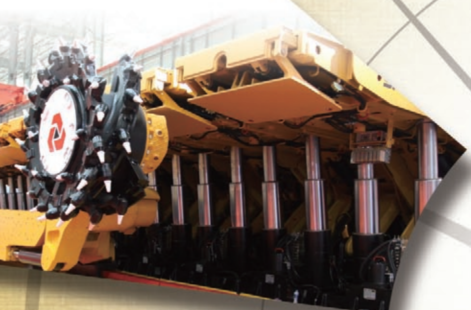
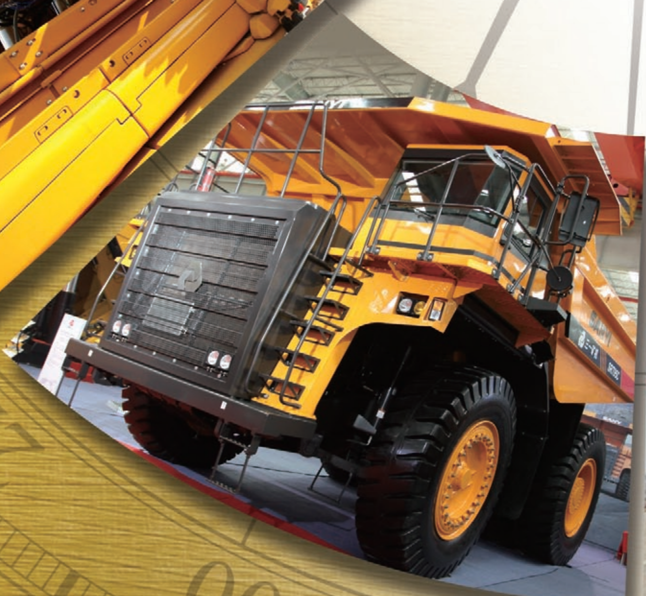




SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00631

2014 Annual Report

Contents

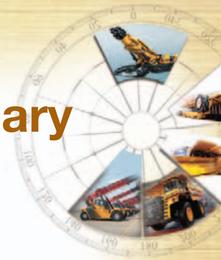
Company Profile

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

The Group is a coal mining machinery manufacturer with the widest product range and the most comprehensive product lines in China. At present, the Group's products include underground and surface coal mining equipment such as combined coal mining unit ("CCMU"), semi-coal rock roadheader, full-rock roadheader, coal mine transportation vehicle (including underground and surface) and concrete pump for coal mines. The Group has promoted the CCMU and coal ploughing units which have integrated design and manufacturing. We are the first company to provide integrated mining equipment and one stop solutions and whole-set coal mining products in China. Not only such solutions fundamentally changed the original mode of manufacturing of coal mining machinery manufacturers in China where machines are designed and manufactured individually, but also contributed new ideas to the industry such as manufacturing in whole-set coal mining products and intelligent manufacturing operations. In 2014, the Company acquired all the equity interests of Sany Marine Industry International Holdings Company Ltd. ("Sany Marine Industry") and its subsidiaries, and as a result of the acquisition, the Group's product lines expanded to port machinery, marine heavy machinery and its main products now include marine and port equipment products such as front handling mobile crane, empty container loader and shore gantry crane.

As a leading enterprise spearheading the industry's technological advances, the Group considers research and development ("R&D") as one of its most important competitive strengths. By virtue of its strong R&D capability, the Group achieved remarkable achievements in its R&D and successively launched new product models that led the development direction of the industry. During the year under review, the Group successfully produced 400B series coal mining machine (shearer) and realized sales of it, successfully developed intelligent scraper and light-weight intelligent control support system, successfully completed the technological upgrade of the roadheader product series, and successfully produced mining transportation vehicles of SAT40 articulated truck, SES12 electric shover, laying a solid foundation for the results enhancement of mining transportation vehicle products. Besides, the Company strengthened the R&D in non-coal products, on top of the existing non-coal double-arm large-height mining roadheader (EBS630), and successfully developed a new product-EBS330 roadheader. At the same time, LNG30, LNG60 under the natural gas station product series were successfully produced and sold to the market, and commercial production could be attained. And the R&D on automation product series was conducted, and multi-frequency devices for coal mining machine could be produced automatically. During the year ended 31 December 2014, the Group was newly granted an aggregate of 89 patents, of which 41 were invention patents.

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



Financial Summary

(RMB'000)	2014 (audited)	2013 (audited)	Increase (%)
Revenue	**2,175,237**	3,225,463	(32.6)
Gross profit	**709,214**	1,163,053	(39.0)
Profit before tax	**175,310**	407,585	(57.0)
Net profit	**169,886**	358,179	(52.6)
Profit attributable to owners of the parent	**168,270**	356,208	(52.8)
Profit attributable to owners of the parent (excluding one-off items and revaluation items)[1]	**(72,283)**	356,208	(120.3)
Total assets	**12,753,243**	8,712,651	46.4
Total equity	**6,761,796**	5,827,503	16.0
Cash flows of operating activities	**92,266**	(223,629)	–
Cash flows of investing activities	**155,354**	(450,841)	–
Cash flows of financing activities	**(301,245)**	152,411	–
Earnings per share[2]			
– Basic (RMB Yuan)	**0.06**	0.12	–
– Diluted (RMB Yuan)	**0.06**	0.12	–

(Percentage)	2014	2013	Increase (points)
Gross profit margin	**32.6%**	36.1%	(3.5)
Percentage of profit attributable to shareholders of the Company[3]	**7.7%**	11.0%	(3.3)
Percentage of profit attributable to shareholders of the Company (excluding one-off items and revaluation items)	**(3.3%)**	11.0%	(14.3)
Assets turnover	**20.3%**	38.6%	(18.3)
Asset – Liability ratio	**47.0%**	33.1%	13.9
Average total assets (RMB'000)	**10,732,947**	8,345,937	

1 The Group has one-off item and revaluation item amounting to RMB240,553,000 (2013: Nil).

2 The weighted average number of ordinary shares for the year ended 31 December 2014 was 3,041,025,000, the weighted average number of ordinary shares for the year ended 31 December 2013 was 3,064,886,334 (details of which are set out in note 13 to the financial statements).

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

Important Milestones in Year 2014

December 2014
Sany International captures new opportunities
With the active transformation process, Sany International acquired the port machinery and marine engineering business during the year in order to capture new market opportunities, facilitate the diversification of the core business and bring new impetus to the development of the Group.

December 2014
Sany International was elected as one of the Top 100 Enterprises in China's Coal Industry for seven consecutive years
According to the information published by the China National Coal Association, Sany International was elected as one of the Top 100 Enterprises in China's Coal Industry for the seventh time.

November 2014
The showcase of new coal mine transportation vehicle model in Bauma China
The SAT40 articulated mining truck, which was self-developed by Sany International, was displayed in Bauma China while the whole series of coal mine transportation vehicles was launched which attracted many spotlights from both overseas and local clients and allowed clients to experience the real strong R&D capability of Sany International.

June 2014
The first LNG station of Sany International was launched
The first LNG (Liquefied Natural Gas) station, which was self-developed by Sany International, was successfully launched and realized sales. LNG has its advantage of high unit heat value, low air pollution, reliable supply and low price so it tends to be a global vehicle-used clean energy for the development trend onwards with broad market prospects.

June 2014
Sany International excels in Russia
Sany International has participated the International Mining Technology and Mining Equipment Exhibition in Novokuznetsk, Russia which served more than 300 important customers. Through such event, Sany International has expanded its brand influence in Russia and earned the recognition from the local market.

March 2014
The New Era, a Decade of Gratitude
On 18 March, the BBS High Efficient Exhibition of Coal Mine Safety Science and the 2014 New Product Launch of Sany International were held by the China National Coal Machinery Industry Association, as the host, and Sany International in Shenyang. Such events were grandly held during the tenth year on which Sany International was founded, which welcomed a total of more than 800 guests from all over the world. There were 8 exhibition areas displaying 80 types of products which were well-received by the clients and fully demonstrated the leading position for the brand of Sany International.

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I am pleased to present the annual report of the Group for the year ended 31 December 2014.

Full-Year Review

For the 2014 fiscal year, the Group's sales revenue amounted to approximately RMB2,175.2 million, representing a year-on-year decrease of approximately 32.6%; the Group's profit before tax amounted to approximately RMB175.3 million, representing a year-on-year decrease of approximately 57%; the Group's net profit amounted to approximately RMB169.9 million, representing a year-on-year decrease of approximately 52.6%; and the Group's earnings per share amounted to approximately RMB 0.06.

In 2014, the global economy showed mild recovery, the macro economy of China was stable, the coal industry kept correcting with decreasing investment in fixed assets on a year-on-year basis. The State successively promulgated regulatory policies over the coal industry, but the prices of coal only experienced mild fluctuation. Under these circumstances, the Group actively coped with the situation and stepped out for transformation. It specified the industry layout and strategies of "Consolidation, Innovation and Addition", and the initial effects were seen.

Faced with the continuous downward economic trend, the Group had to ensure that the three major products namely roadheaders, combined coal mining unit ("CCMU") and mine transportation equipment maintain their absolute competitive advantages through Consolidation, as the cornerstone for the survival of the Company. The Group actively explored the three markets with "Innovative" products which were non-coal, natural gas and automation equipments, devoted great efforts to create new sources of profit growth, this is the driver for the development of the Company. The setting up of special teams to promote the production and sales of "Additional Items" of oil tank, valve part and picker etc, to implement the "Big Accessories" strategy by virtue of the Sany brand, is a re-charging of energy for the development of the Company. For the whole year of 2014, the Group completed the construction of a LNG station production line and the production and sales of 60 cubic metres of LNG station. During the year, the Company acquired all the equity interest of Sany Marine Industry and its subsidiaries, and as a result of the acquisition, the Group's product lines expanded to port machinery, marine heavy machinery, and its main products now include marine and port equipment products such as front handling mobile crane, empty container loader and shore gantry crane.

In 2014, the Group carried out optimization of organization structure, enhanced the operation efficiency of the Group through "Big Manufacturing", "Big Marketing" and "Big Management"; in the cost control aspect, it implemented the "Dual reduction strategy" and 188 cost reduction projects were established, the results of cost control were remarkable.

In order to implement the strategy of "gaining market share with good service", the Group continued to optimize and adjust the agency business channels, complete the transformation of "Operation model through the board of directors" to "Operation model by professional management team hired by shareholders", select elite employees, further strengthening the capability of market expansion, the marketing services continued to maintain at the leading level of the industry. It set up a total of 65 service points, 19 provincial level sales warehouses, 2 repair workshops to ensure it can offer services within a radius of 50 km. Also, it was the first among its competitors in China which set up service hotline 4008 to maintain internal monitoring over the process of providing customer services to ensure the effective and timely delivery of multilayered services.

During the year under review, the Group successfully produced 400B series coal mining machine (shearer) and realized sales, it successfully developed intelligent hydraulic scraper and light-weight intelligent control hydraulic support system, completed the technological upgrade of the roadheader product series and produced mining transportation vehicles of SAT40 articulated truck, SES12 electric shover, laying a solid foundation for the results enhancement of mining transportation vehicle products. Besides, the Company strengthened the R&D in non-coal products, on top of the existing non-coal double-arm large-height mining roadheader (EBS630), it successfully developed a new product-EBS330 roadheader. At the same time, LNG30, LNG60 under the natural gas station product series were successfully produced and sold to the market, and commercial production could be attained. And the Group conducted R&D on automation product series, the multi-frequency devices for coal mining machine could be produced automatically. During the year ended 31 December 2014, the Group was newly granted an aggregate of 89 patents, of which 41 were invention patents.

The Group promotes that "contribution to the country is more important than the profit of an enterprise"and fulfills its social responsibility by making notable contribution to economic and social development. The Group also treats the development of teenagers and children with utmost importance. In October 2014 when the Chung Yeung festival was coming, the Group formed a team of volunteers who paid a visit to a children's asylum and donated necessities such as clothes, toys and books to the children. The Group persisted in the principle of "enabling staff's success" by visiting staff with family difficulties and providing them with consolation money and items, while also raised funds for staff requiring assistance and spread love and care to staff who are in need of support.

Outlook

Year 2014 was an extraordinary year for the Group. We overcame various difficulties and challenges and obtained remarkable results. It is highly probable that in 2015 the Chinese economy will still be in a difficult time of transformation, the reduction in coal output is closely related to the excessive investment in prior periods and excessive inventory, it is expected that after enterprises have utilised their inventory, the coal industry will still have larger potential demand in the market for the coming 5 to 6 years. As the major coal production and consumption country of the world, the coal output and consumption of China are ranked top in the world, at present, the proportion of coal in the primary energy structure is still over 70%. The domestic energy equipments will be the main force of future energy mining, and they will bring new opportunities for the domestic equipment manufacturers. Meanwhile, those domestic energy equipments with high quality-price ratios are more attractive, and the market share of the domestic energy equipments will raise further.

The Year 2015 will still be a year of both opportunities and challenges for the Group. As a leading company in the coal machinery industry, the Group has unsurpassed competitive advantages in terms of company strengths, scale of operation, brand and product quality. In contrast with its competitors in the industry which provide comprehensive full set of equipments in other locations and by several plants, the Group is the only company in China which provides comprehensive full set of combined coal mining equipments and facilities in the same manufacturing plant. By setting up advanced and modernized production lines, it fully masters the advanced management experience of engineering and machinery R&D and manufacturing aspects, the competitive advantages of the Company have become more obvious. The degree of emphasis on product quality and services of the Company is also something not matched by the other competitors. In the coal equipment industry in China, the Group has already set up a system with a first class service brand and a complete service network, forming leading advantages in services.

At present, the Company will use "To become an EPC (Engineering – Procurement – Construction) supplier in the energy equipment domain" as its goal, and create the Sany brand image in the new energy equipment domain, making our products become the mainstream products. It will focus on the two major domains of coal and LNG, centre on three core strategies of "Consolidation, Innovation and Addition", create a new model of value added services, strengthen the sales in the "after-sales market", by relying on the "One belt and one road vision", open its road to "Internationalization" by actively exploring the international markets of Russia, Australia, southeast Asia and Indonesia etc.

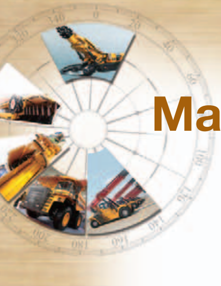
In the future, the Group is confident that its products will be launched on time and satisfy all customer needs in the energy sector. The Group will also seize opportunities of business transformation to fully expand into the area of manufacture of energy-related equipment and its related service, strive for setting up a comprehensive energy equipment platform, offer comprehensive equipment solutions in the energy domain for clients.

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

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

Wu Jialiang
Chairman

Hong Kong, 24 March 2015



Management Discussion and Analysis

Business Review

In 2014, the coal mining machinery market remained sluggish without any clear sign of recovery, and the industry was in a grimmer situation in the second half of 2014. In this key moment when the whole industry facing challenges, the Group actively responded and continued to transform its business. The Group consolidated the market position of raw coal machine and actively expanded the non-coal sector and new energy sector at the same time and brought new impetus to the steady growth of the Group through the acquisition of port machinery and marine engineering business.

Major products

With the ongoing transformation, the business of the Group gradually expanded, and the new products gradually became the main contributor of the Group's growth. Up to now, the Group divided its products into three categories, namely (1) the coal mining business, which included roadheaders (including cantilever roadheader, driving and anchor roadheader and continuous mining machinery), CCMU (including coal mining machines (shearer), hydraulic support system, scraper conveyor (Armored-Face Conveyer) and coal plough), coal mine transportation vehicles (including SRT95C, SRT55D coal mine vehicles, SAT40 articulated bus and SES12 power shovel), (2) the non-coal related business (including EBS630, EBS330 non-coal mining excavation equipment) and (3) new energy business sector (including LNG60 refueling station and LNG30 refueling station). In the meantime, the Company acquired 100% equity interests in Sany Marine Industry so that the Group's product line is expanded to port machinery and marine engineering businesses, the main products of which include reachstackers, empty container handlers and quayside gantry cranes.

Research and development capability

As a leading enterprise spearheading the industry's technological advances, the Group considered research and development ("R&D") as one of its most important competitive strengths and a main drive to provide customers with products different from those of its peers in the industry, products that were of higher quality at a more reasonable price. During the year under review, the Group achieved remarkable achievements in its R&D and successively launched new product models that led the development direction of the industry. The Group successfully produced the Series 400B Shearer and achieved revenue, successfully produced the smart scraper conveyor and light intelligent remote hydraulic support system and completed the technology upgrade of the traditional roadheader products. In the meantime, the Group increased the efforts in the R&D of new products, and successfully produced new coal mine transportation vehicles such as SAT40 articulated bus and SES12 power shovel, which laid a solid foundation for the improvement of the results of coal mining transportation vehicle products. The Group also successfully launched the new roadheader (EBS330) based on the non-coal double-arm large-height mining roadheader (EBS630). The natural gas refueling station series LNG30 and LNG60 are produced successfully and launched, and have currently achieved mass production. The Group also actively developed the major components, conducted R&D for automation products, and currently the shearer converters were all self-produced. During the year ended 31 December 2014, the Group had obtained 89 new patents, including 41 patented inventions.

Production and manufacturing

During the year under review, the Group completed the integration of two main production bases in the industrial areas in respect of the coal machinery business as well as the consolidation of the mining transport equipment business, subsequent to which, the Group's production has been concentrated in the new industrial park in No.25, 16 Kaifa Road, Shenyang Economic & Technological Development Zone, Shenyang, Liaoning, China. The park has eight plants with a total area of 629,000 sq.m. The integration of the production bases will facilitate to streamline the Group's manufacturing resources, improve the operation efficiency of the Group and reduce the management costs. In the meantime, the Group focused on enhancement of processing technology and assembly technology with a view to further lower production cost and to enhance efficiency and product quality through diversifying the products offered.

During the year under review, the Group completed the capacity-building and enhancement of the national leading transmission experiment, and completed the construction of four test beds for CCMU and automated products. The Group's experimental testing system can fully meet the testing requirements of the internal experiment, undertake all types of internal pilot testing and digital analysis of the R&D projects, the testing system is of the highest standard in the industry, which will guarantee the credibility of products from the Group.

Distribution and service

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

Financial Review

Revenue

For the year ended 31 December 2014, the Group recorded revenue of approximately RMB2,175.2 million (2013: approximately RMB3,225.5 million), representing a decrease of approximately 32.6% as compared with the year ended 31 December 2013. The decrease was mainly attributable to (1) weak demand in coal market, resulting in the shrinking in demand in coal machineries. In particular, the market demand was weakened since the second half of the year of 2014, as such the sales income of coal mining equipment of the Group decreased as compared to the same period of the year of 2013, and the revenue attributable to conventional roadheaders even decreased by approximately 46.7%; and (2) due to the relocation from the old manufacturing plant to the new one as mentioned in "Production and manufacturing", the production of coal mining transportation vehicles declined in the second half of the year, and the sales declined accordingly. Given the current market conditions, the Group actively develop the after-sales services market, revenue from the sales of spare parts and after-sales services increased to approximately RMB493.8 million in 2014, which was almost the same during the reporting period as compared to the same period of 2013. Meanwhile, with the successive introduction of the new models, the product mix focus of the Group will gradually shift to non-coal sector and new energy sector. Those changes will lay a solid foundation for the Group's long-term development.

For the year ended 31 December 2014, the Group's gain on disposal of non-current assets classified as held for sale was of RMB240.6 million (2013: Nil). Such gain was mainly attributable to the disposal of a piece of land at Yansaihu Street, which used to be the Group's old manufacturing plant and the immovable attached thereto to the local government (for details, please refer to note 16 to the financial statements). This forward-looking decision was made by the management by responding to trends, which not only brought substantial revenue and contributed to sources of profits, but also secured the source of capital after the new investment in the acquisition of Sany Marine Industry. Moreover it facilitated to lower the fixed costs and breakeven point for the future operation of the Group, which will stimulate the active and prudential operation of the Group.

Other income and gains

For the year ended 31 December 2014, the Group's other income and gains was approximately RMB137.1 million (2013: approximately RMB168.7 million), representing a year-on-year decrease of approximately 18.7%. The decrease was mainly attributable to (1) a decrease in government grants received, and (2) the revenue generated from the sale of scrap materials decreased.

Cost of sales

For the year ended 31 December 2014, the Group's cost of sales was approximately RMB1,466.0 million (2013: approximately RMB2,062.4 million), representing a decrease of approximately 28.9%. The change was mainly due to the decrease on revenue for the year and stricter cost control measures.

Gross profit and gross margin

For the year ended 31 December 2014, the gross profit of the Group was approximately RMB709.2 million (2013: approximately RMB1,163.1 million), representing a year-on-year decline of approximately 39.0%. Gross margin was approximately 32.6% (2013: approximately 36.1%), representing a decrease of approximately 3.5 percentage points year-on-year. Such changes were mainly due to the gross margin attributable to the non-coal-related products is lower than that of traditional roadheader products. However, the gross profit margin of coal mining transportation vehicles is of approximately 34%, improved as compared with the corresponding period in 2013. The Directors believe that with the maturation of new products and expansion of the sales scale of the group, the Group's gross profit margin will gradually improve. The Group has been gradually improving the gross profit margin of the CCMU via improvements in product design, processing technology and production process.

Profit margin before tax

For the year ended 31 December 2014, the Group's profit margin before tax was approximately 8.1%, representing a decrease of approximately 4.5 percentage points as compared to approximately 12.6% for the year ended 31 December 2013. The decrease was mainly due to (1) the input of more resources of the Group into R&D and (2) the increase in administrative expenses (excluding R&D expenses), details of which have been disclosed in the section "Administrative expenses" below.

Selling and distribution expenses

For the year ended 31 December 2014, the selling and distribution expenses were approximately RMB312.9 million (2013: approximately RMB500.7 million), representing a decrease of approximately 37.5%. Such changes were mainly due to the decrease in sales revenue. For the year ended 31 December 2014, the ratio of the Group's selling and distribution expenses to revenue was approximately 14.4% (2013: 15.5%), representing a decrease of approximately 1.1 percentage points as compared to 2013. Such changes were due to the Group strengthened the control on sales expenses.

Research and development expenses

For the year ended 31 December 2014, the research and development expenses of the Group were approximately RMB169.2 million, and its ratio to revenue was approximately 7.8%, representing an increase of approximately 2.3 percentage points from approximately 5.5% of 2013. Such increase was mainly attributable to the increased input of resources into the business transformation, the development of new products and the expanded application of new products such as coal-mining transportation vehicles, natural gas equipment, automation equipment and core parts and components, creating a new source of profit growth for the Group. Also, the Group has been continuously improving the R&D or product upgrade of its CCMU and roadheader products to further enhance its products' credibility and stability.

Administrative expenses

For the year ended 31 December 2014, administrative expenses of the Group were approximately RMB358.7 million. The administrative expenses excluding research and development expenses were approximately RMB189.5 million, representing an increase in the proportion of sales revenue of approximately 3.1 percentage points from approximately 5.6% of 2013 to 8.7%. Such changes were mainly attributable to (1) the new manufacturing plant had completed full operation in 2014, which resulted in the increase in all types of fees, land use tax and property tax; (2) sales fell due to the shrinking demand in market, though the Company had exercised many measures of strict control over expenses, which had not taken effect in full by 2014. In 2015, the Company will adopt measures such as "Energy conservation and consumption reduction", "streamline organizational structure" to strictly control costs.

Finance costs

For the year ended 31 December 2014, finance costs of the Group were approximately RMB30.6 million (2013: approximately RMB17.2 million), mainly due to bank loans drawn down by the Group.

Taxation

Sany Heavy Equipment Co., Ltd., a wholly-owned subsidiary of the Group, is a National High New Technology Enterprise in Liaoning Province and is entitled to preferential tax treatments. The Group's effective tax rate in 2014 was approximately 3.1% (2013: effective tax rate of approximately 12.1%). For details regarding income tax, please refer to note 10 to the financial statements.

Profit attributable to owners of the parent

For the year ended 31 December 2014, the Group's profit attributable to owners of the parent decreased to approximately RMB168.3 million (2013: approximately RMB356.2 million), representing a decrease of approximately 52.8%. For the main reason of the decrease, please refer to the above paragraphs titled "Revenue", "Gross profit and gross margin" and "Profit margin before tax".

Liquidity and financial resources

As at 31 December 2014, current assets of the Group were approximately RMB6,928.0 million (31 December 2013: approximately RMB5,613.9 million). As at 31 December 2014, current liabilities of the Group were approximately RMB4,582.2 million (31 December 2013: approximately RMB2,442.1 million). The change in current assets and current liabilities of the Group was mainly attributable to the Group's acquisition of 100% equity interests in Sany Marine Industry, including its subsidiaries. The assets and liabilities of such company and its subsidiaries are incorporated to the Group.

As at 31 December 2014, total assets of the Group were approximately RMB12,753.2 million (31 December 2013: approximately RMB8,712.7 million), and total liabilities were approximately RMB5,991.4 million (31 December 2013: approximately RMB2,885.1 million). As at 31 December 2014, the gearing ratio (the asset to liability ratio) of the Group was approximately 47.0% (31 December 2013: approximately 33.1%). Such change was mainly attributable to the Group's acquisition of 100% equity interests in Sany Marine Industry and the gearing ratio (the assets to liability ratio) recorded on the acquisition of port machinery and marine engineering business is high, which resulted in the increase in the overall gearing ratio of the Group as compared with that of 2013.

Trade and bills receivables

As at 31 December 2014, the Group's trade and bills receivables were approximately RMB3,601.9 million, representing an increase of approximately 6.7% from approximately RMB3,375.1 million as at 31 December 2013, of which trade receivables were approximately RMB3,248.8 million, representing an increase of approximately 19.6% from approximately RMB2,715.9 million as at 31 December 2013 and bills receivable were approximately RMB353.1 million, representing a decrease of approximately 46.4% from approximately RMB659.2 million as at 31 December 2013. Such change was mainly due to (1) the acquisition of Sany Marine Industry which contributed to the increase of RMB370.9 million; (2) coal enterprise capital chain is generally tight at present, and the time taken for collection of receivables of products increase accordingly. In addition, in order to maintain long-term strategic cooperation with high-quality customers, the Group extended the credit period of certain state-owned customers with good reputation. In order to minimize the risks of trade receivables, the Group had established a comprehensive four-level management framework of "marketing company, supervisors, general manager of agency, responsible marketing representative" for the collection of receivables. In addition, the Group also formulated the "one client one credit policy" for the outstanding loans, and formulated a detailed and targeted plan for the collection of the receivables pursuant to the characteristics and nature of the respective customers, established a management and control system which strictly monitors pre, amid and post process of loan, ensure effective and timely repayment of loans so as to minimise the credit risk. Since coal enterprise capital chain is generally tight, the Group adhered to the principle of prudence and provided bad debt provision of RMB208.3 million (2013: RMB42.6 million) for the year 2014, which is included in "Other expenses".

Cash flow

As at 31 December 2014, cash and cash equivalents of the Group, investment deposits and time deposits with maturity of three months or more were approximately RMB791.1 million in total.

For the year ended 31 December 2014, the net cash inflow of the Group from operating activities was approximately RMB92.3 million (2013: net cash outflow of approximately RMB223.6 million), which improved significantly as compared with 2013.

For the year ended 31 December 2014, the net cash inflow from investing activities was approximately RMB155.4 million (2013: net cash outflow of approximately RMB450.8 million). Such change was mainly for the financial products of approximately RMB300.0 million purchased has matured.

For the year ended 31 December 2014, the net cash outflow of the Group from financing activities was approximately RMB301.2 million (2013: net cash inflow of approximately RMB152.4 million). Such change was mainly because that the Group repaid part of the bank loan.

Turnover days

The Group's average turnover days of inventory were approximately 281.9 days in 2014, representing an increase of approximately 144.6 days from 137.3 days in 2013, mainly because of (1) the decline in sales revenue and the increase in inventory brought by the coherence of operation due to the downturn of coal market, (2) the sales of conventional roadheaders and coal mining transportation vehicles declined due to relocation from the Group's old manufacturing plant to the new one which resulted in the increase in finished products, and (3) the Company had adopted the "one stock one policy" strategy in respect of commerce, sales and production so as to strongly reduce the inventory and strictly control the increase in inventory.

The turnover days of trade and bills receivables in 2014 were approximately 617.2 days, representing an increase of approximately 287.1 days from approximately 330.1 days in 2013. Please refer to the above paragraph titled "Trade and bills receivables" for the reasons of such increase.

Turnover days of trade and bills payables increased by approximately 143.0 days from approximately 140.8 days in 2013 to approximately 283.8 days in 2014. The change is mainly due to the strengthening management of suppliers.

Contingent liabilities

As at 31 December 2014, the Group had contingent liability of RMB264.6 million, being the financial guarantee provided by Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment", a subsidiary acquired by the Group in 2014) (2013: Nil).

Capital commitment

As at 31 December 2014, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB4,493.4 million (31 December 2013: approximately RMB228.2 million).

Employees and remuneration policy

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

Material acquisition and disposal

On 7 November 2014, the Company entered into a share transfer agreement with Sany Hongkong Group Limited, pursuant to which the Company acquired the entire equity interests of Sany Marine Industry and payables in a principal amount of RMB703.0 million owed by Sany Marine Industry at a consideration of approximately RMB760 million. The Company issued limited-voting convertible preference shares (the "Convertible Preference Shares") as settlement of such consideration. On the same date, Sany Marine Heavy Industry Co., Ltd., a wholly-owned subsidiary of Sany Marine Industry entered into an equity transfer agreement with Sany Group Limited to acquire the entire equity interests in Hunan Sany Port Equipment at a consideration of approximately RMB1,040,000,000. The Group acquired the port machinery and heavy marine machinery business of Sany Group Limited upon the completion of such share transfer agreement and the equity transfer agreement. Such acquisition constituted a major acquisition under Chapter 14 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and a connected transaction subject to the approval of the independent shareholders under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 7 November 2014 and the circular of the Company dated 30 November 2014. On 19 December 2014, the acquisition was approved by the shareholders of the Company in the extraordinary general meeting of the Company, please refer to the announcement of the Company date on 19 December 2014 for details.

Saved as disclosed above, there was no other material acquisition or disposal conducted by the Group for the year ended 31 December 2014.

Pledge on assets

As at 31 December 2014, pledged deposits and pledged bills with aggregate value of approximately RMB51.9 million (31 December 2013: approximately RMB117.6 million), which were for the purpose of issuing bills payable. As at 31 December 2014, none of the Group's bank loans were secured by property, plant and equipment and prepaid land lease payments (31 December 2013: RMB510.2 million).

Foreign exchange risk

As at 31 December 2014, the Group's cash and bank balances denominated in HK$ and US$ were equivalent to approximately RMB7.2 million. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

Social responsibility

The Group promotes that "contribution to the country is more important than the profit of an enterprise" and fulfills its social responsibility by making notable contribution to economic and social development. The Group also treats the development of teenagers and children with utmost importance. In October 2014 when the Chung Yeung festival was coming, the Group formed a team of volunteers who paid a visit to a children's asylum and donated necessities such as clothes, toys and books to the children. The Group persisted in the principle of "enabling staff's success" by visiting staff with family difficulties and providing them with consolation money and items, while also raised funds for staff requiring assistance and spread love and care to staff who are in need of support.

Directors and Senior Management

Executive Directors

Mr. Wu Jialiang (吳佳梁), aged 53, was appointed as the chairman of the Board and the executive Director of the Company on 28 September 2014. Mr. Wu was the chief executive officer of the Company from 1 September 2013 to 18 March 2015, and was a non-executive Director of the Company from 23 July 2009 to 6 December 2012. Mr. Wu founded Sany Heavy Equipment Co., Ltd. (the "Sany Heavy Equipment") in 2004. He was the general manager of Sany Heavy Equipment from January 2004 to August 2007 and a non-executive director of the Company from 23 July 2009 to 6 December 2012. Mr. Wu was also the senior vice president of Sany Group Limited ("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 44, was appointed as the executive Director of the Company on 28 September 2014. He is the vice-president of the Company since 27 January 2013. Mr. Lu has over 10 years of experience in the machinery industry.

Mr. Lu joined Sany International in 2012. He has been the deputy general manager of Sany International since October 2012 and is responsible for the businesses of LNG project division, ministry of commerce, general office, human resources department, executive department and infrastructure department. He also assisted the Chairman to handle matters related to the Board of Sany International. Given the background of Mr. Lu, he has rich experience in business operation and has comprehensive understanding about the overall operation of Sany International and its subsidiaries. He has extensive practical experience in handling compliance issues for listed companies and investor relationship.

Mr. Lu joined Sany Group in 2003 and has held various positions in Sany Group and its subsidiaries, including the director of finance and accounting department and performance committee of Sany Group from June 2010 to October 2012 and served as the director of the performance committee office of Sany Group from August 2003 to June 2010. Mr. Lu established the performance management system and equity incentive system of Sany Group during his tenure. He put the Sany Group in an ideal position to standardize the incentive system of the Sany Group and made an important contribution to enhancing the human resources management, one of the top five systems of the Sany Group. He was praised by the chairman for his achievements many a time.

Prior to joining Sany, Mr. Lu worked in the research and development department of Changsha Research Institute of Mining and metallurgy from October 1998 to August 2003 and served as an engineer of Wu Yang Iron and Steel Company in He Nan from June 1991 to September 1998.

Mr. Lu graduated from Central South University (中南大學) with a master's degree in Business and Administration on 1 May 2003.

Non-executive Directors

Mr. Tang Xiuguo (唐修國), aged 52, was appointed as a non-executive Director of the Company on 28 September 2014. Mr. Tang was one of the four founders of Sany Group, and has been the director and president of Sany Group since 2002. From 1997 to 2002, Mr. Tang worked in Sany Group as general administration manager. From 1992 to 1997, he was the deputy general manager of Sany Group and the director of Sany Heavy Industry Co., Ltd. ("Sany Heavy Industry"), company listed on Shanghai Stock Exchange (stock code: 600031). From 1991 to 1992, Mr. Tang participated in the foundation of Sany Group. From 1989 to 1991, he participated in the foundation of Hunan Lianyuan Spaeial Welding Materials Factory (湖南漣源特種焊接材料廠) and from 1986 to 1988, he specialized in the development and manufacture of special welding materials.

Mr. Tang has been granted numerous awards, including "Sany Group Distinguished Contribution Award of the Year" for eight successive years, "Top Ten Outstanding Contribution Private Corporation in Hunan Province" and "Excellent Entrepreneur of the State". Also, he is a director of China Institute for Quality Excellence.

Mr. Tang graduated with a bachelor degree in metallic materials from Central South University (中南大學) in July 1983. He is a senior engineer.

Mr. Xiang Wenbo (向文波), aged 53, 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 Sany Group in 1991 and was a standing director and general manager of the marketing department and executive president of 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 (湖南大學) 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)".

Mr. Mao Zhongwu (毛中吾), aged 53, was redesigned from an executive Director to a non-executive Director of the Company from 28 September 2014. He was the executive director of the Company from 12 October 2012 to 28 September 2014 and the chairman of the Board 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. 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 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.

Independent non-executive Directors

Dr. Ngai Wai Fung (魏偉峰), aged 53, 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 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 68, 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 resigned 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 50, 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) both of which are listed on the Stock Exchange. Mr. Wu is a director of Cheetah Mobile Inc., which is listed on the New York Stock Exchange.

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. Mei Yonghua (梅永華), aged 46, was appointed as the chief executive officer of the Company on 18 March 2015, and has been the general manager of the Company since September 2014, principally in charge of sales, commercial and manufacturing operations, and has over ten years of experience in the machinery industry. Mr. Mei joined Sany Group in 2001 and has since worked in various positions in Sany Group and its subsidiaries, including the senior vice general manager of Sany Heavy Industry and the general manager of Beijing Branch from January 2013 to September 2014, the vice general manager and director of the President's Office of Sany Heavy Industry from March 2011 to December 2012, director and general manager of Sany Auto Finance Co., Ltd. from August 2010 to March 2011, the vice general manager, the secretary of the board of directors and the director of investment department of Sany Heavy Industry from January 2010 to August 2010, the vice general manager, the secretary of the board of directors and the director of Chairman's Office of Sany Heavy Industry from January 2009 to December 2009 and the vice general manager and the general manager of sales department of Sany Heavy Equipment from January 2006 to December 2008. From November 2001 to December 2005, Mr. Mei held various positions in Sany Heavy Industry, including the head of promotion division of sales department and the general manager of Beijing Branch of Sany Heavy Industry.

Before joining Sany Group, Mr. Mei served as the vice general manager of Jiangxi San Xing Qi Long New Materials Co., Ltd. (江西三星氣龍新材料有限公司) from September 1999 to November 2001, the general manager of Nanchang Wanli District Electrical Equipment Company (南昌市灣里區機電設備公司) and Yan'an Daming Oil Supplies Co., Ltd. (延安大明石油物資配套有限公司) from November 1994 to July 1999 and the assistant to general manager and chief of business division of Nanchang Materials Bureau from July 1989 to October 1994.

Mr. Mei graduated from Wuhan University (武漢大學) with a bachelor's degree in Chinese Language and Literature in January 2007. He also graduated from Wuhan University with a master's degree in Business Administration in July 2008 and from China Europe International Business School with an executive master's degree in Business Administration in September 2012.

Mr. Fu Weizhong (伏衛忠), aged 41, obtained a master's degree in business administration from China Europe International Business School in September 2011 and was appointed as the director of marine machinery operation department in January 2015.

Mr. Fu joined Sany Group in May 2000 and held various positions in the Group, including the director of customer service department of Sany Heavy Equipment, assistant to the president of Sany Heavy Equipment, general manager of US operation department of Sany Group, deputy general manager of Sany Heavy Equipment, general manager of overseas operation department of Sany Group, general manager of Beijing Sany Heavy Machinery Co., Ltd. (北京三一重機有限公司), general manager of Sany Heavy Energy Equipment Co., Limited (三一重型能源裝備有限公司) and vice president of Sany Group.

Mr. Yuan Jianfeng (袁劍鋒), aged 42, was appointed as the chief financial officer of the Company on 25 September 2014. Mr. Yuan has over 10 years of experience in the machinery industry. From February 2012 to August 2014, Mr. Yuan acted as the chief financial officer of Hunan Sany Lumian Machinery Co., Ltd. (湖南三一路面機械有限公司) ("Hunan Sany Lumian"). From March 2009 to February 2012, Mr. Yuan acted as the chief financial officer of Beijing Sany Heavy Machinery Co., Ltd. (北京市三一重機有限公司). From January 2007 to March 2009, Mr. Yuan acted as the chief financial officer of Hunan Sany Lumian. During the period from November 2001 to March 2009, Mr. Yuan was the section head and a general accountant of Sany Heavy Industry. Prior to that, during the period from May 2000 to November 2001, he was the head of sales accounting and a general accountant of Hunan Province Pingan Qinghua Trading Co., Ltd. (湖南省平安輕化貿易有限公司); from October 1999 to May 2000, he was an accountant of Hunan Province Hualing Paper Co., Ltd. (湖南省華陵紙業有限公司); and from June 1998 to September 1999, he was a sales accountant of Hunan ZhengYuanDongli Parts Co., Ltd. (長沙市正圓動力配件廠).

Mr. Yuan graduated from Hunan University of Commerce (湖南商學院) with a bachelor's degree in accounting in June 1998, and graduated from the Chinese University of Hong Kong (香港中文大學) (part-time program), with an executive master's degree in professional accountancy in August 2010.

Joint Company Secretaries

Mr. Hu Tao (胡濤), aged 33, a member of Revolutionary Committee of the Chinese Kuomintang, serves as a joint company secretary 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 relationship. 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 relationship 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 (湘潭大學) in 2004 and received a Master of Finance awarded by University of Wollongong in Australia in 2006.

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.

The Board is pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2014.

Principal Activities and Subsidiaries

The principal activity of the Company is investment holding. Details of the principal subsidiaries and their principal activities are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year under review. On 7 November 2014, the Group entered into a share transfer agreement to acquire Sany Marine Industry and its subsidiaries. On 19 December 2014, the acquisition was approved by the Board. Upon completion, the Group's principal activities would also include manufacturing and sales of port machinery and marine heavy equipment products.

Results and Dividends

The results of the Group for the year ended 31 December 2014 are set out in the financial statements on pages 59 to 139 of this annual report.

The Company has not declared any dividend during the year ended 31 December 2014. The Board resolved not to declare any final dividend for the year ended 31 December 2014.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 140 of this annual report.

Reserves

Details of movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and note 34 to the financial statements, respectively.

Borrowings

Details of bank borrowings of the Group as at 31 December 2014 are set out in note 28 to the financial statements.

Distributable Reserves

As at 31 December 2014, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands ("Companies Law"), amounted to approximately RMB3,938.4 million, and no final dividend has been proposed for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Share Capital

Details of the changes in the share capital of the Company during the year ended 31 December 2014 are set out in note 32 to the financial statements.

Pre-Emptive Rights

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

Share Option Scheme

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 50,000,000 shares, representing approximately 1.61% 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 31 December 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	Exercised during the period	Lapsed during the period	As at 31 December 2014
Directors								
Zhao Xiangzhang (2)	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	5,315,000	–	–	531,500	4,783,500
Kuang Canghao (3)	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	1,711,000	–	–	171,110	1,539,900
Liu Weili (3)	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	1,116,000	–	–	111,600	1,004,400
Huang Xiangyang (3)	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	1,032,000	–	–	103,200	928,800
Mao Zhongwu	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	404,000	–	–	40,400	363,600
Lu Ben (4)	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	705,000	–	–	70,500	634,500
Other staff				18,241,000	–	–	3,933,700	14,307,300
Total				28,524,000	–	–	4,962,000	23,562,000

Notes:

(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) *Zhao Xiangzhang resigned as an executive Director and chairman of the Board on 25 September 2014.*

(3) *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.*

(4) *Lu Ben was appointed as executive Director of the Company on 28 September 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 23,562,000, representing approximately 0.67% of the Company's issued share capital as at the date of this annual report.

Major Suppliers and Customers

During the year under review, the aggregate sales attributable to the Group's five largest customers comprised approximately 39.8% of the Group's total sales and the sales attributable to the Group's largest customer (being a group of entities under common control) were approximately 26.6% of the Group's total sales. The aggregate purchases during the year under review attributable to the Group's five largest suppliers were approximately 19.6% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 8.3% of the Group's total purchases.

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

Donations

During the year under review, there was no charitable and other donations made by the Group (2013: Nil).

Property, Plant and Equipment

During the year ended 31 December 2014, the Group held property, plant and equipment of approximately RMB2,685.9 million. Details of the movements are set out in note 14 to the financial statements.

Repurchase, Sale or Redemption of the Company's Shares

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company (During 2013, the Company repurchased 64,110,000 ordinary shares at a total amount of approximately HK$186.9 million (approximately RMB150.4 million)).

Directors

The Directors during the year ended 31 December 2014 comprised:

Executive Directors:
Mr. Wu Jialiang *(Chairman of the Board)*
Mr. Lu Ben

Non-executive Directors:
Mr. Tang Xiuguo
Mr. Xiang Wenbo
Mr. Mao Zhongwu

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

Notes:

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

Mr. Zhao Xiangzhang resigned as an executive Director, chairman of the Board, with effect from 25 September 2014.

Mr. Wu Jialiang was appointed as an executive Director, chairman of the Board, with effect from 28 September 2014.

Mr. Lu Ben was appointed as an executive Director of the Company with effect from 28 September 2014.

Mr. Mao Zhongwu was redesignated from an executive Director to a non-executive Director with effect from 28 September 2014.

Mr. Tang Xiuguo was appointed as a non-executive Director with effect from 28 September 2014.

In accordance with article 84(1) of the Company's articles of association, each of Mr. Mao Zhongwu, Mr. Xu Yaxiong and Mr. Ng Yuk Keung will retire from the office of Director by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with article 83(3) of the Company's articles of association, Mr. Wu Jialiang, Mr. Lu Ben and Mr. Tang Xiuguo, each of whom was appointed as a Director on 28 September 2014 shall hold office until the annual general meeting of the Company and, being eligible, will offer themselves for re-election.

Directors' Service Contracts

Each of the current executive Directors on the Board during the year ended 31 December 2014 has entered into a service agreement with the Company for an initial term of three years commencing from 28 September 2014 and the non-executive Directors on the Board have entered into a service agreement with the Company for an initial term of three years commencing from 28 September 2014 for Mr. Tang Xiuguo, 25 December 2012 for Mr. Xiang Wenbo and 28 September 2014 for Mr. Mao Zhongwu, respectively, and each of the independent non-executive Director on the Board has entered into a service agreement with the Company for an initial term of three years commencing from 25 November 2012.

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

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

Confirmation of Independence

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

Directors' Remuneration

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the remuneration committee of the Company to ensure that the levels of their remuneration and compensation are appropriate. None of the Directors waived any emoluments during the year ended 31 December 2014. Details of directors' remuneration are set out in note 8 to the financial statements.

Directors' and Senior Management's Biographies

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

Controlling Shareholders and Directors' Interests in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director or a controlling shareholder had a material interest in, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the financial year under review save as disclosed under the sub-section headed "Connected Transaction" below and "Related party transactions" in note 39 to the financial statements.

Director's Interests in Competing Business

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2014 and up to and including the date of this annual report.

Directors' Rights to Purchase Shares or Debentures

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

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

As at 31 December 2014, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Company (the "Model Code") as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Nature of interest	Number of shares held	Percentage of issued share capital
Mr. Tang Xiuguo (Note)	Beneficial owner	875	8.75%
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. Tang Xiuguo, Mr. Zhao Xiangzhang, Mr. Mao Zhongwu and Mr. Xiang Wenbo holds 8.75%, 1.00%, 8.00% and 8.00% of the issued share capital of Sany BVI, respectively, which in turn holds the entire issued share capital of Sany Hongkong Group Limited ("Sany HK", a controlling shareholder of the Company).

Save as disclosed above, as at 31 December 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 31 December 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 10% or more of the nominal value of any class of share capital to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Capacity	Number of shares/underlying shares held	Approximate percentage of issued share capital
Sany HK (Note 1)	Beneficial owner	2,614,361,222	85.97%
Sany BVI (Note 2)	Interest of a controlled corporation	2,614,361,222	85.97%
Mr. Liang Wengen (Note 3)	Interest of a controlled corporation	2,614,361,222	85.97%

Notes:

1. *The 2,614,361,222 shares and underlying shares consist of 2,134,580,188 ordinary shares and 479,781,034 underlying shares which may be issued pursuant to the conversion of the 479,781,034 convertible preference shares issued to Sany HK.*

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

3. *Mr. Liang Wengen is interested in 56.42% of Sany BVI. Mr. Liang Wengen is therefore deemed to be interested in all the shares and underlying shares of the Company held by Sany HK under the SFO.*

Deed of Non-Competition

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

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained sufficient public float required under the Listing Rules for the year ended 31 December 2014 and up to as at the date of this annual report.

Retirement Scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and employee are required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$30,000. Contributions made to the scheme are vested immediately.

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

For the year ended 31 December 2014, the Group's total contributions to the retirement schemes charged in the income statement amounted to RMB31.2 million (2013: RMB33.7 million). Details of the Group's pension scheme are set out in note 6 to the financial statements.

Code on Corporate Governance Practices

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. Except for the deviation from code A.2.1 of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has complied with the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2014. The Group's principal corporate governance practices are set out on pages 45 to 55 of the annual report.

Connected Transaction

During the year ended 31 December 2014, the Group has the following connected transactions which are subject to the reporting requirements set out in Chapter 14A of the Listing Rules.

One-off Connected Transactions

(1) Formation of a Joint Venture

On 24 March 2014, the Company entered into the joint venture articles of associations with Sany Group, Sany Automotive Manufacturing Co., Ltd. ("Sany Automotive"), Sany Heavy Machinery Co., Ltd., Sany Automotive Hoisting Machinery Co., Ltd. ("Sany Automotive Hoisting"), Hunan Sany Lumian Machinery Co., Ltd. ("Hunan Sany Lumian"), Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry") and Sany Heavy Energy Equipment Co., Ltd. ("Sany Heavy Energy Equipment") (collectively, the "Other JV Shareholders", together with the Company, the "JV Shareholders"), pursuant to which the Company and Other JV Shareholders agreed to jointly establish Kunshan Sany Digital Science and Technology Co., Ltd. ("Kunshan Sany Digital"), which will be principally engaged in the development, technology transfer and technical service relating to computer software and hardware, electronic products, electronic control system and automated control equipment; the development, assembly of mechanical equipments and its components; and the sales, consultancy, service and technology transfer of the related products. Pursuant to the joint venture articles of associations, the Company and Other JV Shareholders have agreed to establish Kunshan Sany Digital with a registered capital of US$5.18 million. The registered capital of US$5.18 million to Kunshan Sany Digital was determined by the JV Shareholders with reference to the immediate funding needs of Kunshan Sany Digital. The initial capital contribution of US$2 million (representing approximately 38.61% of the registered capital of Kunshan Sany Digital) shall be paid by the JV Shareholders within 90 days of the date of issue of the business license of Kunshan Sany Digital. The balance of US$3.18 million (representing approximately 61.39% of the registered capital of Kunshan Sany Digital) shall be paid by the JV Shareholders within 2 years of the date of issue of the business license of Kunshan Sany Digital.

Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his 56.42% indirect interests in Sany Hong Kong, which in turn holds 85.97% of the total issued share capital of the Company, among which 70.19% is ordinary shares and 15.78% is Convertible Preference Shares. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules. Each of Sany Automotive, Sany Heavy Machinery, Sany Automotive Hoisting, Hunan Sany Lumian and Sany Heavy Energy Equipment, being direct or indirect subsidiaries of Sany Group, is therefore an associate of Mr. Liang Wengen and hence a connected person of the Company under the Listing Rules. Sany Marine Heavy Industry being an indirect subsidiary of Sany HK, a controlling shareholder of the Company, is therefore an associate of Sany HK and hence a connected person of the Company under the Listing Rules. Accordingly, the formation of Kunshan Sany Digital pursuant to the JV Articles constitutes a connected transaction of the Company under the Listing Rules.

Further details of the JV Articles are set out in the announcement of the Company dated 24 March 2014.

(2) *Equipment Relocation Services Agreement*

On 25 August 2014, Sany Heavy Equipment and Sany Jingji entered into the equipment relocation services agreement (the "Equipment Relocation Services Agreement"), pursuant to which Sany Heavy Equipment agreed to engage Sany Jingji to relocate certain equipment from Sany Heavy Equipment's old manufacturing plant to the new manufacturing plant and complete the subsequent setup of the equipment, for an aggregate service fee of RMB18,000,000. 60% of the total services fee shall be paid in cash within 30 days after the relocation and setup are completed, and the remaining 40% shall be paid in cash within 30 days after the relocated equipment are inspected by Sany Heavy Equipment. The relocation and setup will proceed by stages according to the instructions of Sany Heavy Equipment from time to time but the whole process shall be completed by no later than 31 December 2015.

The above consideration was calculated with reference to the below formula:

*Hourly disassembly and assembly rate * estimated hours * number of workers + relocation distance * delivery fees per kilometer + accessory relocation fees + setup fees + quality guarantee fees + management fees*

It was reached based on arm's length negotiation and Sany Jingji's quotes available to any customers who are independent third parties for similar services and shall not, in any event, be higher than the fees imposed on the similar services provided by any independent third parties.

Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his indirect 56.42% interests in Sany Hong Kong, which in turn holds 85.97% of the total issued share capital of the Company, among which 70.19% is ordinary shares and 15.78% is Convertible Preference Shares. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules. Sany Jingji is a subsidiary of Sany Group and therefore a connected person of the Company.

Further details of the Equipment Relocation Services Agreement are set out in the announcement of the Company dated 25 August 2014.

(3) *Acquisition of the Target Company*

On 7 November 2014, the Company entered into a share transfer agreement (the "Share Transfer Agreement") with Sany HK to acquire (the "Offshore Acquisition") the entire issued share capital in the Sany Marine Industry International Holdings Company Ltd. (the "Target Company") and payables in a principal amount of RMB702,978,000 owed by the Target Company and its subsidiaries at a consideration of RMB760,376,000 (equivalent to approximately HK$963,880,097). The consideration for the Offshore Acquisition was settled by the Company at completion by the issue of convertible preference shares.

Pursuant to the Share Transfer Agreement, on 7 November 2014, Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry"), a wholly-owned subsidiary of the Target Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with Sany Group to acquire (the "Onshore Acquisition", together with the Offshore Acquisition, the "Acquisitions") the entire equity interests in Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") for a cash consideration of RMB1,040 million (equivalent to approximately HK$1,319 million). The Onshore Acquisition took effect upon satisfaction of several conditions, including the completion of the Offshore Acquisition. Upon completion of the Onshore Acquisition, Hunan Sany Port Equipment became an indirect wholly-owned subsidiary of the Company.

Upon completion of the Acquisitions, the Target Company has become a holding company of a group of companies, which are principally engaged in the design, manufacture and sale of port machinery and marine heavy equipment products. The Acquisitions represent an expansion of the existing business of the Group, which specializes in coal mining equipment, involving research and development, manufacturing and sale of whole set of roadheaders, mining and transportation vehicles. The Acquisitions were completed on 31 December 2014.

As at the date of the Share Transfer Agreement, Sany HK, being the beneficial owner of 2,134,580,188 Shares, representing approximately 70.19% of the entire issued share capital of the Company, is a substantial shareholder of the Company. Sany HK is therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Mr. Liang Wengen, who holds 56.42% interest in Sany Group, is a substantial shareholder of the Company by virtue of his 56.42% shareholding in Sany BVI, which in turn indirectly holds 70.19% of the total issued share capital of the Company. Sany Group is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Accordingly, the Offshore Acquisition contemplated under the Share Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules.

Upon completion of the Offshore Acquisition, the Target Company would become a wholly-owned subsidiary of the Company, and hence the Onshore Acquisition contemplated under the Equity Transfer Agreement will be a transaction between the Group and a connected person of the Company and constitute a connected transaction of the Company under Rule 14A.25 of the Listing Rules.

Further details of the Share Transfer Agreement and the Equity Transfer Agreement are set out in the announcement of the Company dated 7 November 2014 and the circular of the Company dated 30 November 2014.

Continuing Connected Transactions

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

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

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

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

As the Master Purchase Agreement (as amended by the Supplemental Agreement) expired on 31 December 2011, the Company entered into the Master Purchase Agreement with Sany Group on 25 November 2011, pursuant to which the Company agreed to purchase from members of the SG Group certain parts and components at cash considerations not exceeding RMB357,680,000, RMB 654,938,000 and RMB927,011,000 for a period of three years from 1 January 2012 to 31 December 2014 (both days inclusive). As disclosed in the announcement dated 25 November 2011, the proposed annual cap amount for the under the Master Purchase Agreement for financial year ending 31 December 2014 would not exceed RMB927,011,000. During the year under review, the aggregate amount of the transactions under the Master Purchase Agreement was approximately RMB246,610,000, which was within the annual cap of RMB927,011,000. Details of the Master Purchase Agreement are set out in the announcement of the Company dated 25 November 2011.

Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his 56.42% indirect interests in Sany Hong Kong, which in turn holds 85.97% of the total issued share capital of the Company, among which 70.19% is ordinary shares and 15.78% is Convertible Preference Shares. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules.

(2) Purchase of Equipment from Sany Jingji

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

Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his 56.42% indirect interests in Sany Hong Kong, which in turn holds 85.97% of the total issued share capital of the Company, among which 70.19% is ordinary shares and 15.78% is Convertible Preference Shares. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules. Sany Jingji is a subsidiary of Sany Group and therefore a connected person of the Company. Accordingly, the Purchase made under the Equipment Purchase Agreement constitutes a connected transaction of the Company under the Listing Rules. Details of the Equipment Purchase Agreement are set out in the announcement of the Company dated 14 November 2011.

(3) *Master Transportation Agreement*

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

As disclosed in the announcement of the Company dated 14 November 2011, the annual cap amount for the transactions under the Master Transportation Agreement for the financial year ended 31 December 2014 is RMB130 million. During the year under review, the aggregate amount of the transactions under the Master Transportation Agreement was approximately RMB1.7 million, which was within the annual cap of RMB130 million. Details of the Master Transportation Agreement are set out in the Company's announcement dated 14 November 2011.

Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his 56.42% indirect interests in Sany Hong Kong, which in turn holds 85.79% of the total issued share capital of the Company, among which 70.19% is ordinary shares and 15.78% is Convertible Preference Shares. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules. Sany Logistics is a subsidiary of Sany Group and therefore a connected person of the Company.

On 31 December 2014, the Company entered into the new master transportation agreement (the "New Master Transportation Agreement") with Sany Logistics in order to renew the Master Transportation Agreement, pursuant to which Sany Logistics will provide certain logistics services to the Company or its subsidiaries in connection with the transportation of the coal mining machinery and equipment from 1 January 2015 to 31 December 2015. The service fees payable under the New Master Transportation Agreement shall be determined based on arm's length negotiation with reference to (i) means of transportation, (ii) transportation distance, (iii) transportation location, (iv) weight of the goods transported and (v) gasoline price, which should be in any event no less favorable to the Group than is available to independent third parties. It is proposed that the cap amount under the New Master Transportation Agreement for the financial year ending 31 December 2015 will not exceed RMB10,432,521. Such annual cap amount is determined with reference to (i) prevailing market price for logistics service fees in the open market in the PRC; (ii) the anticipated business volume of the Group's products; and (iii) the expected logistics services to be involved. Details of the New Master Transportation Agreement are set out in the announcement of the Company dated 31 December 2014.

(4) *Lease Agreement*

On 25 August 2014, Sany Heavy Machinery Co., Ltd. ("Sany Heavy Machinery"), a subsidiary of Sany Group and Sany Mining Machinery Co., Ltd. ("Sany Mining Machinery"), entered into the lease agreement (the "Lease Agreement"), pursuant to which Sany Heavy Machinery agreed to lease certain workshops located in Kunshan, Jiangsu to Sany Mining Machinery for a term from 1 January 2015 to 31 December 2015 for an aggregate rent of RMB8,371,044, calculated based on the monthly rent of RMB11 per square meter. Such rent was determined based on the property's gross floor area and a specific cost per square meter and is in line with the prevailing open market rent of other premises with conditions comparable to the premises under the Lease Agreement.

Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his 56.42% indirect interests in Sany Hong Kong, which in turn holds 85.97% of the total issued share capital of the Company, among which 70.19% is ordinary shares and 15.78% is Convertible Preference Shares. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules. Sany Heavy Machinery is a subsidiary of Sany Group and therefore a connected person of the Company.

Further details of Lease Agreement are set out in the announcement of the Company dated 25 August 2014.

(5) *Master Sales Agreement*

On 25 August 2014, the Company and Sany Group entered into the master sales agreement (the "Master Sales Agreement"), pursuant to which the Company (or its subsidiaries) agreed to sell to Sany Group (or its subsidiaries) certain parts and components produced by the Group for the production of Sany Group's products for a period from 25 August 2014 to 31 December 2015. The basis of determining prices of the parts and components produced by the Group will be determined based on the arm's length negotiation and with reference to the manufacturing costs involved in the relevant part and component plus a gross margin of approximately 30%, which should be in any event no less favorable to the Group than is available from customers who are independent third parties. It is proposed that the annual cap amount for the transactions under the Master Sales Agreement for the financial years ending 31 December 2014 and 31 December 2015 will not exceed RMB2,385,500 and RMB11,692,500, respectively. The annual cap amounts for the transactions under the Master Sales Agreement are determined with reference to (1) anticipated operation volume and the sales volume of the Group's parts and components, (2) Sany Group's anticipated demand for parts and components during the term of the Master Sales Agreement and (3) the prices of the relevant parts and components stipulated by the Group, which is also applicable to customers who are independent third parties. During the year under review, the aggregate amount of the transactions under the Master Sales Agreement was nil, which was within the annual cap of RMB2,385,500 under the Master Sales Agreement.

Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his 56.42% indirect interests in Sany Hong Kong, which in turn holds 85.97% of the total issued share capital of the Company, among which 70.19% is ordinary shares and 15.78% is Convertible Preference Shares. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules.

Further details of the Master Sales Agreement are set out in the announcement of the Company dated 25 August 2014.

(6) Master Purchase Agreement

On 31 December 2014, the Company has entered into the Master Purchase Agreement with Sany Group pursuant to which the Group agreed to purchase (1) parts and components and (2) second-hand manufacturing equipment from SG Group for a term from 1 January 2015 to 31 December 2015.

The basis of determining prices of the parts and components produced by Sany Group and its subsidiaries will be determined on arm's length negotiation and with reference to the manufacturing costs involved in the relevant part and component plus a gross margin ranging from 10% to 20%, which should be in any event no less favorable to the Group than is available to independent third parties.

The basis of determining prices of the second-hand manufacturing equipment will be determined on arm's length negotiation and with reference to the below formula, which should be in any event no less favorable to the Group than is available to independent third parties.

*Price = Original Purchase Price – Original Purchase Price (1-3%) * (number of years since the manufacturing equipment was acquired by SG Group/10 years)*

The Company expects to purchase second-hand manufacturing equipment which have been acquired by SG Group for no more than three years.

It is proposed that the cap amount under the Master Purchase Agreement for the financial year ending 31 December 2015 will not exceed RMB159,366,707. The annual cap amount is determined with reference to (a) historical transaction amounts, (b) the Group's anticipated manufacturing capacity for the year ending 31 December 2015 and (c) the Group's expected requirement for parts and components and manufacturing equipment.

Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his 56.42% indirect interests in Sany Hong Kong, which in turn holds 85.97% of the total issued share capital of the Company, among which 70.19% is ordinary shares and 15.78% is Convertible Preference Shares. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules.

Further details of the Master Purchase Agreement are set out in the announcement of the Company dated 31 December 2014.

(7) Hunan Lease

On 1 September 2014, Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") (as the lessee) entered into a lease agreement (the "Hunan Lease") with Sany Automobile Manufacturing Co. Ltd. ("Sany Auto Manufacturing") (as the lessor) to lease the premises with a total floor area of 28,487.64 sq.m. located in Sany Industry Town, Xingsha Town, Changsha City, Hunan Province ("Hunan Property") with effect from 1 September 2014 to 31 August 2015 at a rental of RMB257,749 per month, subject to the conditions under Hunan Lease and the terms thereunder for the period from 1 September 2014 to 31 August 2015. For the two years ending 31 December 2015, the maximum aggregate amount of rent under the Hunan Lease for each year is RMB3,092,988, determined based on the annual rental payable by Hunan Sany Port Equipment pursuant to the Hunan Lease.

Upon completion of the Onshore Acquisition (as defined above), Hunan Sany Port Equipment became an indirect wholly-owned subsidiary of the Company.

Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his 56.42% indirect interests in Sany Hong Kong, which in turn holds 85.97% of the total issued share capital of the Company, among which 70.19% is ordinary shares and 15.78% is Convertible Preference Shares. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules. Sany Auto Manufacturing is a subsidiary of Sany Group and therefore a connected person of the Company.

Since the Onshore Acquisition was completed on 31 December 2014, the aggregate amount of the transactions under the Hunan Lease during the year under review was nil, which was within the annual cap of RMB3,092,988.

Further details of the Hunan Lease are set out in the announcement of the Company dated 7 November 2014.

(8) Zhuhai Lease

On 1 September 2014, Zhuhai Sany Port Machinery Co., Ltd. ("Zhuhai Sany Port Machinery") (as the lessee) entered into a lease agreement (the "Zhuhai Lease") with Sany Group (as the lessor) to lease the premises with a total floor area of 21,943 sq.m. located in Gaolan Port Economic District, Zhuhai City, Guangdong Province ("Zhuhai Property") which takes retrospective effect from 10 February 2012 and ends on 9 February 2015 at a rental of RMB337,125 per month, subject to the conditions under Zhuhai Lease and the terms thereunder for the period from 10 February 2012 to 9 February 2015. For the two years ending 31 December 2015, the maximum aggregate amount of rent under the Zhuhai Lease for each year is RMB4,045,500, determined based on the annual rental payable by Zhuhai Sany Port Machinery pursuant to the Zhuhai Lease.

Upon completion of the Offshore Acquisition, each of the Target Company and Zhuhai Sany Port Machinery, became an indirect wholly-owned subsidiary of the Company.

Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his 56.42% indirect interests in Sany Hong Kong, which in turn holds 85.97% of the total issued share capital of the Company, among which 70.19% is ordinary Shares and 15.78% is Convertible Preference Shares. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules.

Since the Onshore Acquisition was completed on 31 December 2014, the aggregate amount of the transactions under the Zhuhai Lease during the year under review was nil, which was within the annual cap of RMB4,045,500.

Further details of the Zhuhai Lease are set out in the announcement of the Company dated 7 November 2014.

(9) Sales Agreement

On 7 November 2014, Hunan Sany Port Equipment entered into a sales agreement with Sany International Development Limited ("Sany International Development"), pursuant to which Hunan Sany Port Equipment will sell its products to Sany International Development with effect from the effective date of sales agreement (the date on which the Onshore Acquisition (as defined above) having been approved by the Shareholders at a general meeting of the Company and the Stock Exchange (where required)) to 31 December 2015. Hunan Sany Port Equipment shall sell the types of products specified in the Sales Agreement to Sany International Development at the prices specified in the sales agreement. If the price of any given product being sold to Sany International Development is not specified in the sales agreement, the selling price for such product shall be set out in the relevant sales contract. In any event, the prices at which Hunan Sany Port Equipment sells its product(s) to Sany International Development shall not be less than (i) the price at which Hunan Sany Port Equipment sells the same product(s) to overseas distributors; and (ii) 85% of the price at which Hunan Sany Port Equipment sells the same product(s) to any third parties. The maximum aggregate transaction amounts under the sales agreement for the years ending 31 December 2014 and 2015 are RMB128 million and RMB150 million, respectively, determined based on the historical transaction amounts, taking into account the Company's plan to gradually change the platform on which Hunan Sany Port Equipment sells its products to overseas customers from Sany International Development to the sales platform of the Group by the end of June 2015. Since the Onshore Acquisition was completed on 31 December 2014, the aggregate amount of the transactions under the Sales Agreement during the year under review was nil, which was within the annual cap of RMB128 million.

Upon completion of the Onshore Acquisition (as defined above), Hunan Sany Port Equipment became an indirect wholly-owned subsidiary of the Company.

Mr. Liang Wengen is a controlling shareholder of the Company by virtue of his 56.42% indirect interests in Sany Hong Kong, which in turn holds 85.97% of the total issued share capital of the Company, among which 70.19% is ordinary shares and 15.78% is Convertible Preference Shares. Sany Group, being held by Mr. Liang Wengen as to 56.42%, is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) and hence a connected person of the Company under the Listing Rules. Sany International Development is a subsidiary of Sany Group and therefore a connected person of the Company.

Further details of the Sales Agreement are set out in the announcement of the Company dated 7 November 2014.

Review by the independent non-executive Directors

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

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

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

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

Review by the auditors

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group.

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

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

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

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

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

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 39 to the financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those described in the sub-sections headed "Connected Transaction" and "Continuing Connected Transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Management Contracts

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

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 9 June 2015 to Friday, 12 June 2015, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to attend and vote at the annual general meeting is Friday, 12 June 2015. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 12 June 2015, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 8 June 2015.

Audit Committee

The Audit Committee had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2014.

Auditors

The consolidated financial statements for the year ended 31 December 2014 have been audited by Ernst & Young. Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed by the Company at the forthcoming annual general meeting to re-appoint Ernst & Young as auditors of the Company.

By Order of the Board

Wu Jialiang
Chairman

Hong Kong, 24 March 2015

Corporate Governance

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

Except for the code provision A.2.1, the Company has complied with the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules from 1 January 2014 to 31 December 2014. In accordance with code provision A.2.1 of the CG Code, the roles of chairman of the Board and chief Executive Officer should be separate and should not be performed by the same individual. Further, the division of responsibilities between the chairman and chief executive officer should be clearly established. From 28 September 2014 to 31 December 2014, the Company did not separate the roles of chairman of the Board and the chief executive officer, and Mr. Wu Jialiang acted as the chairman of the Board and the chief executive officer during such period. The Board considers vesting the role of both the chairman of the Board and the chief executive officer in Mr. Wu Jialiang provides the Company with consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies. The Board believes that this structure did not impair the balance of power and authority between the Board and the management of the Company. As the Board comprises of experienced and quality calibres (including sufficient number of independent non-executive Director), balance between duty and right can be assured.

For good corporate governance purpose, on 18 March 2015, Mr. Wu Jialiang resigned as the chief executive officer and Mr. Mei Yonghua was appointed as the chief executive officer on the same date.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the review period, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they had complied with the Model Code throughout the year ended 31 December 2014.

The Board

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

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

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

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

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

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

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

Chairman and Chief Executive Officer

From 1 January 2014 to 27 September 2014, the division of responsibilities between the chairman of the Board and chief executive officer were vest in Mr. Zhao Xiangzhang and Mr. Wu Jialiang, respectively. Starting from 28 September 2014, Mr. Wu Jialiang acted as both the chairman of the Board and the chief executive officer of the Company and was responsible for monitoring the operation of the Group. The Board considers that Mr. Wu Jialiang was both the chairman of the Board and the chief executive officer of the Company will not impair the balance of power and authority between the Board and the management of the Company. For good corporate governance purpose, on 18 March 2015, Mr. Wu Jialiang resigned as the chief executive officer and Mr. Mei Yonghua was appointed as the chief executive officer on the same date.

Joint Company Secretaries

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

Name of company Secretaries	Corporate Governance/ Updates on Laws, Rules and Regulations: Read materials	Corporate Governance/ Updates on Laws, Rules and Regulations: Attend Seminars (Times)/Briefings	Accounting/Financial/ Management or Other Professional Skills: Read materials	Accounting/Financial/ Management or Other Professional Skills: Attend Seminars (Times)/Briefings
Mr. Hu Tao	7	(14.0 hours in total)	2	(6.0 hours in total)
Ms. Kam Mei Ha Wendy	5	(23.5 hours in total)	2	(4.5 hour in total)

Appointments and Re-election of Directors

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for a specific term, and is subject to retirement by rotation and re-election at an annual general meeting in accordance with the articles of association. The articles of association provide that in accordance with article 84(1) of the articles of association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

Pursuant to article 83(3) of the articles of association, any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Diversity Policy

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

Board Committees

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

Audit Committee

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

During the year ended 31 December 2014, the Audit Committee held three meetings. The Group's unaudited interim results for the six months ended 30 June 2014 and the audited annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors.

Remuneration Committee

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

During the year ended 31 December 2014, the Remuneration Committee held one meeting. During the year ended 31 December 2014, the Remuneration Committee reviewed the remuneration packages of the Directors and the senior managements and recommended the remuneration of Mr. Wu Jialiang, Mr. Lu Ben and Mr. Tang Xiuguo to the Board.

Nomination Committee

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

During the year ended 31 December 2014, the Nomination Committee held two meetings. During the year ended 31 December 2014, the Nomination Committee reviewed and recommended the appointment of Mr. Wu Jialiang and Mr. Lu Ben as executive Directors and Mr. Tang Xiuguo as a non-executive Director, the re-designation of Mr. Mao Zhongwu as a non-executive Director and the appointment of Mr. Yuan Jianfeng as chief financial officer, and reviewed the structure, size and composition of the Board.

Strategic Investment Committee

The strategic investment committee of the Company (the "Strategic Investment Committee") was established on 4 October 2012. The Strategic Investment Committee is responsible for the proposal and analysis of the business development and investment of the company. Mr. Wu Jialiang acted as the chairman of the Strategic Investment Committee (Mr. Zhao Xiangzhang resigned as the chairman on 25 September 2014 and Mr. Wu Jialiang was appointed as the chairman of the Strategic Investment Committee on 28 September 2014, and the other four members were Mr. Mao Zhongwu, Dr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung.

The Board may seek advice from the Strategic Investment Committee on the business development plan of the Group and the feasibility of investment project whenever necessary. During the year ended 31 December 2014, one meeting was held by the Strategic Investment Committee to provide recommendation to the Board for acquisition project.

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with Code Provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. During the year of 2014, the Board determined the policy for the corporate governance of the Company.

Number of Meetings and Directors' Attendance

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Strategic Investment Committee and general meetings of the Company during the year ended 31 December 2014 is set out below:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Strategic Investment Committee	General Meeting
Executive Directors						
Mr. Wu Jialiang (1)						
(Chairman of the Board)	5/9	N/A	N/A	N/A	1/1	1/2
Mr. Lu Ben (2)	5/9	N/A	N/A	N/A	N/A	1/2
Mr. Zhao Xiangzhang (3)	4/9	N/A	N/A	N/A	N/A	1/2
Mr. Kuang Canghao (4)	4/9	N/A	N/A	N/A	N/A	1/2
Mr. Huang Xiangyang (4)	4/9	N/A	N/A	N/A	N/A	1/2
Mr. Liu Weili (4)	4/9	N/A	N/A	N/A	N/A	1/2
Non-executive Directors						
Mr. Tang Xiuguo (5)	5/9	N/A	N/A	N/A	N/A	1/2
Mr. Xiang Wenbo	9/9	N/A	N/A	N/A	N/A	2/2
Mr. Mao Zhongwu (6)	9/9	N/A	N/A	2/2	1/1	2/2
Independent non-executive Directors						
Dr. Ngai Wai Fung	8/9	3/3	1/1	2/2	1/1	2/2
Mr. Xu Yaxiong	8/9	3/3	1/1	2/2	1/1	2/2
Mr. Ng Yuk Keung	8/9	3/3	1/1	N/A	1/1	2/2

Notes:

(1) Mr. Wu Jialiang was appointed as an executive Director and chairman of the Board of the Company, as effective from 28 September 2014.

(2) Mr. Lu Ben was appointed as executive Director of the Company, as effective from 28 September 2014.

(3) Mr. Zhao Xiangzhang resigned as an executive Director, the chairman of the Board and the chairman of the Strategic Investment Committee, as effective from 25 September 2014.

(4) 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.

(5) Mr. Tang Xiuguo was appointed as non-executive Director of the Company, as effective from 28 September 2014.

(6) Mr. Mao Zhongwu was re-designated as a non-executive Director, as effective from 28 September 2014.

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

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

Continuous Professional Development

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

The Directors have been informed of the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development. For the year ended 31 December 2014, the Company has received training information from each Director, pursuant to the content of which, the Company considers that the training of Directors was in compliance with the requirements under Rule A.6.5 of the Listing Rules.

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the year ended 31 December 2014:

	Corporate Governance/Updates on Laws, Rules and Regulations		Accounting/Financial/Management or Other Professional Skills	
Name of Director	**Read materials**	**Attend Seminars/ Briefings**	**Read materials**	**Attend Seminars/ Briefings**
Executive Directors				
Mr. Wu Jialiang	✓	✓	✓	✓
Mr. Lu Ben	✓	✓	✓	✓
Non-executive Directors				
Mr. Tang Xiuguo	✓	✓	✓	✓
Mr. Xiang Wenbo	✓	✓	✓	✓
Mr. Mao Zhongwu	✓	✓	✓	✓
Independent non-executive Directors				
Dr. Ngai Wai Fung	✓	✓	✓	✓
Mr. Xu Yaxiong	✓	✓	✓	✓
Mr. Ng Yuk Keung	✓	✓	✓	✓

Compliance with the Model Code for Directors' Securities Transactions

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

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2014 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

Auditors' Remuneration

The audit committee of the Board is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company has appointed Ernst & Young as the auditors of the Company. The fees for the audit services provided by the auditor to the Group for the year ended 31 December 2014 amounted to RMB3.46 million, details of which are as follows:

Types of service	RMB'000
Audit service	3,460

The statement of the auditors of the Company concerning their responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on pages 57 to 58 of this annual report.

Internal Control

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and Shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout 2014 and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the year under review, the Board has conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2014. External consultants were engaged to assist the Board to perform high-level review of the internal control systems for its business operations and processes. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment was made by discussions with the management of the Company and its external auditors. The Board believes that the existing internal control system is adequate and effective.

Shareholders' Rights

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

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

Procedures by which enquiries may be put to the Board

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

Constitutional documents

During the year ended 31 December 2014, there has been no significant change in the Company's constitutional documents.

Communication with Shareholders

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

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

Corporate Information

Directors

Executive Directors
Mr. Wu Jialiang *(Chairman)*
Mr. Lu Ben

Non-executive Directors
Mr. Tang Xiuguo
Mr. Xiang Wenbo
Mr. Mao Zhongwu

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. Wu Jialiang *(Chairman)*
Mr. Mao Zhong Wu
Dr. Ngai Wai Fung
Mr. Xu Yaxiong
Mr. Ng Yuk Keung

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

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

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

Auditors
Ernst & Young
Certified Public Accountants

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

Stock Code
00631

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

Company Website
www.sanyhe.com

Investor Relations
Ms. Tang Lin

Direct Line	:	+86 24 89318000
Fax	:	+86 24 89318111
E-mail	:	tanglin@sany.com.cn
Address	:	No. 25, 16 Kaifa Road, Shenyang Economic and Technological Development Zone, Shenyang, Liaoning Province, PRC
Postal code	:	110027

EY 安永

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

We have audited the consolidated financial statements of Sany Heavy Equipment International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 139, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Independent Auditors' Report

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

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

24 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	**2,175,237**	3,225,463
Cost of sales		**(1,466,023)**	(2,062,410)
Gross profit		**709,214**	1,163,053
Other income and gains	5	**137,105**	168,675
Gain on disposal of non-current assets classified as held for sale	16	**240,553**	–
Selling and distribution expenses		**(312,886)**	(500,675)
Administrative expenses		**(358,689)**	(359,264)
Other expenses		**(209,371)**	(47,024)
Finance costs	7	**(30,616)**	(17,180)
PROFIT BEFORE TAX	6	**175,310**	407,585
Income tax expense	10	**(5,424)**	(49,406)
PROFIT FOR THE YEAR		**169,886**	358,179
Attributable to:			
Owners of the parent	11	**168,270**	356,208
Non-controlling interests		**1,616**	1,971
		169,886	358,179
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB Yuan)	13	**0.06**	0.12
Diluted (RMB Yuan)	13	**0.06**	0.12

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR	**169,886**	358,179
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Reclassification adjustments to the consolidated statement of profit or loss	**–**	95,145
Income tax effect	**–**	(15,699)
	–	79,446
Exchange differences on translation of foreign operations	**95**	613
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**95**	80,059
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**95**	80,059
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**169,981**	438,238
Attributable to:		
Owners of the parent	**168,365**	436,267
Non-controlling interests	**1,616**	1,971
	169,981	438,238

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,685,917**	2,151,073
Prepaid land lease payments	15	**709,754**	466,145
Goodwill	17	**1,129,520**	–
Intangible assets	18	**75,973**	101,789
Available-for-sale investments	20	**12,536**	10,636
Non-current prepayments	23	**752,836**	209,647
Deferred tax assets	31	**458,719**	159,456
Total non-current assets		**5,825,255**	3,098,746
CURRENT ASSETS			
Inventories	21	**1,573,416**	691,337
Trade receivables	22	**3,248,784**	2,715,876
Bills receivable	22	**353,142**	659,198
Prepayments, deposits and other receivables	23	**910,657**	287,746
Due from the immediate holding company	39(2)	**–**	184,947
Investment deposits	24	**400,000**	300,000
Time deposits	25	**112,884**	126,934
Pledged deposits	25	**50,864**	106,757
Cash and cash equivalents	25	**278,241**	330,404
		6,927,988	5,403,199
Non-current assets classified as held for sale	16	**–**	210,706
Total current assets		**6,927,988**	5,613,905
CURRENT LIABILITIES			
Trade and bills payables	26	**1,411,794**	867,681
Other payables and accruals	27	**2,424,487**	749,811
Interest-bearing bank borrowings	28	**351,819**	676,974
Tax payable		**344,555**	83,991
Provision for warranties	29	**33,966**	43,682
Government grants	30	**15,555**	19,980
Total current liabilities		**4,582,176**	2,442,119
NET CURRENT ASSETS		**2,345,812**	3,171,786
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,171,067**	6,270,532

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	31	**9,299**	5,343
Government grants	30	**1,399,972**	437,686
Total non-current liabilities		**1,409,271**	443,029
Net assets		**6,761,796**	5,827,503
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**302,214**	264,366
Reserves	34(a)	**6,389,213**	5,494,384
		6,691,427	5,758,750
Non-controlling interests		**70,369**	68,753
Total equity		**6,761,796**	5,827,503

Wu Jialiang
Director

Lu Ben
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the parent											
	Issued capita											
	Ordinary shares RMB'000 (note 32)	Convertible preference shares RMB'000 (note 32)	Share premium account RMB'000 (note 34(b))	Contributed surplus RMB'000 (note 34(a))	Share option reserve RMB'000 (note 33)	Reserve funds RMB'000 (note 34(a))	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	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 year	–	–	–	–	–	–	–	–	168,270	168,270	1,616	169,886
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	95	–	–	95	–	95
Total comprehensive income for the year	–	–	–	–	–	–	95	–	168,270	168,365	1,616	169,981
Issue of convertible preference shares	–	37,848	722,528	–	–	–	–	–	–	760,376	–	760,376
Share-based payments	–	–	–	–	3,936	–	–	–	–	3,936	–	3,936
Transfer from retained profits	–	–	–	–	–	20,291	–	–	(20,291)	–	–	–
At 31 December 2014	264,366	37,848	2,239,502#	1,332,316#	7,267#	348,284#	(40,711)#	5,744#	2,496,811#	6,691,427	70,369	6,761,796

These reserve accounts comprise the consolidated reserves of RMB6,389,213,000 (2013: RMB5,494,384,000) in the consolidated statement of financial position.

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the parent												
	Issued capital –Ordinary shares RMB'000 (note 32)	Share premium account RMB'000 (note 34(b))	Contributed surplus RMB'000 (note 34(a))	Share option reserve RMB'000 (note 33)	Reserve funds RMB'000 (note 34(a))	Exchange fluctuation reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve* RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	269,509	1,667,316	1,332,316	–	288,555	(41,419)	(79,446)	601	2,030,305	161,139	5,628,876	66,782	5,695,658
Profit for the year	–	–	–	–	–	–	–	–	356,208	–	356,208	1,971	358,179
Other comprehensive income for the year:													
Reclassification adjustments for disposal of available-for-sale investments, net of tax	–	–	–	–	–	–	79,446	–	–	–	79,446	–	79,446
Exchange differences on translation of foreign operations	–	–	–	–	–	613	–	–	–	–	613	–	613
Total comprehensive income for the year	–	–	–	–	–	613	79,446	–	356,208	–	436,267	1,971	438,238
Adjustment to proposed dividend for repurchase of shares	–	–	–	–	–	–	–	–	1,757	(1,757)	–	–	–
Repurchase of issued ordinary shares	(5,143)	(150,342)	–	–	–	–	–	5,143	–	–	(150,342)	–	(150,342)
Final 2012 dividend declared	–	–	–	–	–	–	–	–	–	(159,382)	(159,382)	–	(159,382)
Share-based payments	–	–	–	3,331	–	–	–	–	–	–	3,331	–	3,331
Transfer from retained profits	–	–	–	–	39,438	–	–	–	(39,438)	–	–	–	–
At 31 December 2013	264,366	1,516,974	1,332,316	3,331	327,993	(40,806)	–	5,744	2,348,832	–	5,758,750	68,753	5,827,503

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**175,310**	407,585
Adjustments for:			
Finance costs	7	**30,616**	17,180
Interest income	5	**(2,541)**	(5,650)
Gains from investment deposits	5	**(14,723)**	(14,331)
Loss on disposal of items of property, plant and equipment	6	**956**	718
Gain on disposal of items of non-current assets classified as held for sales	16	**(240,553)**	–
Depreciation	14	**117,439**	110,728
Amortisation of land lease prepayments	15	**10,869**	9,899
Government grants	30	**(81,538)**	(96,608)
Impairment of trade receivables	22	**208,311**	42,621
Impairment of other receivables		**104**	–
Amortisation of intangible assets	18	**25,816**	26,162
Provision against slow-moving and obsolete inventories	21	**3,197**	17,371
Share option expense	33	**3,936**	3,331
		237,199	519,006
(Increase)/decrease in inventories		**(398,454)**	151,280
Increase in trade receivables		**(458,667)**	(1,031,873)
Decrease/(Increase) in bills receivable		**394,417**	(51,860)
Decrease in prepayments, deposits and other receivables		**67,076**	86,725
Increase in trade and bills payables		**269,514**	128,950
(Decrease)/increase in other payables and accruals		**(39,152)**	81,781
Decrease in provision for warranties		**(9,716)**	(7,097)
Receipt of government grants		**36,501**	440
Cash generated from/(used in) operations		**98,718**	(122,648)
PRC tax paid		**(6,452)**	(100,981)
Net cash flows generated from/(used in) operating activities		**92,266**	(223,629)

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Net cash flows generated from/(used in) operating activities		**92,266**	(223,629)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,541**	5,650
Purchases of items of property, plant and equipment		**(281,815)**	(229,210)
Acquisition of subsidiaries	35	**8,846**	–
Decrease in financial assets at fair value through profit or loss		**184,947**	–
Proceeds of disposal of non-current assets classified as held for sale	16	**192,363**	–
Proceeds from disposal of items of property, plant and equipment		**4,008**	10,557
Collection of investment deposits		**300,000**	–
Payment for investments deposits		**(400,000)**	(300,000)
Gains from investment deposits		**17,983**	11,504
Purchase of Land		**(119)**	–
Collection of non-pledged deposits with original maturity of three months or more when acquired		**126,934**	120,000
Investment in non-pledged deposits with original maturity of three months or more when acquired		**(7,524)**	(146,934)
Receipt of government grants		**7,190**	77,592
Net cash flows generated from/(used in) investing activities		**155,354**	(450,841)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of issued shares		**–**	(150,342)
New bank loans		**351,819**	1,049,418
Repayment of bank loans		**(678,341)**	(558,179)
Interest paid		**(30,616)**	(15,987)
Dividends paid		**–**	(159,382)
Decrease/(addition) of pledged deposits		**55,893**	(13,117)
Net cash flows (used in)/generated from financing activities		**(301,245)**	152,411
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(53,625)**	(522,059)
Cash and cash equivalents at beginning of year		**330,404**	848,578
Effect of foreign exchange rate changes, net		**1,462**	3,885
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	**278,241**	330,404

Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**43**	54
Investment in subsidiaries	19	**3,424,145**	3,366,747
Total non-current assets		**3,424,188**	3,366,801
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**471**	95
Due from the immediate holding company		**–**	184,947
Due from subsidiaries	19	**775,265**	78,942
Cash and cash equivalents	25	**12,962**	10,222
Total current assets		**788,698**	274,206
CURRENT LIABILITIES			
Other payables and accruals	27	**–**	539
Interest-bearing bank borrowings	28	**–**	179,148
Total current liabilities		**–**	179,687
NET CURRENT ASSETS		**788,698**	94,519
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,212,886**	3,461,320
Net assets		**4,212,886**	3,461,320
EQUITY			
Issued capital	32	**302,214**	264,366
Reserves	34(b)	**3,910,672**	3,196,954
Total equity		**4,212,886**	3,461,320

Wu Jialiang
Director

Lu Ben
Director

1. Corporate Information

Sany Heavy Equipment International Holdings Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 23 July 2009. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business of the Company is located at No.25, 16 Kaifa Road, Economic and Technological Development Area, Shenyang City, Liaoning Province, the People's Republic of China (the "PRC"). During the year, 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), port machinery, spare parts and the provision of related service in Mainland China. On 31 December 2014, the Group acquired Sany Marine Industry International Holdings Co., Ltd. ("Sany Marine Industry") and its subsidiaries, which are mainly engaged in port machinery business.

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

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with traditional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accounts and Auditors" which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention. Non-current assets held for sale are stated at the lower of their carrying amounts and fair value less costs to sell as further explained in note 2.4 to the financial statements. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to IFRS 10 IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

The adoption of the revised standards and new interpretation has had no significant effect on these financial statements.

2.3 New and Revised IFRSs and New Disclosure Requirements under the Hong Kong Companies Ordinance not yet adopted

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

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferred Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Amendments to IAS 1	*Disclosure Inititative*[2]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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 may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

2.4 Summary of Significant Accounting Policies

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

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

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

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Non-current assets classified as held for sale

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

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

Intangible assets (other than goodwill)

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

Patents and licences

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

Research and development costs

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration of that the Group could be required to repay.

Impairment of financial assets

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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

Available-for-sale financial investments

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

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less that its cost.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of less than three months, which are not restricted as to use.

2.4 Summary of Significant Accounting Policies (continued)

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

Government grants

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

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

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

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

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

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the financial statements.

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Share-based payments (continued)

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

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

Employee retirement benefits

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 Summary of Significant Accounting Policies (continued)

Dividends

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

Foreign currencies

The Company, which was incorporated in the Cayman Islands, uses the Hong Kong dollar ("HK$") as its functional currency. The functional currency of the PRC subsidiaries is RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Company. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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

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

3. Significant Accounting Judgements and Estimates

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

3. Significant Accounting Judgements and Estimates (continued)

Judgements

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

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Estimation uncertainty

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

In determining the useful life and residual value of an item of property, plant and equipment and intangible assets, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation/ amortisation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment and intangible assets are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. Further details are included in notes 14 and 18 to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2014, the best estimate of the carrying amount of capitalised development costs was RMB72,133,000 (2013: RMB96,178,000) and included in "patents and licences" in 2014. Further details are included in note 18 to the financial statements.

Provision for product warranties

The Group provides one-year warranties on the products sold to its customers, under which faulty products are repaired or replaced. The amount of the warranty provision is estimated based on the sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. Further details are included in note 29 to the financial statements.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down charge/write-back of inventories in the period in which the estimate has been changed. Further details are included in note 21 to the financial statements.

Impairment of trade receivables

The Group estimates the provisions for impairment of trade receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amount of trade receivables and thus the impairment loss in the period in which the estimate is changed. The Group reassesses the provisions at the end of the reporting period. Further details are included in note 22 to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB1,129,520,000 (2013: Nil). Further details are given in note17 to the financial statements.

4. Operating Segment Information

For management purposes, the Group operates in two business units based on its products, and has two reportable operating segments as follows:

(a) Coal mining equipment segment

The coal mining equipment segment engages in the production and sale of roadheader, CCMU, mining transport equipment (including underground and surface), spare parts and the provision of the related services; and

(b) Port machinery segment

The port machinery segment engages in the production and sale of large-size port machinery (including gantry crane, ship to shore crane and yard crane) and small-size port machinery (including reach stacker, empty container handles and heavy duty forklift trucks), spare parts and the provision of the related services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, dividend income, as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, pledged deposits, investment deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, deferred tax liabilities, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. Operating Segment Information (continued)

	Coal mining equipment RMB'000	Port machinery RMB'000	Total RMB'000
Year ended 31 December 2014			
Segment revenue			
Sales to customers	2,175,237	–	2,175,237
Other revenue	377,658	–	377,658
Revenue from operations	2,552,895	–	2,552,895
Segment results	203,385	–	203,385
Interest income			2,541
Finance costs			(30,616)
Profit before tax			175,310
Income tax expense			(5,424)
Profit for the year			169,886
Segment assets	7,307,302	4,145,233	11,452,535
Reconciliation:			
Corporate and other unallocated assets			1,300,708
Total assets			12,753,243
Segment liabilities	1,710,836	3,574,938	5,285,774
Reconciliation:			
Corporate and other unallocated liabilities			705,673
Total liabilities			5,991,447
Other segment information:			
Depreciation and amortisation	154,124	–	154,124
Capital expenditure*	290,668	618,273	908,941
Gain on disposal of non-current assets classified as held for sale	240,553	–	240,553
Loss on disposal of items of property, plant and equipment	(956)	–	(956)
Impairment losses recognised in profit or loss	211,612	–	211,612

* Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments including assets from the acquisition of subsidiaries.

Since the Group operated in one business unit and has one reportable operating segment – coal mining equipment segment for the year ended 31 December 2013, no operating segment information was presented.

4. Operating Segment Information (continued)

Geographical information

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 RMB578,988,000 (2013: RMB648,314,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. Revenue, Other Income and Gains

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

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

		Group	
	Note	2014 RMB'000	2013 RMB'000
Revenue			
Sale of goods		**2,114,718**	3,175,096
Rendering of services		**60,519**	50,367
		2,175,237	3,225,463
Other income			
Bank interest income		**2,541**	5,650
Profit from sale of scrap materials		**18,241**	47,226
Government grants	30	**81,538**	96,608
Foreign exchange differences, net		**4,158**	–
Others		**15,904**	4,860
		122,382	154,344
Gains			
Gains from investment deposits		**14,723**	14,331
		137,105	168,675

6. Profit Before Tax

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

	Notes	Group 2014 RMB'000	Group 2013 RMB'000
Cost of inventories sold		1,410,130	1,998,181
Cost of services provided		52,696	46,858
Depreciation	14	117,439	110,728
Amortisation of land lease prepayments**	15	10,869	9,899
Amortisation of intangible assets**	18	25,816	26,162
Auditors' remuneration		3,460	2,400
Provision for warranties*	29	10,048	29,180
Research and development costs**		169,174	177,694
Minimum lease payments under operating leases:			
Dormitories for staff		–	29
Warehouses		6,631	4,286
Office equipment		38	287
		6,669	4,602
Employee benefit expenses (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		252,825	263,519
Equity-settled share option expense		3,936	3,331
Employee retirement benefits		31,181	33,706
Other staff welfare		15,142	18,165
		303,084	318,721
Foreign exchange differences, net***		(4,158)	3,685
Impairment of trade and other receivables***		208,415	42,621
Provision against slow-moving and obsolete inventories****	21	3,197	17,371
Gain on disposal of items of non-current assets classified as held for sale	16	(240,553)	–
Loss on disposal of items of property, plant and equipment***		956	718

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

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

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

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

7. Finance Costs

	Group	
	2014	2013
	RMB'000	RMB'000
Interest on interest-bearing bank borrowings wholly repayable within five years	**24,437**	12,919
Interest on documentary bills	**815**	231
Interest on discounted bills	**5,364**	4,030
	30,616	17,180

8. Directors' and Chief Executive's Remuneration

Details of directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Fees	**634**	640
Other emoluments:		
Salaries, allowances and benefits in kind	**4,851**	3,103
Equity-settled share option expense	**1,755**	1,383
Employee retirement benefits and other staff welfare	**362**	279
	6,968	4,765
	7,602	5,405

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

(a) Independent non-executive directors

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

	Fees RMB'000	Mandatory provident fund RMB'000	Total remuneration RMB'000
2014			
Mr. Xu Yaxiong	**206**	**–**	**206**
Dr. Ngai Wai Fung	**222**	**–**	**222**
Mr. Ng Yuk Keung	**206**	**–**	**206**
	634	**–**	**634**
2013			
Mr. Xu Yaxiong	208	–	208
Dr. Ngai Wai Fung	224	–	224
Mr. Ng Yuk Keung	208	–	208
	640	–	640

There were no emoluments payable to the independent non-executive directors during the year (2013: Nil).

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Employee retirement benefits and other staff welfare RMB'000	Total remuneration RMB'000
2014					
Executive directors:					
Mr. Wu Jialiang (chief executive appointed on 28 September 2014)	–	1,010	–	61	1,071
Mr. Lu Ben (appointed on 28 September 2014)	–	843	120	62	1,025
Mr. Zhao Xiangzhang (resigned on 25 September 2014)	–	635	907	44	1,586
Mr. Kuang Canghao (resigned on 20 June 2014)	–	–	292	–	292
Mr. Huang Xiangyang (resigned on 20 June 2014)	–	1,095	176	68	1,339
Mr. Liu Weili (resigned on 20 June 2014)	–	1,268	191	61	1,520
	–	4,851	1,686	296	6,833
Non-executive directors:					
Mr. Tang Xiuguo (appointed on 28 September 2014)	–	–	–	–	–
Mr. Mao Zhongwu (executive director before 28 September 2014)	–	–	69	66	135
Mr. Xiang Wenbo	–	–	–	–	–
	–	–	69	66	135

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

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

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

There was no other arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2013: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included four directors including the chief executive of the company (2013: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2013: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries and allowances	**538**	248
Bonuses	**315**	280
Equity-settled share option expense	**138**	81
Employee retirement benefits and other staff welfare	**68**	52
	1,059	661

The remuneration of non-director and non-chief executive highest paid employee fell within the following bands as follows:

	Group	
	2014	2013
Nil to RMB780,000 (HK$1,000,000)	**–**	1
RMB780,000 (HK$1,000,000) to RMB1,180,000 (HK$1,500,000)	**1**	–
	1	1

10. Income Tax

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to a certain subsidiary operating in Mainland China, the companies of the Group which operate in Mainland China were subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the year ended 31 December 2014.

10. Income Tax (continued)

One of the Group's principal operating companies, Sany Heavy Equipment Co., Ltd. (三一重型裝備有限公司) ("Sany Heavy Equipment"), obtained the high technology enterprise accreditation and was therefore subject to CIT at a rate of 15% in 2014 (2013: 15%).

	Group	
	2014	2013
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	**39,638**	60,029
Deferred	**(34,214)**	(10,623)
Total tax charge for the year	**5,424**	49,406

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

	Group			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Profit before tax	**175,310**		407,585	
Tax at the statutory tax rate	**43,828**	**25.0**	101,896	25.0
Entities subject to lower statutory income tax rates	**(18,849)**	**(10.8)**	(38,277)	(9.4)
Expenses not deductible for tax	**463**	**0.3**	1,268	0.3
Tax losses utilised from previous periods	**(1,952)**	**(1.1)**	–	–
Different tax rate when temporary difference is realised	**11,396**	**6.5**	(1,967)	(0.5)
Super-deduction of research and development costs	**(13,377)**	**(7.6)**	(12,212)	(3.0)
Adjustments in respect of current tax of previous periods	**(17,444)**	**(10.0)**	–	–
Income not subject to tax	**(2,578)**	**(1.4)**	(3,891)	(1.0)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**2,490**	**1.4**	260	0.1
Tax losses not recognised	**1,447**	**0.8**	2,329	0.6
Tax charge at the Group's effective tax rate	**5,424**	**3.1**	49,406	12.1

11. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB12,841,000 (2013: RMB26,562,000) which has been dealt with in the financial statements of the Company.

12. Dividend

The board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

13. Earnings Per Share Attributable to Ordinary Equity Holders of The Parent

The calculation of the basic earnings per share is based on the profit for the year ended 31 December 2014 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (2013: 3,064,886,334) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year ended 31 December 2014 attributable to ordinary equity holders of the parent, adjusted to reflect the preferred distribution on the covertible preference shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	2014 **RMB'000**	2013 RMB'000
Earnings		
Earnings attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**168,270**	356,208
Preferred distribution to the convertible preference shares	**–**	–
Earnings attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**168,270**	356,208

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,041,025,000**	3,064,886,334
Effect of dilution – convertible preference shares	**1,314,469**	–
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3, 042,339,469**	3,064,886,334

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

14. Property, Plant and Equipment

Group	Buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014						
At 31 December 2013 and at 1 January 2014:						
Cost	495,128	895,772	66,569	32,670	972,323	2,462,462
Accumulated depreciation	(27,553)	(247,559)	(18,752)	(17,525)	–	(311,389)
Net carrying amount	467,575	648,213	47,817	15,145	972,323	2,151,073
At 1 January 2014, net of accumulated depreciation	467,575	648,213	47,817	15,145	972,323	2,151,073
Acquisition of subsidiaries (note 35)	–	83,868	35,542	4,979	233,468	357,857
Additions	57,590	24,558	4,968	3,182	200,370	290,668
Disposals	–	(4,713)	(250)	(1)	–	(4,964)
Transfer from assets held for sale (note 16)	2,932	–	–	5,790	–	8,722
Depreciation provided during the year	(13,297)	(89,070)	(5,252)	(9,820)	–	(117,439)
Transfers	71,163	7,369	21	–	(78,553)	–
At 31 December 2014, net of accumulated depreciation	585,963	670,225	82,846	19,275	1,327,608	2,685,917
At 31 December 2014:						
Cost	628,415	1,034,684	119,948	60,217	1,327,608	3,170,872
Accumulated depreciation	(42,452)	(364,459)	(37,102)	(40,942)	–	(484,955)
Net carrying amount	585,963	670,225	82,846	19,275	1,327,608	2,685,917

14. Property, Plant and Equipment (continued)

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

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 RMB4,551,000 as at 31 December 2014 (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 31 December 2014, no interest-bearing bank borrowings were secured by the Group's buildings and machinery (2013: RMB484,367,000) (note 28(b)).

15. Prepaid Land Lease Payments

	Group	
	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	**476,367**	512,117
Assets held for sale (note 16)	**–**	(25,851)
Acquisition of subsidiaries (note 35)	**260,416**	–
Recognised during the year (note 6)	**(10,869)**	(9,899)
Carrying amount at 31 December	**725,914**	476,367
Current portion included in prepayments, deposits and other receivables	**(16,160)**	(10,222)
Non-current portion	**709,754**	466,145

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

On 22 February 2012, Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry"), a subsidiary acquired by the Company on 31 December 2014 (note 35), entered into an agreement with China Zhuhai Government to purchase two pieces of land (the "Agreement"), which are situated in Mainland China and held under a medium term lease.

As at 31 December 2014, Sany Marine Heavy Industry has received one parcel of land with carrying amount of approximately RMB260,416,000 and acquired the land use right certificate. Another parcel of land, acquired at a consideration of RMB544,665,000, has not yet been provided to Sany Marine Heavy Industry by China Zhuhai Government up to the date of this report.

According to the Agreement, the total investment on these two pieces of land shall be no less than RMB5.1 billion in 2 years after the land are provided. As at 31 December 2014, the Group has invested RMB1,015,861,000 and the remaining of RMB4,105,540,000 was disclosed in capital commitment (note 38). In the event that Sany Marine Heavy Industry fails to meet such investment commitment, Sany Marine Heavy Industry should bear a penalty for breach of contract which is calculated based on the actual shortage in percentage of the total investment multiplied by the total consideration for the land. In the opinion of the Directors, Sany Marine Heavy Industry strictly abides by the terms of the Agreement and no breach of any terms in the Agreement was noted up to the date of approval of these financial statements.

16. Non-Current Assets Classified as Held for Sale

On 12 July 2013, as required by the government of Shenyang City ("the local government"), the Group agreed to sell a piece of land at Yansaihu Street and the immovable attached thereto ("the Property") to the local government. According to the agreement entered into between the Group and the local government dated 20 February 2014, the consideration for the Property was RMB605 million, which was determined based on the fair value of the Property valued by a PRC independent appraiser, and the transaction would be subject to the completion of the open bidding for the Property and the approval of the Company's board of directors. On 14 November 2014, Shenyang Economic and Technology Development Zone Land Reserve Trading Centre (the "Land Trading Centre") completed the open bidding for the Property and Jindi Group (Shenyang) Real Estates Co., Ltd. won the tender. On 5 December 2014, the Company's board of directors approved the transfer of the Property to the Land Trading Centre for a consideration of RMB605 million. The consideration of RMB200 million has been settled as at 31 December 2014 and the rest of the RMB405 million will be settled by 15 June 2015.

	Notes	**2014 RMB'000**
Assets held for sale:		
Property, plant and equipment	14	**184,855**
Prepaid land lease payments	15	**25,851**
		210,706
Amount reclassified to property, plant and equipment	14	**(8,722)**
Net non-current assets classified as held for sale disposed of		**201,984**
Relocation and disposal expenses already incurred		**33,698**
Accrued additional relocation and disposal expenses		**128,765**
Gain on disposal of non-current assets classified as held for sale		**240,553**
		605,000
Satisfied by:		
Cash		**605,000**

16. Non-Current Assets Classified as Held for Sale (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of non-current assets classified as held for sale is as follows:

	RMB'000
Cash consideration	605,000
Less: Unsettled amount included in other receivables	(405,000)
Relocation and disposal expenses paid	(7,637)
Net inflow of cash and cash equivalents included in cash flows used in investing activities	192,363

No interest-bearing bank borrowings were secured by the Group's leasehold land which had been classified as non-current assets held for sale as at 31 December 2014 (31 December 2013: RMB25,851,000) (note 28(b)).

17. Goodwill

Group

	RMB'000
Cost at 31 December 2013 and 1 January 2014, net of accumulated impairment	–
Acquisition of subsidiaries (note 35)	1,129,520
Cost and net carrying amount at 31 December 2014	1,129,520
At 31 December 2014:	
Cost	1,129,520
Accumulated impairment	–
Net carrying amount	1,129,520

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the following cash-generating unit for impairment testing:

- Port machinery cash-generating unit

17. Goodwill (continued)

The carrying amount of goodwill allocated to the Port machinery cash-generating unit is as follows:

	2014 RMB'000
Carrying amount of goodwill	1,129,520

The recoverable amount of goodwill has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 18%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which was the same as the long term average growth rate of the industry. The goodwill was not impaired based on the result of the above impairment testing.

Assumptions were used in the value in use calculation for 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected market development.

Discount rate – The discount rate used is before tax and reflects to the relevant unit.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

18. Intangible Assets

Group	Patents and licences RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	101,789
Recognised during the year (note 6)	(25,816)
At 31 December 2014	75,973
At 31 December 2014:	
Cost	129,427
Accumulated amortisation	(53,454)
Net carrying amount	75,973

18. Intangible Assets (continued)

Group	Patents and licences RMB'000	Deferred development cost RMB'000	Total RMB'000
31 December 2013			
At 1 January 2013:			
Cost	8,860	120,567	129,427
Accumulated amortisation	(1,476)	–	(1,476)
Net carrying amount	7,384	120,567	127,951
Cost at 1 January 2013, net of accumulated amortisation	7,384	120,567	127,951
Additions – internal development	120,567	(120,567)	–
Recognised during the year (note 6)	(26,162)	–	(26,162)
At 31 December 2013	101,789	–	101,789
At 31 December 2013 and 1 January 2014:			
Cost	129,427	–	129,427
Accumulated amortisation	(27,638)	–	(27,638)
Net carrying amount	101,789	–	101,789

19. Investment in Subsidiaries

	Company	
	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**3,424,145**	3,366,747

The amounts due from subsidiaries included in the Company's current assets of RMB775,265,000 (2013: RMB78,942,000) are unsecured, interest-free and repayable on demand.

19. Investment in Subsidiaries (continued)

Particulars of the subsidiaries are as follows:

Company name	Place and date of incorporate/ establishment and operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sany Heavy Equipment	PRC/Mainland China 13 January 2004	RMB2,918,070,000	100	–	Manufacture and sale of integrated excavation machinery, integrated coal mining equipment and coal mine transportation equipment
Sany Heavy Integrated Coal Mining Equipment Co., Ltd. ("Sany Zongcai") (三一重型綜採成套裝備有限公司) *	PRC/Mainland China 20 May 2008	RMB500,000,000	–	100	Manufacture and sale of integrated excavation machinery, integrated coal mining equipment and coal mine transportation equipment
Shanxi Sany Coal Mining Equipment Co., Ltd. ("Sany Mining Equipment") (山西三一煤機裝備有限公司) *	PRC/Mainland China 12 June 2010	RMB50,000,000	–	100	Provision of maintenance service
Xinjiang Sany Heavy Equipment Co., Ltd. ("Xinjiang Sany") (新疆三一重型裝備有限公司) * #	PRC/Mainland China 7 July 2011	RMB20,000,000	–	100	Provision of maintenance service
Sany Mining Machinery Co., Ltd. ("Sany Mining Machinery") (三一礦機有限公司) *	PRC/Mainland China 26 March 2012	RMB172,004,600	–	91	Manufacture and sale of off-highway mining trucks
Shenyang Zhongjing Property Development Co., Ltd. ("Shenyang Zhongjing") (瀋陽中璟房地產開發有限公司) * #	PRC/Mainland China 11 July 2012	RMB50,000,000	–	51	Property development

19. Investment in Subsidiaries (continued)

Particulars of the subsidiaries are as follows: (continued)

Company name	Place and date of incorporate/ establishment and operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sany Marine Industry International Holdings Co., Ltd. ("Sany Marine Industry") (三一海工國際控股有限公司) * ^	Cayman Islands 30 March 2011	HK$380,000	100	–	Investment holding
Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry") (三一海洋重工有限公司) * ^	PRC/Mainland China 8 June 2011	RMB713,180,000	–	100	Under construction
Zhuhai Sany Port Machinery Co., Ltd. ("Zhuhai Sany")(珠海三一港口機械有限公司) * ^	PRC/Mainland China 10 February 2012	RMB63,180,000	–	100	Development, manufacture and sale of large-size port machinery
Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment")(湖南三一港口設備有限公司) * ^	PRC/Mainland China 26 August 2014	RMB13,180,000	–	100	Development, manufacture and sale of small-size port machinery

* Companies established as limited liability companies under the PRC law

\# The companies have not yet commenced operation.

^ These entities were acquired by the Group on 31 December 2014. Further details of the acquisition were included in note 35 to the financial statements.

20. Available-for-Sale Investments

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted equity investments, at cost less impairment	**12,536**	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 value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. The Group does not intend to dispose of it in the near future.

21. Inventories

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	**543,270**	336,013
Work in progress	**380,653**	117,079
Finished goods	**663,731**	248,243
	1,587,654	701,335
Less: Provision against slow-moving and obsolete inventories	**(14,238)**	(9,998)
	1,573,416	691,337

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

		Group	
		2014	2013
	Note	**RMB'000**	RMB'000
At 1 January		**9,998**	13,562
Charge for the year	6	**3,197**	17,371
Acquisition of subsidiaries		**1,856**	–
Amount written off		**(813)**	(20,935)
At 31 December		**14,238**	9,998

22. Trade and Bills Receivables

	Group 2014 RMB'000	2013 RMB'000
Trade receivables	**3,545,409**	2,799,257
Impairment	**(296,625)**	(83,381)
Trade receivables, net	**3,248,784**	2,715,876
Bills receivable	**353,142**	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 a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentrations of credit risk as 30% (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.

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

	Group 2014 RMB'000	2013 RMB'000
Within 180 days	**1,251,472**	1,639,966
181 to 365 days	**1,006,395**	363,222
1 to 2 years	**757,906**	457,990
2 to 3 years	**215,977**	210,744
Over 3 years	**17,034**	43,954
	3,248,784	2,715,876

22. Trade and Bills Receivables (continued)

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

	Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**83,381**	42,077
Impairment losses recognised	**208,311**	42,621
Acquisition of subsidiaries	**6,335**	–
Amount written off as uncollectible	**(1,402)**	(1,317)
At 31 December	**296,625**	83,381

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB296,625,000 (2013: RMB83,381,000) with a carrying amount before provision of RMB296,625,000 (2013: RMB83,381,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or in default in payments. The Group does not hold any collateral or other credit enhancements over these balances.

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

Group	Total	Neither past due nor impaired	Past due but not impaired within 1 year	Past due but not impaired 1 to 2 years	Past due but not impaired Over 2 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2014	3,248,784	2,227,113	750,645	240,501	30,525
31 December 2013	2,715,876	2,003,188	457,990	210,744	43,954

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

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

22. Trade and Bills Receivables (continued)

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

	Group	
	2014 RMB'000	2013 RMB'000
Within six months	332,154	548,494
Over six months	20,988	110,704
	353,142	659,198

Included in the bills receivable was an amount of approximately RMB1,000,000 (2013: RMB10,840,000) which was pledged to secure the issuance of bills payable.

Included in the bills receivable was an amount of RMB2,000,000 as at 31 December 2014 (2013: RMB26,400,000) which was endorsed to a fellow subsidiary for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB53,879,000 (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 has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB53,879,000 (2013: RMB17,202,000) as at 31 December 2014.

Transferred financial assets that are derecognised in their entirety

At 31 December 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 RMB236,710,000 (2013: RMB133,433,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

23. Prepayments, Deposits and Other Receivables

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current prepayments	**752,836**	209,647	**–**	–
Current assets:				
Prepayments	**194,729**	103,912	**–**	–
Deposits and other receivables	**715,928**	183,834	**471**	95
	910,657	287,746	**471**	95

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

Included in the current prepayments was an amount of RMB1,764,000 as at 31 December 2014 (2013: RMB9,120,000) paid to a fellow subsidiary for purchasing raw materials by the Group. Included in other receivables was an amount of RMB597,000 as at 31 December 2014 (2013: RMB 920,000) due from a fellow subsidiary, which is non-interest-bearing and has no fixed terms of repayment.

24. Investment Deposits

	2014	2013
	RMB'000	RMB'000
Investment deposits, with licensed banks in Mainland China, at amortised cost	**400,000**	300,000

Investment deposits represented investments in financial products purchased from licensed banks in Mainland China, at a total consideration of RMB400,000,000 (2013: RMB300,000,000). The investment deposits were classified by the Group as loans and receivables and measured at amortised cost. The principals of the investment deposits were guaranteed by licensed banks in Mainland China. The investment deposits bore variable interest return rates in the range of 3.0% to 4.6% (2013: in the range of 2.8% to 5.2%) per annum and have been matured in February 2015. Investment deposits at 31 December 2013 had matured in March 2014.

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and cash equivalents	**278,241**	330,404	**12,962**	10,222
Time deposits	**163,748**	233,691	**–**	–
	441,989	564,095	**12,962**	10,222
Less: Non-pledged time deposits with original maturity of three months or more when acquired as at 31 December	**(112,884)**	(126,934)	**–**	–
Pledged time deposits for banking facilities	**(50,864)**	(106,757)	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**278,241**	330,404	**12,962**	10,222
Cash and cash equivalents, time deposits and pledged deposits denominated in				
– RMB	**434,838**	558,850	**5,825**	5,018
– HK$	**4,583**	5,204	**4,583**	5,203
– United States dollars ("US$")	**2,568**	41	**2,554**	1
	441,989	564,095	**12,962**	10,222

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.

26. Trade and Bills Payables

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

	Group	
	2014	2013
	RMB'000	RMB'000
Within 30 days	**260,870**	487,452
31 to 90 days	**523,754**	208,828
91 to 180 days	**500,105**	136,865
181 to 365 days	**74,948**	26,425
Over 1 year	**52,117**	8,111
	1,411,794	867,681

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

The bills payable are all due within 180 days.

Included in the trade and bills payables was an amount of RMB140,891,000 as at 31 December 2014 (2013: RMB69,454,000) payable to fellow subsidiaries for purchasing raw materials by the Group.

27. Other Payables and Accruals

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits received from customers	**384,373**	116,244	**–**	–
Other payables	**1,880,371**	613,245	**–**	–
Accruals	**159,743**	20,322	**–**	539
	2,424,487	749,811	**–**	539

Included in the accruals was an amount of RMB14,980,000 as at 31 December 2014 (2013: Nil) payable to a fellow subsidiary for purchasing logistics services by the Group. Included in the accruals was an amount of RMB1,246,910,000 as at 31 December 2014 (2013: RMB3,742,000) payable to a fellow subsidiary, which was non-interest-bearing and had no fixed terms of repayment.

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

28. Interest-Bearing Bank Borrowings

Group

	2014			2013		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank overdrafts – unsecured	4.48	On demand	134,580	4.48	On demand	197,827
Bank loans – unsecured	6.0-6.3		217,239	5.7, LIBOR+1.1	2014	229,147
Bank loans – secured			–	5.7	2014	250,000
			351,819			676,974

Company

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

Notes:

(a) The Group's overdraft facilities amounted to RMB200,000,000 (2013: RMB200,000,000), of which RMB134,580,000 (2013: RMB197,827,000) had been utilised as at the end of the reporting period.

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

	Notes	2014 RMB'000	2013 RMB'000
Property, plant and equipment	14	–	484,367
Prepaid land lease payments classified as held for sale	16	–	25,851
		–	510,218

(c) All borrowings are denominated in RMB.

29. Provision for Warranties

	Note	Group 2014 RMB'000	Group 2013 RMB'000
At 1 January		**43,682**	50,779
Additional provision	6	**10,048**	29,180
Amounts utilised during the year		**(19,764)**	(36,277)
At 31 December		**33,966**	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.

30. Government Grants

	Note	Group 2014 RMB'000	Group 2013 RMB'000
At 1 January		**457,666**	476,242
Acquisition of subsidiaries	35	**995,708**	–
Grants recognised during the year		**43,691**	78,032
Recognised as income during the year		**(81,538)**	(96,608)
At 31 December		**1,415,527**	457,666
Current portion		**(15,555)**	(19,980)
Non-current portion		**1,399,972**	437,686

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

31. Deferred Tax

Deferred tax assets

Group	Deductible temporary differences	Losses available for offsetting against future taxable profits	Fair value adjustment arising from available-for-sale investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	124,068	35,536	15,645	175,249
Credited/(charged) to the consolidated statement of profit or loss (note 10)	779	(927)	–	(148)
Credited to the consolidated statement of comprehensive income	–	–	(15,699)	(15,699)
Exchange differences	–	–	54	54
At 31 December 2013 and 1 January 2014	**124,847**	**34,609**	**–**	**159,456**
Credited/(charged) to the consolidated statement of profit or loss (note 10)	**37,208**	**(504)**	**–**	**36,704**
Acquisition of subsidiaries (note 35)	**259,092**	**3,467**	**–**	**262,559**
At 31 December 2014	**421,147**	**37,572**	**–**	**458,719**

Company	Fair value adjustment arising from available-for-sale investments
	RMB'000
At 1 January 2013	15,645
Credited to the statement of comprehensive income	(15,699)
Exchange differences	54
At 31 December 2013,1 January 2014 and 31 December 2014	–

The Group has tax losses arising in Hong Kong of RMB8,772,000 (2013: RMB11,799,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. During the year, no tax losses arised in Mainland China (2013: RMB1,528,000), which would expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the losses as they have mainly arisen in the Company and a certain subsidiary that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

31. Deferred Tax (continued)

Deferred tax liabilities

Group	Withholding taxes on dividend	Fair value adjustments arising from acquisition of subsidiaries	Total
	RMB'000		RMB'000
At 1 January 2013	16,114	–	16,114
Charged to the consolidated statement of profit or loss (note 10)	(10,771)	–	(10,771)
At 31 December 2013 and 1 January 2014	5,343	–	5,343
Charged to the consolidated statement of profit or loss (note 10)	2,490	–	2,490
Acquisition of subsidiaries (note 35)	–	1,466	1,466
At 31 December 2014	7,833	1,466	9,299

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. According to the approval obtained from the local tax bureau on 24 May 2013, the applicable rate to the Group is 5% since 1 January 2013 to 31 December 2015. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2014, the Group has not recognised deferred tax liabilities of RMB34,614,000 (2013: RMB28,049,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB692,289,000 (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 probable that these profits will not be distributed in the foreseeable future.

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

32. Share Capital

	2014 HK$'000	2013 HK$'000
Authorised:		
4,461,067,880 ordinary shares (2013: 5,000,000,000 ordinary shares) of HK$0.10 each	**446,107**	500,000
538,932,120 convertible preference shares (2013: Nil) of HK$0.10 each	**53,893**	–
Total authorised capital	**500,000**	500,000
Issued and fully paid:		
3,041,025,000 ordinary shares (2013: 3,041,025,000 ordinary shares) of HK$0.10 each	**304,103**	304,103
479,781,034 convertible preference shares (2013: Nil) of HK$0.10 each	**47,978**	–
Total issued and fully paid capital	**352,081**	304,103
Equivalent to RMB'000	**302,214**	264,366

Pursuant to a special resolution passed in the extraordinary general meeting of the shareholders of the Company held on 19 December 2014, the authorised share capital of the Company was re-classified and re-designated so that the authorised share capital of the Company now comprises of 4,461,067,880 ordinary shares of HK$0.10 each and 538,932,120 convertible preference shares ("CPS") of HK$0.10 each. The Company issued 479,781,034 CPS of HK$0.10 each at an issue price of HK$2.009 per share (the "Issue Price") for a total consideration of HK$963,880,000 (equivalent to approximately RMB760,376,000). Each CPS is convertible into one ordinary share of the Company at any time after issuance (subject to standard anti-dilution adjustments) and has the same right to receive dividends and other distributions as ordinary shares. The CPS are redeemable by the Company at any time after the third anniversary of the date of the issue of the CPS at the Issue Price or the fair market value of the CPS whichever the higher. The holders of CPS are entitled to a preferred distribution at the rate of 0.01% per annum on the Issue Price.

32. Share Capital (continued)

Movements of issued capital were as follows:

	Issued ordinary shares RMB'000	Issued convertible preference shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2013	269,509	–	1,667,316	1,936,825
Repurchase of issued ordinary shares	(5,143)	–	(150,342)	(155,485)
At 31 December 2013 and 1 January 2014	264,366	–	1,516,974	1,781,340
Issue of CPS	–	37,848	722,528	760,376
At 31 December 2014	264,366	37,848	2,239,502	2,541,716

33. Share Option Scheme

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

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

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

33. Share Option Scheme (continued)

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 ended 31 December 2016 has an increase of 10% or more as compared to the audited net profit of the year ended 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 following share options were outstanding under the Scheme during the year:

	2014		2013	
	Weighted average exercise price HK$ per share	Number of options	Weighted average exercise price HK$ per share	Number of options
At 1 January	4.18	28,524,000	4.18	–
Granted during the year	4.18	–	4.18	28,524,000
Forfeited during the year	4.18	(2,344,000)	4.18	–
Expired during the year	4.18	(2,618,000)	4.18	–
At 31 December	4.18	23,562,000	4.18	28,524,000

The fair value of the outstanding share options at the time of grant was HK$28,671,200 (HK$1.22 each) (equivalent to RMB23,501,000), of which the Group recognised a share option expense of HK$5,003,000 (equivalent to RMB 3,936,000) during the year (2013: HK$4,169,000 (equivalent to RMB3,331,000)).

33. Share Option Scheme (continued)

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

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

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

34. Reserves

(a) Group

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

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

In accordance with the PRC Company Law, the PRC subsidiaries of the Group are required to allocate 10% of their profit after tax to the reserve funds until the reserve reaches 50% of the registered capital of the PRC subsidiaries. Subject to certain restrictions set out in the Company Law of the PRC, part of the reserve funds may be converted to increase paid-up capital/issued capital of the PRC subsidiaries, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The reserve funds of the PRC subsidiaries amounted to RMB348,284,000 as at 31 December 2014 (2013: RMB327,993,000).

34. Reserves (continued)

(b) Company

	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2013	1,667,316	1,676,409	–	(41,419)	(79,446)	601	(160,789)	3,062,672
Profit for the year	–	–	–	–	–	–	194,334	194,334
Other comprehensive income for the year:								
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	79,446	–	–	79,446
Exchange differences on translation of foreign operations	–	–	–	613	–	–	–	613
Total comprehensive income for the year	–	–	–	613	79,446	–	194,334	274,393
Share-based payments	–	–	3,331	–	–	–	–	3,331
Repurchase of issued ordinary shares	(150,342)	–	–	–	–	5,143	–	(145,199)
Adjustment to proposed dividend for repurchase of shares	–	–	–	–	–	–	1,757	1,757
As at 31 December 2013 and 1 January 2014	1,516,974	1,676,409	3,331	(40,806)	–	5,744	35,302	3,196,954
Loss for the year	–	–	–	–	–	–	(12,841)	(12,841)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	95	–	–	–	95
Total comprehensive loss for the year	–	–	–	95	–	–	(12,841)	(12,746)
Issue of CPS (note 32)	722,528	–	–	–	–	–	–	722,528
Share-based payments	–	–	3,936	–	–	–	–	3,936
As at 31 December 2014	2,239,502	1,676,409	7,267	(40,711)	–	5,744	22,461	3,910,672

35. Business Combination

On 31 December 2014, the Company acquired 100% equity interests in Sany Marine Industry and its subsidiaries, which are engaged in manufacture and sale of port machinery (the "Sany Marine Group"), from Sany HK, the immediate holding company of the Company. On the same date, Sany Marine Heavy Industry, a subsidiary of Sany Marine Industry acquired a 100% equity interest in Hunan Sany Port Equipment, which is engaged in manufacture and sale of port machinery, from Sany Group Co., Ltd., a fellow subsidiary of the Company. The purpose of the acquisition is to integrate all port machinery businesses and expand the Group's business to cover a wide spectrum of heavy machinery equipment products.

The purchase consideration of the acquisition of Hunan Sany Port Equipment amounting to RMB1,040 million was in the form of cash, with RMB622,446,000 set off against the amount due from Sany Group Co., Ltd. and the remaining RMB417,554,000 to be settled before 1 September 2015. The consideration for the acquisition of the Sany Marine Group, comprising the acquisition of the entire issued share capital and payables in a principal amount of RMB702,978,000 owed by the Sany Marine Group to Sany HK, was HK$963,880,097 (equivalent to approximately RMB760,376,000) and was settled by the issuance of 479,781,034 CPS at an issue price of HK$2.009 per share.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired as at the date of the acquisition were:

	Notes	RMB'000
Property, plant and equipment	14	357,857
Prepaid land lease payments	15	260,416
Available-for-sale investments		1,900
Non-current prepayments		544,665
Deferred tax assets	31	262,559
Inventories		511,823
Trade receivables		370,913
Prepayment and other receivables		900,269
Time deposits		105,360
Cash and cash equivalents		8,846
Deferred tax liabilities	31	(1,466)
Government grants	30	(995,708)
Trade payables		(274,599)
Tax payable		(227,378)
Other payables and accruals		(1,857,579)
Total identifiable net assets at fair value		(32,122)
Goodwill on acquisition	17	1,129,520
Payable to Sany HK assigned to the Company		702,978
Total consideration for acquisition		1,800,376
Satisfied by:		
Cash		1,040,000
CPS		760,376
		1,800,376

35. Business Combination (continued)

The Group incurred transaction costs of RMB1,418,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the statement of profit or loss and other comprehensive income.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	1,040,000
Cash and bank balances acquired	(8,846)
Set off against the amount due from Sany HK	(622,446)
Unsettled amount included in other payables	(417,554)
Net inflow of cash and cash equivalents included in cash flows used in investing activities	(8,846)
Transaction costs of the acquisition included in cash flows from operating activities	1,418
	(7,428)

Since the acquisition was completed on 31 December 2014, it has no effect on the consolidated profit of the Group for the year ended 31 December 2014.

Had the acquisition taken place at the beginning of the year, the revenue from continuing operations of the Group and profit of the Group for the year would have been RMB3,091,506,000 and RMB303,942,000, respectively.

36. Contingent Liabilities

(a) Hunan Sany Port Equipment enters into sales agreements with the end-user customers directly on the sales of port machinery. The end-user customers usually enter into equipment mortgage loan agreements with banks to obtain funding to pay for the port equipment, using the port equipment as collateral. As the seller, Hunan Sany Port Equipment is usually required to enter into a separate agreement with banks under which it has the obligation to repay the outstanding loan from relevant banks if the end-user customers default loan repayments.

At 31 December 2014, contingent liabilities not provided for in the financial statements were as follows:

	2014 RMB'000
Guarantees given to banks in connection with loans granted to customers	**63,385**

36. Contingent Liabilities (continued)

(b) Hunan Sany Port Equipment sells port machineries directly to end-user customers and the end-user customers can seek assistance from two fellow subsidiaries of the Group namely China Kangfu Finance Lease Co., Ltd. (中國康富國際租賃有限公司, "Kangfu Leasing") or Hunan Zhonghong Finance Lease Co., Ltd. (湖南中宏融資租賃有限公司, "Hunan Zhonghong") to obtain financing from certain third party finance lease companies (the "Leasing Companies").

In addition, Hunan Sany Port Equipment, the Leasing Companies and Kangfu Leasing or Hunan Zhonghong will enter into an agreement (the "Agreement") and pursuant to the terms of the Agreement:

- Kangfu Leasing or Hunan Zhonghong and Hunan Sany Port Equipment are obliged to pay to the Leasing Companies if the end-user customers defaulted on repayments to the Leasing Companies in the manner as specified in the Agreement; and,

- Hunan Sany Port Equipment is obliged to repurchase the unsettled leased amounts due by the end-user customers to the Leasing Companies, if the above parties do not fulfil their obligations in the manner as specified in the Agreement. Under such circumstances, Hunan Sany Port Equipment is also liable for the costs and related expenses.

At 31 December 2014, the unsettled lease receivables due by the end-customers under these arrangements were as follows:

	2014 RMB'000
Guarantees given to Leasing Companies in connection with the unsettled lease amounts due from customers	201,221

In the opinion of the Directors, the fair values of the financial guarantee contracts above are insignificant at initial recognition and the Directors consider that the probability of defaults by most of the parties involved is remote, accordingly, no provision has been made at the inception of the guarantee contracts and at the end of 2014.

37. Operating Lease Arrangements

(a) As lessor

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

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**2,472**	227
In the second to third years, inclusive	**2,546**	132
Above three years	**8,106**	–
	13,124	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.

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**4,298**	2,363
In the second to third years, inclusive	**346**	53
	4,644	2,416

38. Commitments

In addition to the operating lease commitments as set out in note 37(b) above, the Group had the following capital commitments as at the end of the reporting period:

	Group	
	2014	2013
	RMB'000	RMB'000
Contracted, but not provided for:		
Buildings	**369,648**	193,694
Plant and machinery	**4,123,777**	34,463
	4,493,425	228,157

39. Related Party Transactions

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

(1) Recurring transactions

	Notes	Group 2014 RMB'000	2013 RMB'000
Purchases of raw materials from:			
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(iv)	**37,632**	38,572
Sany Automobile Manufacturing Co., Ltd (三一汽車製造有限公司)	(i)&(iv)	**1,225**	2,730
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(i)&(iv)	**5,129**	5,227
Hunan Sany Hoisting Machinery Co., Ltd. (湖南三一汽車起重機械有限公司)	(i)&(iv)	**974**	1,231
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(iv)	**64,262**	77,389
Beijing Sany Machinery Co., Ltd. (北京市三一重機有限公司)	(i)&(iv)	**772**	401
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(iv)	**8,678**	30,363
Hong Kong Winternity International Trade Co., Ltd. (香港中興恒遠國際貿易有限公司)	(i)&(iv)	**20,892**	7,224
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	(i)&(iv)	**174**	918
Kunshan Sany Machinery Co., Ltd. (昆山三一機械有限公司)	(i)&(iv)	**3,652**	2,707
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(iv)	**3,680**	657
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(i)&(iv)	**52,091**	44,297
Sany General Electric Co., Ltd. (三一電氣有限責任公司)	(i)&(iv)	**22,519**	31,243
Beijing Sany Booster Engine Equipment Co., Ltd. (北京三一增速機設備有限責任公司)	(i)&(iv)	**626**	–
Changshu Huawei track Co., Ltd. (常熟華威履帶有限公司)	(i)&(iv)	**258**	–
Sany Germany GmbH (三一德國有限公司)	(i)&(iv)	**415**	–
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(i)&(iv)	**378**	–
Sany America Inc. (三一美國有限公司)	(i)&(iv)	**19,014**	–
Zhejiang Sany Foundry Co., Ltd. (浙江三一鑄造有限公司)	(i)&(iv)	**226**	–
Shanghai Huaxing Digital Technology Co., Ltd. (上海華興數字科技有限公司)	(i)&(iv)	**147**	
Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司)	(i)&(iv)	**3,866**	–
		246,610	242,959

39. Related Party Transactions (continued)

(1) Recurring transactions (continued)

	Notes	Group 2014 RMB'000	2013 RMB'000
Operating rental paid to:			
Sany Heavy Machinery Co., Ltd.（三一重機有限公司）	(ii)&(iv)	**2,829**	2,988
Service fee paid to:			
Hunan Xingxiang Construction Consultation Co., Ltd.（湖南興湘建設監理諮詢有限公司）	(iii)&(iv)	**1,194**	1,391
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd.（湖南三一物流有限責任公司）	(iii)&(iv)	**1,696**	70,078
Agency fee paid to:			
Sany South Africa Pty., Ltd.（三一南非有限公司）	(iii)	**677**	864

Notes:

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

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

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

(iv) Loudi Zhongxing Hydraulic Parts Co., Ltd., Sany Automobile Manufacturing Co., Ltd., Hunan Sany Intelligent Control Equipment Co., Ltd., Hunan Sany Hoisting Machinery Co., Ltd., Loudi Zhongyuan New Material Co., Ltd., Beijing Sany Machinery Co., Ltd., Sany Heavy Machinery Co., Ltd., Hong Kong Winternity International Trade Co., Ltd., Hunan Automobile Manufacturing Co., Ltd., Kunshan Sany Machinery Co., Ltd., Zhejiang Sany Equipment Co., Ltd., Soute Transmission Equipment Co., Ltd., Sany General Electric Co., Ltd., Beijing Sany Booster Engine Equipment Co., Ltd., Changshu Huawei track Co., Ltd., Sany Germany GmbH., Shanghai Sany Heavy Machinery Co. Ltd., Sany America Inc., Zhejiang Sany Foundry Co., Ltd., Shanghai Huaxing Digital Technology Co., Ltd., Hunan Zhongcheng Machinery Co., Ltd., Hunan Xingxiang Construction Consultation Co., Ltd. and Hunan Sany Logistics Co., Ltd. are companies which are owned and controlled by the Controlling Shareholders*.

* The Controlling Shareholders refer to the 15 individual shareholders: Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Zhao Xiangzhang, Duan Dawei, Wang Zuochun, Zhai Xian, Liang Linhe, Zhai Chun and Huang Jianlong, who hold 56.42%, 8.75%, 8.00%, 8.00%, 4.75%, 3.50%, 3.00%, 3.00%, 1.00%, 1.00%, 1.00%, 0.60%, 0.50%, 0.40% 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 future.

39. Related Party Transactions (continued)

(2) Non-recurring transactions

	Group 2014 RMB'000	2013 RMB'000
Relocation service fee paid to:		
Shanghai Sany Precision Machinery Co., Ltd. （上海三一精機有限公司）	**7,637**	–

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

(3) Commitments with related parties

Pursuant to the Company's announcement dated 25 August 2014, the Group entered into an agreement, which will end on 31 December 2015, with Shanghai Sany Jingji Co., Ltd., to purchase equipment relocation services for the Group's future production. The amount of the total purchases from Shanghai Sany Jingji Co., Ltd. for the year has been included in note 39(2) to the financial statements. The Group estimated that the total purchases from Shanghai Sany Jingji Co., Ltd. in 2015 will not exceed RMB10,363,000.

Pursuant to the Company's announcement dated 25 August 2014, the Group entered into a one-year agreement, which will end on 31 December 2015, with Sany Group Limited (三一集團有限公司) ("Sany Group") to purchase spare parts for the Group's future production. The amount of the total purchases from Sany Group for the year has been included in note 39(1) to the financial statements. The Group estimated that the total purchases from Sany Group in 2015 will not exceed RMB11,693,000.

Pursuant to the Company's announcement dated 25 August 2014, the Group entered into a one-year agreement, which will end on 31 December 2015, with Kunshan Sany Machinery Co., Ltd. to rent equipments for the Group's future production. The total amount of the rent from Kunshan Sany Machinery Co., Ltd. for the year has been included in note 39(1) to the financial statements. The Group estimated that the total purchases from Sany Group in 2015 will not exceed RMB8,371,000.

(4) Compensation of key management personnel

	Group 2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	**6,274**	4,081
Equity-settled share option expense	**1,851**	1,566
Employee retirement benefits and other staff welfare	**381**	382
Total compensation paid to key management personnel	**8,506**	6,029

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

40. Financial Instruments by Category

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

2014 **Group** **Financial assets**	**Loans and receivables** **RMB'000**	**Available-for-sale financial assets** **RMB'000**	**Total** **RMB'000**
Available-for-sale investments	–	12,536	12,536
Trade receivables	3,248,784	–	3,248,784
Bills receivable	353,142	–	353,142
Financial assets included in prepayments, deposits and other receivables	715,928	–	715,928
Investment deposits	400,000		400,000
Time deposits	112,884	–	112,884
Pledged deposits	50,864	–	50,864
Cash and cash equivalents	278,241	–	278,241
	5,159,843	12,536	5,172,379

2014 **Group** **Financial liabilities**	**Financial liabilities at amortised cost**
Trade and bills payables	1,411,794
Financial liabilities included in other payables and accruals	2,040,114
Interest–bearing bank borrowings	351,819
	3,803,727

40. Financial Instruments by Category (continued)

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

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

40. Financial Instruments by Category (continued)

2014 **Company** **Financial assets**	**Loans and receivables** **RMB'000**
Financial assets included in prepayments, deposits and other receivables	**471**
Due from a subsidiary	**775,265**
Cash and cash equivalents	**12,962**
	788,698

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

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

41. Fair Value and Fair Value Hierarchy of Financial Instruments

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

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

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

Fair value hierarchy

As at 31 December 2014, no financial asset was measured at fair value (2013: Nil).

42. Financial Risk Management Objectives and Policies

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

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

Interest rate risk

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

The Group will constantly assess the interest rate risk it encounters to decide whether it is required to hedge against the possible interest rate risk that may arise. As at 31 December 2014, assuming the interest rate of the floating rate bank borrowings increased/decreased by 5% and all other factors remained unchanged, then there would have been no effect on the profit after tax for the year of the Group and the Company (2013: RMB155,000).

42. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

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

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

Group	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000
31 December 2014		
If RMB weakens against HK$	**5**	**37,647**
If RMB strengthens against HK$	**(5)**	**(37,647)**
31 December 2013		
If RMB weakens against HK$	5	11,861
If RMB strengthens against HK$	(5)	(11,861)

Credit risk

At the end of the reporting period, the Group had certain concentrations of credit risk as 30% (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. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 22 and 23 to the financial statements.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, pledged deposits, investment deposits, trade and bills receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

42. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

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

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

	31 December 2014			
Group	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	–	1,411,794	–	1,411,794
Financial liabilities included in other payables and accruals	–	2,040,114	–	2,040,114
Interest-bearing bank borrowings	136,087	225,804	–	361,891
	136,087	3,677,712	–	3,813,799

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

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

42. Financial Risk Management Objectives and Policies (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

43. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 24 March 2015.

Five Year Financial Summary

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

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**2,175,237**	3,225,463	3,640,739	3,780,183	2,683,461
Cost of sales	**(1,466,023)**	(2,062,410)	(2,312,048)	(2,254,484)	(1,445,011)
Gross profit	**709,214**	1,163,053	1,328,691	1,525,699	1,238,450
Other income and gains	**137,105**	168,675	231,424	217,130	89,219
Gain on disposal of non-current assets classified as held for sale	**240,553**	–	–	–	–
Selling and distribution expenses	**(312,886)**	(500,675)	(566,041)	(465,253)	(335,361)
Administrative expenses	**(358,689)**	(359,264)	(375,040)	(382,015)	(248,776)
Other expenses	**(209,371)**	(47,024)	(21,733)	(11,213)	(17,908)
Finance costs	**(30,616)**	(17,180)	(4,678)	(4,679)	(5,778)
PROFIT BEFORE TAX	**175,310**	407,585	592,623	879,669	719,846
Income tax expense	**(5,424)**	(49,406)	(92,589)	(105,314)	(49,334)
PROFIT FOR THE YEAR	**169,886**	358,179	500,034	774,355	670,512
Attributable to:					
Owners of the parent	**168,270**	356,208	499,532	774,355	670,512
Non-controlling interests	**1,616**	1,971	502	–	–
	169,886	358,179	500,034	774,355	670,512

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**12,753,243**	8,712,651	7,979,222	7,466,151	5,883,461
TOTAL LIABILITIES	**(5,991,447)**	(2,885,148)	(2,283,564)	(2,092,393)	(1,131,718)
NON-CONTROLLING INTERESTS	**70,369**	68,753	66,782	–	–