.

In order to gain market share with good service, the Group continued to strengthen cooperation with agents. 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 effective and timely delivery of multilayered services. For the international market, the Group mainly promotes the roadheader, mining roadheader EBS630 and support system products. Regarding coal mine transportation vehicles, 5 professional mine vehicle sales agents were set up in Iran, Russia, Australia etc. The Group also relies on the platform of overseas large regions to achieve its internationalization objective.

In the first half of 2014, the R&D team of the Group which maintained its high standard as in the past. In the first half of the year several new types of products were launched in the market, including EBS630 mining roadheader, which is the first non-coal roadheader in China mainly used for meeting the demand for high efficiency mining equipment for non-coal mine (such as potash mine, gypsum mine etc) with hardness of f≤6; the two-arm drilling machinery which is the first hydraulic level-motion drilling arm used in the industry for increasing the work efficiency when punching vertical holes in the following ways: its pitching oil tank adds the function of punching diagonal holes, its progressive slider adopts a turbine screw gear decelerator with auto-locking function that raises the accuracy when punching to fix the position, the conveyor and feeder achieve full remote control operation of motion and feeding, all these features support the two-arm drilling machinery to maintain its leading position in the industry. Several applications were achieved in the key technologies, among which the thin coal seam highly reliable fully automatic controlling technology effectively enhanced the competitiveness of the intelligent thin coal seam integrated mining full set of equipment of the Group, reduced the number of workers and the labour efforts on the working planes of thin coal seams, it was named as the Shenyang Substantial Technological Difficulty Solved Excellent Project; the remote control viewable system was developed by the Group on its own, its development was completed in January 2014 and the product was granted an independent intellectual property right, and it can achieve a remote reviewable control 80 metres under the well.

The Group promotes good values of fraternity and mutual assistance and selfless contribution, it advocates more people to get involved in charity activities with love and care. On 3 August 2014, a severe earthquake of 6.5 magnitude occurred in Ludian county, Zhaotong city, Yunnan province, China, the Group and Sany Group Limited ("Sany Group"), a sister company, rushed without delay to the rescue site to assist with the rescue. On 23 June 2014, the group committee of the Group arranged a charitable book donation activity "You donate, I read", with the help of volunteers of Shenyang, the donated books were sent to the "Loving Book Hut" in 20 primary schools in the rural area, which enabled students to be surrounded by more books they liked, and opened the door of knowledge to them. To enrich the leisure and culture life of staff, foster exchange and cooperation among employees, the Group arranged some activities such as the "Sany in My Eyes" photography and art contests, funny sports galas and ping pong matches etc. At the same time, 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, it also raised funds for staff requiring assistance and spread love and care to staff who are in need of support.

Outlook

Based on the macro-economic data of the first half of the year of 2014, the electricity consumption of the society increased steadily, there was steady growth of rail cargo volume, which fully demonstrate that on economic aspects, the concept of targeted adjustment of the Chinese government was thoroughly implemented which has enabled the Chinese government to maintain stable growth of the macro economy over the first half year. With the strengthening of economic structural reform, the Chinese economy will continue to maintain stable and healthy development.

The growth of fixed asset investment for the first half of the year of 2014 fell month after month, the investment sentiment was not strong. The growth of fixed asset investment of the coal industry fell by 5.6 percentage points, the fixed asset investment of the coal industry was still not active. From a medium to long term perspective, the overall economic growth rate of China in the coming few years will remain stable at around 7.5%. Considering that the proportion of coal as the main source of one-off energy consumption is unlikely to change in the short term, the demand for coal from industries such as power, steel and cement will steadily increase in the coming years; it is believed that after a mode for clean utilization of coal is found, the demand for coal will surge, while the advancement and sophistication of technologies in industries such as coal chemicals and coal-based natural gas will bring new dynamics to the demand for coal.

The competition in the coal machinery industry is getting keener and keener, an industry consolidation will be highly probable. The Group will continue to seek better expansion opportunities to achieve leap forward development in terms of company scale and profit and to maximize shareholders' interest. Looking ahead, the Group is confident that, on one hand we secure our leading position in the coal machinery industry, continue to expand the market share of coal machinery products, and on the other hand we further accelerate the pace of diversification of the core business, vigorously develop energy equipment, in particular natural gas equipment in order bring further returns to shareholders.

Lastly, on behalf of the Board 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, 29 August 2014

In the first half of 2014, the market of coal mining machines remained gloomy without any signs of recovery. While encountering challenges for the industry, the Group actively geared up its business transformation by introducing a series of non-coal products. During the period under review, the Group actively expanded its business into non-coal energy equipment sector with gas station as its penetration into the natural gas machinery sector. The Group had successfully launched prototype and bulk sales will commence within this year. Meanwhile, the non-coal mining transport equipment realized sales revenue of approximately RMB237.7 million, accounting for approximately 16.5% to the total sales revenue for the six months ended 30 June 2014. The spare parts and service realized sales revenue of approximately RMB288.8 million, accounting for approximately 20% to the total sales revenue. The business transformation strategy of the Group has achieved initial success. In addition, in order to meet the development needs of the Company, our park originally located in Yansaihu will be relocated to Xihe. The Company has entered into an agreement with the local government, pursuant to which, the land parcel of approximately 215,000 sq.m. that originally located in Yansaihu will be repurchased by the local government at the market price which will generate a non-recurring income of approximately RMB605 million.

Business review and prospects

Major products

With the ongoing transformation, the Group divided its products into three categories, namely the coal mining business, which includes roadheaders (all types of soft rock, hard rock roadheader, EBS630 mining roadheader 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 includes 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 machinery 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 products in view of market demand and actively developed new sources of profit growth. During the period under review, through bold innovation, the Group successfully launched the EBS630 mining roadheader, the first China-made non-coal mining roadheader, which was successfully applied in the mining of salt mine; the Group launched the ZRB400 emulsifier security system full set equipment, using five core technologies which guaranteed the excellent quality of that machine model and filled the gap of lacking supply of emulsifier security system full set equipment in China in the past; the Group also execelled the traditional idea of the industry and launched the two-arm drilling machinery and exploitation roadheaders (掘進前探架棚機), staying always at the technological innovation forefront of the industry; and the remote control viewable system and dust removal system for roadheaders have helped solve the distressful difficulties persisted in the industry for so long. At the same time, the new source of profit of the Group – the coal mine transportation vehicles were also upgraded, with the launch of the SRT95 tonne model operating at high latitudes and low temperatures, the SRT95C and SRT55D upgrade models and are well recognized by clients.

Research and development capability

The Group considered R&D as one of its most important competitive strengths, adequately developed and utilized international niche technological resources, strived for providing products with higher quality-price ratios for clients and looked for new sources of profits. During the period under review, the Group made remarkable achievements in its R&D, the thin coal seam highly reliable fully automatic controlling technology effectively enhanced the competitiveness of the intelligent thin coal seam integrated mining full set of equipment, reduced the number of workers and labour efforts on the working planes of thin coal seams; the efficiency of removing respirable dust new model roadheaders has been significantly enhanced, effectively removing dust even in tunnels with high gas content. During a ceremony of the Group, it carried out a demonstration of geared cutting and dust removal on the site with the dust removal efficiency of over 90%, which was generally recognized by the visiting clients. Meanwhile, the launching of new models of coal mine transportation vehicles also laid a solid foundation for the performance growth of the Group in the future.

Production and manufacturing

Currently, the Group has 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 techniques and assembly techniques, adopted various measures to cut production costs, and continued to push forward cost reduction projects in R&D and all business systems. In the first half of the year, an aggregate of 149 projects were created.

Also, the construction of the testing beds and testing zones of the testing base of the Group in the new industrial park were successively completed, which included the mechanically-driven loading testing zone, the fatigue and structural testing zone, electricity and gas testing zone, integrated loading testing bed, emulsifier hydraulic pump testing bed, integrated loading testing bed for multi-frequency devices etc. These testing beds or testing zones are of the highest standard in the industry which will guarantee the credibility of products of the Group.

Marketing and service

The Group will adhere to its service philosophy of "All For Customers, All From Innovations", and make every effort by providing first-class service and highly efficient response to meet customers' needs and raise customers' satisfaction and address any concerns of our customers. During a slow-growth period of the industry, the service mode should be transformed too, the Group planned to actively explore the after-sales markets of parts and integrated mining full set of equipment in order to bring new sources of profit growth while meeting customers' demand.

Financial Review

Revenue

For the six months ended 30 June 2014, the Group recorded revenue of approximately RMB1,444.3 million, representing a decrease of approximately 13.2% as compared with the six months ended 30 June 2013. The main reasons for the decline were that: the demand for coal mining machinery dropped as compared with the previous year, also the prices of some roadheaders were lowered to promote product sales, resulting in a decrease in revenue attributable to conventional roadheaders of approximately 33.3%. Although the Group's revenue decreased for the six months ended 30 June 2014, 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 as compared with the six months ended 30 June 2012. Such improvement was mainly attributable to: (1) the results of the transformation strategy of the Group were significant. Sales of off-highway mining truck were outstanding revenue of which reached approximately RMB237.7 million, representing an increase of approximately 104.0% as compared with the same period last year, which was one of the driving forces of profit of the Group; and (2) the Group vigorously developed the after-sales market, resulting in the increase in sales revenue from spare parts and service by approximately 32.9% to approximately RMB288.8 million for the six months ended 30 June 2014, as compared to that for the six months ended 30 June 2013. With more new non-coal models coming into the stream, the product restructure of the Group has begun, and will continue to change.

Other income and gains

For the six months ended 30 June 2014, the Group's other income and gains was approximately RMB98.08 million (six months ended 30 June 2013: approximately RMB98.1 million), representing a decrease of approximately 0.1%, mainly comprising of the government subsidy obtained for R&D and the profit from sales of scrap materials.

Cost of sales

For the six months ended 30 June 2014, the Group's cost of sales decreased to approximately RMB895.2 million (six months ended 30 June 2013: approximately RMB1,026.9 million), representing a decrease of approximately 12.8% over the same period in 2013. The change was mainly due to the strict cost control measures.

Gross profit and gross margin

For the six months ended 30 June 2014, the Group's gross margin was approximately 38.0%, slightly decreased by approximately 0.3 percentage point as compared to the same period in 2013. Such a decrease was mainly due to a further increase in the proportion of revenue from CCMU and non-coal-related products which had a gross margin lower than that of traditional roadheader products. The Group has been gradually raising the gross profit margin of CCMU and non-coal-related products by continuously pushing forward the cost reduction projects in all production processes such as product R&D and design, processing technology, commercial procurement and manufacturing.

Profit margin before tax

For the six months ended 30 June 2014, the Group's profit margin before tax was approximately 16.9% which decreased by approximately 3 percentage points as compared to the corresponding period in 2013. Please refer to the paragraph "Gross profit and gross margin" above for the major reasons for the decline, however the profit margin before tax for the first half of 2014 increased by approximately 4.3 percentage points from the profit margin before tax of 12.6% for the year ended 31 December 2013. Such a change was mainly due to the Group's continuous cost control efforts.

Selling and distribution expenses

For the six months ended 30 June 2014, the selling and distribution expenses decreased by approximately 24.4% to approximately RMB163.9 million as compared with the same period of 2013 (six months ended 30 June 2013: approximately RMB217.0 million). For the six months ended 30 June 2014, the ratio of the Group's selling and distribution costs to revenue decreased by approximately 1.7 percentage points to approximately 11.3% as compared to the same period in 2013 (six months ended 30 June 2013: approximately 13.0%). The decrease was mainly due to the substantial decrease in marketing expenses resulting from the control of selling expenses.

Research and development expenses

For the six months ended 30 June 2014, the R&D expenses of the Group were approximately RMB73.6 million (six months ended 30 June 2013: approximately RMB82.9 million). In the first half of 2014, the ratio of R&D expenses to revenue was approximately 5.1%, which was close to the ratio of approximately 5.0% in the corresponding period of 2013. The R&D expenses were mainly used for the non-coal energy equipment, particularly the development of natural gas machinery and constant upgrade of CCMU in order to cope with the sluggish market.

Other administrative expenses

For the six months ended 30 June 2014, the Group's administrative expenses (excluding R&D expenses) were approximately RMB89.2 million (six months ended 30 June 2013: approximately RMB93.1 million), representing a decrease of approximately 4.2% from that of the corresponding period in 2013. The decrease was mainly due to the Group's tightening control over its administrative expenses.

Finance costs

For the six months ended 30 June 2014, the Group's finance costs were approximately RMB14.4 million (six months ended 30 June 2013: approximately RMB5.6 million), mainly because of the payment of interest on bank loans by the Group.

Taxation

For the six months ended 30 June 2014, the Group's effective tax rate was approximately 15.4% (six months ended 30 June 2013: effective tax rate was approximately 10.7%). The income tax increased from approximately RMB35.5 million for the six months ended 30 June 2013 to approximately RMB37.6 million for the six months ended 30 June 2014, of which the income tax for the current period was approximately RMB35.8 million (six months ended 30 June 2013: approximately RMB34.6 million) and the deferred income tax was approximately RMB1.8 million (six months ended 30 June 2013: RMB0.9 million). For a breakdown of the income tax, please refer to Note 7 to the financial statements.

Profit attributable to owners of the parent

For the six months ended 30 June 2014, the Group's profit attributable to owners of the parent decreased to approximately RMB203.3 million (six months ended 30 June 2013: approximately RMB295.1 million), representing a decrease of approximately 31.1%. 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 of 30 June 2014, total current assets of the Group were approximately RMB5,953.7 million (as of 31 December 2013: RMB5,613.9 million). As of 30 June 2014, total current liabilities of the Group were approximately RMB2,605.0 million (as of 31 December 2013: RMB2,442.1 million). As of 30 June 2014, total assets of the Group were approximately RMB9,056.4 million (as of 31 December 2013: approximately RMB8,712.7 million), total liabilities were approximately RMB3,019.9 million (as of 31 December 2013: approximately RMB2,885.1 million). The assets to liabilities ratio was approximately 33.3% as of 30 June 2014 (as of 31 December 2013: 33.1%).

Trade and bills receivables

The Group's trade receivables and bills receivable as of 30 June 2014 recorded an increase of approximately 29.8% to RMB3,757.6 million as compared to the corresponding period of 2013. The increase was mainly due to: (1) the overall sluggish environment of the coal industry in China with coal prices continuing to fall, and banks then lifted the financing threshold for coal companies and coal miners which imposed severe challenges in funding on the coal industry; and (2) for maintaining a long-term strategic cooperation with high-quality state-owned customers, the Group intended to extend the credit period of certain state-owned customers with good reputation.

By improving the client credit rating evaluation mechanism, the Group divided the relevant departments into 12 trade receivable collection groups, and set up the overdue debt responsibility system of "one client one credit policy" and "one state-owned client one credit policy" to closely track the status of collection so that the receivable risks are minimized. The Group will continue to maintain its most rigid client credit approval standard to reduce the amount of bad debts to the minimum.

Cash flow

As of 30 June 2014, the cash and cash equivalents, investment deposits and time deposits with maturity of three months or more were approximately RMB652.9 million.

The cash flow of operating activities improved slightly in the first half of 2014. For the six months ended 30 June 2014, the net cash outflow from operating activities was approximately RMB30.3 million (six months ended 30 June 2013: the net cash outflow from operating activities was approximately RMB141.6 million).

For the six months ended 30 June 2014, the net cash inflow from investing activities was approximately RMB235.8 million (six months ended 30 June 2013: the net cash outflow from investing activities was approximately RMB411.0 million), mainly because of the amounts received from the immediate holding company.

For the six months ended 30 June 2014, the net cash outflow from financing activities was approximately RMB183.6 million (six months ended 30 June 2013: the net cash outflow from financing activities was approximately RMB94.6 million), it was mainly because the Group repaid bank loans in the amount of approximately RMB293.6 million.

As of 30 June 2014, the Group had sufficient cash and large amount of credit facility at banks that had not been utilized.

Turnover days

During the period under review, the turnover days of the inventory of the Group recorded a decrease from approximately 165.3 days as of 30 June 2013 to approximately 162.8 days as of 30 June 2014. Such improvement was mainly because the management of the Group devoted efforts to optimize the inventory management model, formulated production plans to cater for the market demand of different products.

Turnover days of trade receivables and bills receivables increased from approximately 287.7 days as of 30 June 2013 to approximately 465.0 days as of 30 June 2014. Please refer to the above paragraph titled "Trade and bills receivables" for the reasons of such change.

Turnover days of trade payable and bills payable increased from approximately 157.5 days as of 30 June 2013 to approximately 212.9 days as of 30 June 2014.

Contingent liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

Capital commitment

As at 30 June 2014, the contracted capital commitments of the Group which are not provided in the financial statements were approximately RMB 190.8 million (31 December 2013: approximately RMB228.2 million), mainly used in the construction of new production plants.

Employees and remuneration policy

The Group is committed to training and developing talents. Accordingly, it provides regular internal training, external training and correspondence courses for its staff according to their seniority with an aim to enhance their relevant skills as well as strengthen their loyalty to the Group. In addition, the Group distributes year-end bonus as an encouragement to employees for their contribution and efforts. The remuneration of directors of the Group is determined with reference to their duties, responsibilities, experience and the prevailing market conditions etc.

Material acquisition and disposal

For the six months ended 30 June 2014, neither the Company nor its subsidiaries had any material acquisition or disposal.

Pledge of assets

As at 30 June 2014, the Group had pledged deposits and pledged bills with aggregate value of approximately RMB137.7 million (as at 30 June 2013: approximately RMB84.7 million), which were pledged for the purpose of obtaining bank facility granted to the Group.

Foreign exchange risk

As at 30 June 2014, the Group's cash and bank balances denominated in HK$ and US$ were equivalent to approximately RMB17.7 million. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

Social responsibility

The Group promotes good values of fraternity and mutual assistance and selfless contribution, it advocates more people to get involved in charity activities with love and care. On 3 August 2014, a severe earthquake of 6.5 magnitude occurred in Ludian county, Zhaotong city, Yunnan province, China, the Group and Sany Group, rushed without delay to the rescue site to assist with the rescue. On 23 June 2014, the group committee of the Group arranged a charitable book donation activity "You donate, I read", with the help of volunteers of Shenyang, the donated books were sent to the "Loving Book Hut" in 20 primary schools in the rural area, this enabled students to be surrounded by more books they liked, and opened the door of knowledge to them. To enrich the leisure and culture life of staff, foster exchange and cooperation among employees, the Group arranged some activities such as the "Sany in My Eyes" photography and art contests, funny sports galas and ping pong matches etc. At the same time, 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, it also raised funds for staff requiring assistance and spread love and care to staff who are in need of support.

Disclosure of Interests

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 30 June 2014, the interests or short positions of each director of the Company ("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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

Long Position in shares of the Company

Name of Director	Nature of Interest	Number of share interested	Percentage of issued share capital
Mr. Zhao Xiangzhang *(Note 1)*	Beneficial owner	5,315,000	0.17%
Mr. Mao Zhongwu *(Note 2)*	Beneficial owner	404,000	0.01%

Note:

(1) Mr. Zhao Xiangzhang is deemed to be interest in 5,315,000 shares which may be issued to him upon exercise of the share options granted to him on 26 February 2013.

(2) Mr. Mao Zhongwu is deemed to be interest in 404,000 shares which may be issued to him upon exercise of the share options granted to him on 26 February 2013.

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). Sany HK holds 2,134,580,188 shares of the Company.

Save as disclosed above, as at 30 June 2014, 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 30 June 2014, 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 5% 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	2,134,580,188	70.19%
Sany BVI *(Note 1)*	Interest of a controlled corporation	2,134,580,188	70.19%
Mr. Liang Wengen *(Note 2)*	Interest of a controlled corporation	2,134,580,188	70.19%

Notes:

1. Sany BVI owns 100% of the issued share capital of Sany HK. Sany BVI is therefore deemed to be interested in all 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.

Save as disclosed above, the Company has not been notified of any other person (other than the directors or chief executives of the Company) who had interests or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2014.

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 interim report, the Company has maintained sufficient public float required under the Listing Rules for the six months ended 30 June 2014 and up to as at the date of this interim report.

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 1.61% of the issued share capital as at 16 February 2013, being the date of adoption of the Share Option Scheme.

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 30 June 2014 are as follows:

Name or class of participant(s)	Date of Grant [(1)]	Exercise price per Share	Exercise period	As at 1 January 2014	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	As at 30 June 2014
Directors								
Zhao Xiangzhang	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	5,315,000	–	–	–	5,315,000
Kuang Canghao [(2)]	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	1,711,000	–	–	–	1,711,000
Liu Weili [(2)]	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	1,116,000	–	–	–	1,116,000
Huang Xiangyang [(2)]	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	–	–	2,344,000	16,602,000
Total				28,524,000	–	–	2,344,000	26,180,000

Note:

(1) The closing price per share on 26 February 2013, being the date of grant was HK$3.23 and the average closing price per share for the five business days immediately preceding the date of grant was HK$3.39.

(2) Each of Kuang Canghao, Liu Weili and Huang Xiangyang retired as a Director and did not offer himself for re-election at the annual general meeting held on 20 June 2014.

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 26,180,000, representing approximately 0.9% of the Company's issued share capital as at the date of this interim report.

Corporate Governance Practices

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 of the Company (the "Shareholder"). The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

The Company has complied with the code provisions under the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules from 1 January 2014 to 30 June 2014.

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 six months ended 30 June 2014.

Review of Interim Financial Statements

The interim financial results for the six months ended 30 June 2014 have not been audited or reviewed by the Company's external auditor.

The Board

The Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The executive Directors are Mr. Zhao Xiangzhang and Mr. Mao Zhongwu. 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, the non-executive Director and independent non-executive directors bring a variety of experience and expertise to the Company.

Each of Mr. Kuang Canghao, Mr. Liu Weili, Mr. Huang Xiangyang retired as Directors at the annual general meeting of the Company on 20 June 2014, but did not offer themselves for re-election due to personal reasons. Accordingly, Mr. Kuang Canghao, Mr. Liu Weili and Mr. Huang Xiangyang ceased to be Directors of the Company with effect from 20 June 2014. Mr. Kuang Canghao, Mr. Liu Weili and Mr. Huang Xiangyang also ceased to be the members of the strategic investment committee of the Board on the same date. Each of Mr. Kuang Canghao, Mr. Liu Weili and Mr. Huang Xiangyang had confirmed that he had no disagreement with the Board and was not aware of any matter that needed to be brought to the attention of the Shareholders.

Audit Committee

The audit committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in 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, all of them are 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 audit committee has held meetings to discuss the internal controls and financial reporting matters including the review of the unaudited interim condensed financial statements of the Group for the six months ended 30 June 2014.

Remuneration Committee

The 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 Chairman is Mr. Xu Yaxiong, an independent non-executive Director, and the two members are Mr. Ng Yuk Keung and Dr. Ngai Wai Fung, both of them are independent non-executive Directors.

Nomination Committee

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 chairman is Mr. Xu Yaxiong, an independent non-executive Director, and the two other members are Mr. Mao Zhongwu, an executive Director and Dr. Ngai Wai Fung, an independent non-executive Director.

Strategic Investment Committee

The strategic investment committee of the Company was established on 4 October 2012 and is responsible for providing recommendation and analysis to the Board on the development of the businesses and the investments of the Company. Mr. Zhao Xiangzhang acts as the chairman of the strategic investment committee, Mr. Mao Zhongwu, Dr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung are the members.

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 includes (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.

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 Sany 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.

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 "2002 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 officer of the services centre and the director of Retired Veteran Cadres.

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 (吳佳梁), 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 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 (胡濤) is a member of the senior management of the Company and one of the joint company secretaries of the Company. The Company's primary contact person in the Company is Mr. Hu Tao. Please refer to his biography under the paragraph headed "– Senior Management" above.

Ms. Kam Mei Ha Wendy (甘美霞) (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 is a director of Corporate Services Department at Tricor Services Limited, an external service provider engaged by the Company to provide a named company secretary.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

Purchase, Sale or Redemption of the Company's Shares

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company (for the year ended 31 December 2013, the Company repurchased 64,110,000 shares at a total amount of approximately HK$186.9 million).

Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
REVENUE	4	**1,444,328**	1,663,239
Cost of sales		**(895,176)**	(1,026,884)
Gross profit		**549,152**	636,355
Other income and gains	4	**98,082**	98,147
Selling and distribution expenses		**(163,925)**	(216,971)
Administrative expenses		**(162,783)**	(175,976)
Other operating expenses		**(61,952)**	(5,370)
Operating profit		**258,574**	336,185
Finance costs	6	**(14,386)**	(5,551)
Profit before tax	5	**244,188**	330,634
Income tax expense	7	**(37,607)**	(35,528)
PROFIT FOR THE PERIOD		**206,581**	295,106
Attributable to:			
Owners of the parent		**203,285**	295,064
Non-controlling interests		**3,296**	42
		206,581	295,106
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	8	**0.07**	0.10
Diluted (RMB)	8	**0.07**	0.10

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2014

	Note	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		**206,581**	295,106
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain on available-for-sale investments		**–**	95,145
Income tax effect		**–**	(15,699)
		–	79,446
Exchange differences on translation of foreign operations		**524**	472
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**524**	79,918
OTHER COMPREHENSIVE INCOME, NET OF TAX		**524**	79,918
TOTAL COMPREHENSIVE INCOME, NET OF TAX		**207,105**	375,024
Attributable to:			
Owners of the parent		**203,809**	374,982
Non-controlling interests		**3,296**	42
		207,105	375,024

Interim Condensed Consolidated Statement of Financial Position

30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**2,175,092**	2,151,073
Prepaid land lease payments	10	**460,387**	466,145
Intangible assets	11	**88,881**	101,789
Available-for-sale investment	12	**10,636**	10,636
Non-current prepayments	16	**207,100**	209,647
Deferred tax assets	17	**160,657**	159,456
Total non-current assets		**3,102,753**	3,098,746
CURRENT ASSETS			
Inventories	14	**883,510**	691,337
Trade receivables	15	**3,387,943**	2,715,876
Bills receivable	15	**369,660**	659,198
Prepayments, deposits and other receivables	16	**401,082**	287,746
Due from immediate holding company	29(2)	**–**	184,947
Investment deposits	18	**300,000**	300,000
Time deposits	19	**–**	126,934
Pledged deposits	19	**47,916**	106,757
Cash and cash equivalents	19	**352,879**	330,404
		5,742,990	5,403,199
Non-current assets classified as held for sale	13	**210,706**	210,706
Total current assets		**5,953,696**	5,613,905
CURRENT LIABILITIES			
Trade and bills payable	20	**1,220,698**	867,681
Other payables and accruals	21	**761,145**	749,811
Interest-bearing bank borrowings	22	**448,967**	676,974
Tax payable		**110,581**	83,991
Provision for warranties	23	**48,017**	43,682
Government grants	24	**15,561**	19,980
Total current liabilities		**2,604,969**	2,442,119
NET CURRENT ASSETS		**3,348,727**	3,171,786
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,451,480**	6,270,532
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	**8,392**	5,343
Government grants	24	**406,532**	437,686
Total non-current liabilities		**414,924**	443,029
Net assets		**6,036,556**	5,827,503

Interim Condensed Consolidated Statement of Financial Position

30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	**264,366**	264,366
Reserves		**5,700,141**	5,494,384
		5,964,507	5,758,750
Non-controlling interests		**72,049**	68,753
Total equity		**6,036,556**	5,827,503

	Attributable to owners of the parent										
	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
At 1 January 2014 (Audited)	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
Profit for the period	–	–	–	–	–	–	–	203,285	203,285	3,296	206,581
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	524	–	–	524	–	524
Total comprehensive income for the period	–	–	–	–	–	524	–	203,285	203,809	3,296	207,105
Share-based payments (note 26)	–	–	–	1,948	–	–	–	–	1,948	–	1,948
Transfer from retained profits	–	–	–	–	22,422	–	–	(22,422)	–	–	–
At 30 June 2014 (Unaudited)	264,366	1,516,974#	1,332,316#	5,279#	350,415#	(40,282)#	5,744#	2,529,695#	5,964,507	72,049	6,036,556

These reserve accounts comprise the consolidated reserves of RMB5,700,141,000 (31 December 2013: RMB5,494,384,000) in the interim condensed consolidated statement of financial position.

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

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2014

	Attributable to owners of the parent												
	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
At 1 January 2013 (Audited)	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 period	–	–	–	–	–	–	–	–	295,064	–	295,064	42	295,106
Other comprehensive income for the period:													
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	–	–	–	–	–	472	–	–	–	–	472	–	472
Total comprehensive income for the period	–	–	–	–	–	472	79,446	–	295,064	–	374,982	42	375,024
Adjustment to proposed dividend for repurchase of shares	–	–	–	–	–	–	–	–	1,757	(1,757)	–	–	–
Final 2012 dividend declared	–	–	–	–	–	–	–	–	–	(159,382)	(159,382)	–	(159,382)
Repurchase of issued shares	(2,736)	(98,061)	–	–	–	–	–	2,736	–	–	(98,061)	–	(98,061)
Share-based payments (note 26)	–	–	–	1,171	–	–	–	–	–	–	1,171	–	1,171
Transfer from retained profits	–	–	–	–	27,174	–	–	–	(27,174)	–	–	–	–
At 30 June 2013 (Unaudited)	266,773	1,569,255	1,332,316	1,171	315,729	(40,947)	–	3,337	2,299,952	–	5,747,586	66,824	5,814,410

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	**(30,335)**	(141,625)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**1,950**	3,612
Purchases of items of property, plant and equipment	**(98,872)**	(63,247)
Decrease/(Increase) in financial assets at fair value through profit or loss	**184,947**	(46,934)
Proceeds from disposal of items of property, plant and equipment	**2,832**	201
Purchase of a parcel of land	**–**	471
Payment for investments deposits	**(300,000)**	(310,000)
Collection of investments deposits	**300,000**	–
Gain from investment deposits	**10,857**	4,891
Collection of non-pledged deposits with original maturity of three months or more when acquired	**126,934**	–
Receipt of government grants	**7,190**	–
Net cash flows from/(used in) investing activities	**235,838**	(411,006)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of issued shares	**–**	(98,061)
New bank loans	**65,602**	–
Repayment of bank loans	**(293,609)**	–
Addition of pledged deposits	**58,841**	8,977
Interest paid	**(14,386)**	(5,551)
Net cash flows used in financing activities	**(183,552)**	(94,635)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**21,951**	(647,266)
Effect of foreign exchange rate changes, net	**524**	(2,032)
Cash and cash equivalents at beginning of period	**330,404**	848,578
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**352,879**	199,280
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**352,879**	195,153
Non-pledged time deposits with original maturity of less than three months when acquired	**–**	4,127
	352,879	199,280

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 these interim condensed consolidated financial statements, the immediate holding company and 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 ("BVI"), respectively.

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

2.2 Impact of New and Revised International Financial Reporting Standards

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations that the Group has adopted for the first time for the current period as disclosed below.

IFRS 10, IFRS 12 and IAS27 Amendments	Amendments to IFRS 10, IFRS 12 and IAS27 – *Investment entities*
IAS32 Amendments	Amendments to IAS32 – *Offsetting Financial Assets and Financial Liabilities*
IAS36 Amendments	Amendments to IAS36 – *Recoverable amount disclosures for non-financial assets*
IAS39 Amendments	Amendments to IAS39 – *Novation of derivatives and continuation of hedge accounting*
IFRIC 21	IFRIC 21 – *Levies*

The adoption of these new and revised IFRSs did not have any significant effect on the financial position or performance of the Group.

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 interim condensed consolidated 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*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
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]
Annual Improvements Project	*Annual Improvements to HKFRSs 2010-2012 Cycle*[2] *Annual Improvements to HKFRSs 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

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Operating Segment Information

During the six months ended 30 June 2014, the Group is principally engaged in the manufacture and sale of the 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 RMB351,164,000 (six months ended 30 June 2013: RMB430,776,000) 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.

4. 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:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**1,423,571**	1,638,024
Rendering of services	**20,757**	25,215
	1,444,328	1,663,239
Other income and gains		
Interest income	**9,547**	9,219
Profit from sale of scrap materials	**16,056**	21,397
Government grants (note 24)	**66,519**	65,795
Others	**5,960**	1,736
	98,082	98,147

5. Profit Before Tax

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

	Notes	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cost of inventories sold		**879,782**	1,009,292
Cost of services provided		**15,394**	17,592
Depreciation	9	**51,284**	62,254
Amortisation of land lease prepayments	10	**5,758**	5,436
Amortisation of intangible assets	11	**12,908**	13,254
Auditors' remuneration		**980**	1,000
Provision for warranties, net*	23	**17,227**	974
Research and development costs**		**73,605**	82,891
Minimum lease payments under operating leases:			
Dormitories for staff		**38**	455
Warehouses		**2,024**	1,945
Office equipment		**–**	177
		2,062	2,577
Employee benefit expenses:			
Wages and salaries		**124,647**	127,534
Share-based payment		**1,948**	1,171
Pension scheme contributions		**15,403**	17,277
Other staff welfare		**7,597**	10,579
		149,595	156,561
Foreign exchange differences, net***		**1,266**	702
Impairment of trade receivables***		**60,459**	4,098
Impairment of other receivables***		**–**	233
Write-down/(write-back) of inventories to net realisable value#		**3,197**	(2,718)
Loss on disposal of items of property, plant and equipment***		**227**	337

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

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

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

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

6. Finance Costs

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on discounted bills	**503**	3,376
Interest on interest-bearing bank borrowings	**13,350**	2,109
Interest on documentary bills	**533**	66
	14,386	5,551

7. Income Tax

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatment available to certain subsidiaries 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 period ended 30 June 2014.

The Group's principal operating company, Sany Heavy Equipment Co., Ltd. (三一重型裝備有限公司) prepaid CIT at a rate of 15% for the period ended 30 June 2014 as Sany Heavy Equipment Co., Ltd. has applied for the reexamination of the high technology enterprise accreditation.

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**35,759**	34,598
Deferred (note 17)	**1,848**	930
Total tax charge for the period	**37,607**	35,528

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

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2014 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (six months ended 30 June 2013: 3,086,611,744) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2014 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 period, 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 six months ended 30 June 2014 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.

9. Property, Plant and Equipment

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Carrying amount at 1 January	**2,151,073**	2,233,706
Additions	**78,362**	224,225
Disposals	**(3,059)**	(11,275)
Assets held for sale	**–**	(184,855)
Depreciation charge for the period/year	**(51,284)**	(110,728)
Carrying amount at 30 June/31 December	**2,175,092**	2,151,073

During the six months ended 30 June 2014, the Group acquired assets with a cost of RMB78,362,000 (the six months ended 30 June 2013: RMB120,330,000).

9. Property, Plant and Equipment (continued)

Assets with a net book value of RMB3,059,000 were disposed of by the Group during the six months ended 30 June 2014 (the six months ended 30 June 2013: RMB538,000), resulting in a net loss on disposal of RMB227,000 (the six months ended 30 June 2013: RMB337,000).

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 RMB220,694,000 as at 30 June 2014 (31 December 2013: RMB378,752,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

At 30 June 2014, 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 (31 December 2013: RMB484,367,000).

10. Prepaid Land Lease Payments

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Carrying amount at 1 January	**476,367**	512,117
Assets held for sale	**–**	(25,851)
Recognised during the period/year	**(5,758)**	(9,899)
Carrying amount at 30 June/31 December	**470,609**	476,367
Current portion included in prepayments, deposits and other receivables	**(10,222)**	(10,222)
Non-current portion	**460,387**	466,145

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

11. Intangible Assets

At 30 June 2014	Patents and licences RMB'000
Cost at 1 January 2014, net of accumulated amortisation	**101,789**
Amortised during the period	**(12,908)**
At 30 June 2014	**88,881**
At 30 June 2014	
Cost	**129,427**
Accumulated amortisation	**(40,546)**
Net carrying amount	**88,881**

At 31 December 2013	Patents and licences RMB'000	Deferred development cost RMB'000	Total RMB'000
Cost at 1 January 2013, net of accumulated amortization	7,384	120,567	127,951
Transfer	120,567	(120,567)	–
Amortised during the year	(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

12. Available-for-sale Investment

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Unlisted equity investment, at cost less impairment	**10,636**	10,636

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 values estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. The Group does not intend to dispose of the investment in the near future.

13. 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 30 June 2014, the carrying amounts of the Disposal Assets classified as held for sale are as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Disposal Assets		
Property, plant and equipment	**184,855**	184,855
Prepaid land lease payments	**25,851**	25,851
Total	**210,706**	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 30 June 2014 (31 December 2013: RMB25,851,000).

14. Inventories

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Raw materials	**451,854**	336,013
Work in progress	**167,157**	117,079
Finished goods	**276,881**	248,243
	895,892	701,335
Provision	**(12,382)**	(9,998)
	883,510	691,337

15. Trade and Bills Receivable

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	**3,531,380**	2,799,257
Impairment	**(143,437)**	(83,381)
Trade receivables, net	**3,387,943**	2,715,876
Bills receivable	**369,660**	659,198

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 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 30 June 2014, the Group had certain concentrations of credit risk as 32% (2013: 32%) 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.

15. Trade and Bills Receivable (continued)

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:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 60 days	760,360	659,430
61 to 90 days	230,290	308,090
91 to 180 days	415,819	693,590
181 to 365 days	1,250,259	874,202
Over 365 days	731,215	180,564
	3,387,943	2,715,876

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
At 1 January	83,381	42,077
Impairment losses recognised	88,914	73,226
Impairment losses reversed	(28,455)	(30,605)
Amount written off as uncollectible	(403)	(1,317)
At 30 June 2014/31 December 2013	143,437	83,381

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Neither past due nor impaired	3,023,823	2,523,841
Past due but not impaired:		
Within 180 days past due	257,128	89,455
181 to 365 days past due	58,998	63,046
Over 365 days past due	47,994	39,534
Total	3,387,943	2,715,876

15. Trade and Bills Receivable (continued)

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

The trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors 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.

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 6 months	**301,506**	548,494
Over 6 months	**68,154**	110,704
	369,660	659,198

Included in the balances of bills receivable are amounts of approximately RMB89,804,000 as at 30 June 2014 (31 December 2013: RMB10,840,000) which was pledged to secure the issuance of bills payable.

Included in the bills receivable was an amount of RMB78,435,000 as at 30 June 2014 (31 December 2013: RMB26,400,000) endorsed to a fellow subsidiary for purchasing raw materials by the group.

Transfer of financial assets that are not derecognised in their entirety

At 30 June 2014, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "Endorsed Bills") with a carrying amount of RMB78,435,000 (31 December 2013: RMB17,202,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group retained substantial risks and rewards, which include default risks, relating to those 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 RMB78,435,000 (31 December 2013: RMB17,202,000) as at 30 June 2014.

15. Trade and Bills Receivable (continued)

Transfer of financial assets that are derecognised in their entirety

At 30 June 2014, 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 RMB249,810,000 (31 December 2013: RMB133,433,000). The Derecognised Bills had a maturity of one to six months as 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 payments (the "Continuing Involvement"). In the opinion of the directors, as at 30 June 2014 the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it 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 non-discounted 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.

16. Prepayments, Deposits and Other Receivables

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current prepayments	**207,100**	209,647
Current assets:		
Prepayments	**111,661**	103,912
Deposits and other receivables	**289,421**	183,834
	401,082	287,746

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

Included in the current prepayments was an amount of RMB1,764,000 as at 30 June 2014 (31 December 2013: RMB9,120,000) paid to a fellow subsidiary for purchasing raw materials by the Group.

17. Deferred Tax

Deferred tax assets

	Government grants RMB'000	Provision for inventories RMB'000	Impairment of trade receivables RMB'000	Warranty provision RMB'000	Losses available for offsetting against future taxable profits RMB'000	Fair value adjustment arising from available for sale investments RMB'000	Total RMB'000
At 1 January 2013 (Audited)	114,417	2,034	–	7,617	35,536	15,645	175,249
(Charged)/credited to the consolidated statement of profit or loss	(2,990)	466	–	3,303	(927)	–	(148)
Charged to other comprehensive income	–	–	–	–	–	(15,699)	(15,699)
Exchange differences	–	–	–	–	–	54	54
At 31 December 2013 and 1 January 2014 (Audited)	111,427	2,500	–	10,920	34,609	–	159,456
(Charged)/Credited to the condensed consolidated statement of profit or loss (note 7)	(10,487)	357	8,250	504	2,577	–	1,201
At 30 June 2014 (Unaudited)	100,940	2,857	8,250	11,424	37,186	–	160,657

17. Deferred Tax (continued)

Deferred tax liabilities

	Withholding taxes on dividend RMB'000
At 1 January 2013 (Audited)	16,114
Charged to tax payable	(11,031)
Charged to the consolidated statement of profit or loss	260
At 31 December 2013 and 1 January 2014 (Audited)	5,343
Credited to the condensed consolidated statement of profit or loss (note 7)	3,049
At 30 June 2014 (Unaudited)	8,392

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. For the Group, the applicable rate is 5%. 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 30 June 2014, the Group has not recognised deferred tax liabilities of RMB 35,374,000 (31 December 2013: RMB28,049,000) in respect of temporary differences relating to the current unremitted profits of subsidiaries amounting to RMB707,481,000 (31 December 2013: RMB560,970,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is not probable that these profits will be distributed in the foreseeable future.

18. Investment Deposits

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Investment deposits, in licensed banks in Mainland China, at amortised cost	**300,000**	300,000

Investment deposits as at 30 June 2014 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 principal of the investment deposits are guaranteed by the licensed banks in Mainland China. The investment deposits are bearing variable interest return rates and the expected interest return rate is 5.3% per annum and will be matured on 21 March 2015.

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Cash and cash equivalents	**352,879**	330,404
Time deposits	**47,916**	233,691
	400,795	564,095
Non-pledged time deposits with original maturity of three months or more when acquired	**–**	(126,934)
Pledged time deposits for banking facilities	**(47,916)**	(106,757)
Cash and cash equivalents	**352,879**	330,404
Cash and bank balances and time deposits denominated in		
– RMB	**383,127**	558,850
– Hong Kong dollars ("HK$")	**12,198**	5,204
– United States dollars ("US$")	**5,470**	41
	400,795	564,095

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.

20. Trade and Bills Payable

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 30 days	295,610	487,452
31 to 90 days	505,837	208,828
91 to 180 days	321,514	136,865
181 to 365 days	67,652	26,425
Over 365 days	30,085	8,111
	1,220,698	867,681

Included in the trade and bills payable was an amount of RMB159,052,000 as at 30 June 2014 (31 December 2013: RMB69,454,000) payable to fellow subsidiaries for purchasing raw materials by the Group. Further details of the transaction are included in note 29(1) to the financial statements.

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 180 days. The carrying amounts of the trade and bills payable approximate to their fair values.

The bills payable are all due within 209 days.

21. Other Payables and Accruals

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Deposits received from customers	135,858	116,244
Other payables	606,120	613,245
Accruals	19,167	20,322
	761,145	749,811

The other payables are non-interest-bearing and have no fixed terms of repayment.

22. Interest-Bearing Bank Borrowings

	30 June 2014 (Unaudited)			31 December 2013 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank overdrafts – unsecured	4.48	On demand	198,967	4.48	On demand	197,827
Bank loans – unsecured	–	–	–	5.7, LIBOR+1.1	2014	229,147
Bank loans – secured	5.7	2014	250,000	5.7	2014	250,000
			448,967			676,974

All borrowings are denominated in RMB.

23. Provision for Warranties

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
At 1 January	43,682	50,779
Additional provision	17,227	29,180
Amounts utilised during the period/year	(12,892)	(36,277)
At 30 June/31 December	48,017	43,682

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.

24. Government Grants

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
At 1 January	457,666	476,242
Grants recognised during the period/year	30,946	78,032
Amortised as income during the period/year	(66,519)	(96,608)
At 30 June/31 December	422,093	457,666
Current portion	(15,561)	(19,980)
Non-current portion	406,532	437,686

25. Share Capital

	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Authorised: 5,000,000,000 ordinary shares (31 December 2013: 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 (31 December 2013: 3,041,025,000 ordinary shares) of HK$0.10 each	**304,103**	304,103
Equivalent to RMB'000	**264,366**	264,366

26. Share Option Scheme

On 16 February 2013, the Company adopted a share option scheme (the "Scheme").

The table below disclosed the movement of the Company's share options held by the Company's directors and other eligible participants:

	Exercise price HK$	Number of options (Unaudited)
Outstanding at 1 January 2013		–
Granted during the year	4.18	28,524,000
Outstanding at 31 December 2013	4.18	28,524,000
Forfeited during the year	4.18	(2,344,000)
Outstanding at 30 June 2014	4.18	26,180,000

The closing price of the Company's shares immediately before the date of grant of share options granted during the period was HK$3.50. The fair value of the share options granted during the period was HK$31,843,000 (HK$1.12 each), of which the Group recognised a share option expense of HK$2,502,000 (equivalent to RMB1,948,000) for the six months ended 30 June 2014(30 June 2013: RMB1,171,000).

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:

26. Share Option Scheme (continued)

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.

27. Operating Lease Arrangements

(a) As lessor

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

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	**–**	227
In the second to third years, inclusive	**–**	132
	–	359

(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.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	**1,928**	2,363
In the second to third years, inclusive	**–**	53
	1,928	2,416

28. Commitments

In addition to the operating lease commitments as set out in note 27(b) above, the Group had the following capital commitments as at the end of the reporting period:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	**139,279**	193,694
Plant and machinery	**43,243**	34,463
	182,522	228,157
Authorised, but not provided for:		
Capital contibutions payable to jointly-controlled entity	**8,287**	–

29. Related Party Transactions and Balances

(1) Transactions with related parties

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

	Notes	**Six months ended 30 June 2014 RMB'000 (Unaudited)**	2013 RMB'000 (Unaudited)
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)	**23,839**	18,766
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	(i)&(iv)	**–**	407
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(iv)	**28,204**	30,695
Sany Intelligent Control Equipment Co., Ltd. (三一智能控制設備有限公司)	(i)&(iv)	**3,716**	4,006
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(i)&(iv)	**375**	560
Sany Electric Co., Ltd. (三一電氣有限責任公司)	(i)&(iv)	**16,205**	20,450
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(iv)	**48,248**	52,189
Beijing Sany Heavy Machinery Co., Ltd. (北京市三一重機有限公司)	(i)&(iv)	**339**	49

29. Related Party Transactions and Balances (continued)

(1) Transactions with related parties (continued)

	Notes	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Hong Kong Winternity International Trade Co., Ltd. (香港中興恒遠國際貿易有限公司)	(i)&(iv)	**14,873**	–
Kunshan Sany Machinery Co., Ltd. (昆山三一機械有限公司)	(i)&(iv)	**2,083**	–
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(iv)	**5,727**	–
Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司)	(i)&(iv)	**2,740**	–
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(iv)	**1,449**	–
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(iv)	**542**	–
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(i)&(iv)	**316**	–
Changshu Huawei track Co., Ltd. (常熟華威履帶有限公司)	(i)&(iv)	**142**	–
Shanghai Huaxing Digital Technology Co., Ltd. (上海華興數字科技有限公司)	(i)&(iv)	**139**	–
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	(i)&(iv)	**3**	–
		148,940	127,122
Operating rental paid to:			
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(iv)	**2,844**	930
Service fee paid to:			
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(iii)&(iv)	**1,517**	–
Hunan Xinxiang Construction Consultation Co., Ltd. (湖南興湘建設監理諮詢有限公司)	(iii)&(iv)	**863**	892
		2,380	892
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(iii)&(iv)	**437**	19,234
Agency fee paid to:			
Sany South African Co. Ltd. (三一南非有限公司)	(iii)&(iv)	**–**	864

29. Related Party Transactions and Balances (continued)

(1) Transactions with related parties (continued)

Notes:

(i) The purchases from companies owned and controlled by the controlling shareholder* (the "Controlling Shareholder") were made at prices and conditions as mutually agreed.

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

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

(iv) Loudi Zhongxing Hydraulic Parts Co., Ltd., Sany Heavy Industry Co., Ltd., Suote Transmission Equipment Co., Ltd., Sany Intelligent Control Equipment Co., Ltd., Sany Automobile Lifting Machinery Co., Ltd., Sany Electric Co., Ltd., Loudi Zhongyuan New Material Co., Ltd., Beijing Sany Heavy Machinery Co., Ltd., Hong Kong Winternity International Trade Co., Ltd., Kunshan Sany Machinery Co., Ltd., Hunan Zhongcheng Machinery Co., Ltd., Zhejiang Sany Equipment Co., Ltd., Sany Automobile Manufacturing Co., Ltd., Shanghai Sany Heavy Machinery Co., Ltd., Changshu Huawei track Co., Ltd., Shanghai Huaxing Digital Technology Co., Ltd., Hunan Automobile Manufacturing Co., Ltd., Hunan Xinxiang Construction Consultation Co., Ltd., Hunan Sany Logistics Co., Ltd., Sany Heavy Machinery Co.,Ltd. and Sany South African Co. Ltd. are companies which are owned and controlled by the Controlling Shareholder*.

* 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.

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 the future.

(2) Other transactions with related parties

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 RMB187.4 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 RMB187.4 million as at 31 December 2013 is unsecured, non-interest-bearing and had been fully settled on 26 June 2014.

29. Related Party Transactions and Balances (continued)

(3) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, allowances, bonus and benefits in kind	**2,012**	1,420
Pension scheme contributions and other staff welfare	**198**	169
Share-based payment	**–**	521
Total compensation paid to key management personnel	**2,210**	2,110

30. Fair Value Measurement

The carrying amounts and fair values of the financial instruments are as follows:

	30 June 2014	
	Carrying amounts	**Fair values**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited)**
Financial assets		
Trade receivables	**3,387,943**	**3,387,943**
Bills receivable	**369,660**	**369,660**
Financial assets included in prepayments, deposits and other receivables	**289,421**	**289,421**
Investment deposits	**300,000**	**300,000**
Pledged deposits	**47,916**	**47,916**
Cash and cash equivalents	**352,879**	**352,879**
	4,747,819	**4,747,819**
Financial liabilities		
Trade and bills payables	**1,220,698**	**1,220,698**
Financial liabilities included in other payables and accruals	**761,145**	**761,145**
Interest–bearing bank borrowings	**448,967**	**448,967**
	2,430,810	**2,430,810**

30. Fair Value Measurement (continued)

	31 December 2013	
	Carrying amounts RMB'000	Fair values RMB'000
Financial assets		
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 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	4,607,950
Financial liabilities		
Trade and bills payables	867,681	867,681
Financial liabilities included in other payables and accruals	749,811	749,811
Interest–bearing bank borrowings	676,974	676,974
	2,294,466	2,294,466

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

31. Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2014.