



# **SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631



**Interim Report 2015**



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# Financial Summary

| (RMB: '000)  | Six months ended 30 June |                     |              |
|--|--------------------------|---------------------|--------------|
|  | 2015<br>(unaudited)      | 2014<br>(unaudited) | Increase (%) |
| Revenue  | 1,212,195                | 1,444,328           | (16.1)       |
| Gross profit   | 388,602                  | 549,152             | (29.2)       |
| Profit before tax  | 75,576                   | 244,188             | (69.1)       |
| Net profit   | 49,113                   | 206,581             | (76.2)       |
| Profit attributable to shareholders of the Company   | 48,758                   | 203,285             | (76.0)       |
| Profit attributable to shareholders of the Company<br>(excluding one-off items and revaluation items) <sup>1</sup> | 48,758                   | 203,285             | (76.0)       |
| Total assets   | 12,256,553               | 9,056,449           | 35.3         |
| Total equity   | 6,812,594                | 6,036,556           | 12.9         |
| Cash flows of operating activities   | (498,631)                | (30,335)            | 1,543.7      |
| Cash flows of investing activities   | 467,619                  | 235,838             | 98.3         |
| Cash flows of financing activities   | (145,407)                | (183,552)           | (20.8)       |
| Earnings per share <sup>2</sup>  |                          |                     |              |
| – Basic  | RMB0.02                  | RMB0.07             | (71.4)       |
| – Diluted  | RMB0.01                  | RMB0.07             | (85.7)       |

| (Percentage)   | Six months ended 30 June |           |                   |
|--|--------------------------|-----------|-------------------|
|  | 2015                     | 2014      | Increase (points) |
| Gross profit margin  | 32.1%                    | 38.0%     | (5.9)             |
| Percentage of profit attributable to<br>shareholders of the Company <sup>3</sup>                                       | 4.0%                     | 14.1%     | (10.1)            |
| Percentage of profit attributable to<br>shareholders of the Company<br>(excluding one-off items and revaluation items) | 4.0%                     | 14.1%     | (10.1)            |
| Assets turnover  | 9.7%                     | 16.3%     | (6.6)             |
| Asset – Liability ratio  | 44.4%                    | 33.3%     | 11.1              |
| Average total asset (RMB '000)   | 12,504,898               | 8,884,550 |                   |

- 1 The Group has no one-off item and revaluation item.
- 2 The weighted average number of ordinary shares used in the basic earnings per share calculation and the diluted earnings per share calculation for the six months ended 30 June 2015 were 3,041,025,000 and 3,520,806,034 (six months ended 30 June 2014: 3,041,025,000 for both), details of which are set out in note 8 to the Interim Condensed Consolidated Financial Statements.
- 3 Profit attributable to shareholders of the Company divided by revenues.



# Corporate Information

## Directors

### Executive Directors

Mr. Qi Jian (appointed on 6 August 2015)

(Chairman and Chief Executive Officer)

Mr. Fu Weizhong (appointed on 6 August 2015)

Mr. Xiao Huishu (appointed on 6 August 2015)

### 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. Xiao Huishu (appointed on 11 August 2015)

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. Qi Jian (appointed on 6 August 2015) (Chairman)

Mr. Fu Weizhong (appointed on 6 August 2015)

Mr. Mao Zhongwu

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

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### Investor Relations

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# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Sany Heavy Equipment International Holdings Company Limited (hereinafter "Sany International" or the "Company"), I am pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015.

## Half year review

For the six months ended 30 June 2015, the Company's sales revenue amounted to approximately RMB1,212.2 million, representing a year-on-year decrease of approximately 16.1%; profit before tax amounted to approximately RMB75.6 million, representing a year-on-year decrease of approximately 69.1%; net profit amounted to approximately RMB49.1 million, representing a year-on-year decrease of approximately 76.2%; and the Group's basic earnings per share and the diluted earnings per share amounted to approximately RMB0.02 and RMB0.01, respectively.

### 1. Economic Situation and Corresponding Measures

In the first half of 2015, the global economy was still undergoing deep adjustment and the global economic performance was below expectation. Production and sales of coal industry dropped as compared with the same period in 2014 and the significant drop in international crude oil price also posed relatively great impacts on the demand for coal. However, the position of coal industry in the primary energy consumption structure in China has not changed, still representing over 60%. In response to such situation, the Company will continue to carry out our business plan and development strategy of "Consolidation and Innovation". The result of strategic transformation has emerged and the new business has gradually contributed to new profit growth. Meanwhile, the Company is strengthening the exploration of international market actively and its export business showed an upward trend. In May 2015, Zhuhai Industrial Park has been established and commenced operation. The Park owns a coastal dock, which helps to consolidate the foundation of the development of port machinery products.

### 2. Competitive Advantages

Port machinery (quayside gantry cranes etc.) successfully entered countries such as Sandi, Latvia and Indonesia, and at the same time the Company entered into cooperation with internationally and domestically renowned ports such as Hutchison and Dandong. Port machinery products made good progress, the market share of small-size port machinery (including reachstackers, empty container handlers etc.) continued to remain in a leading position. The Company still remained the first place in terms of roadheader market share. The technical level of the roadheader of is far higher than that of other domestic products. Meanwhile, the Company actively expanded the non-coal sector market, achieving the sales of the first roadheader of the tunnel series. The spectrum of mining vehicle products was further improved and covered 5 major series of products. The export business grew rapidly, realizing expansion into international markets such as Argentina, Tunisia and Mozambique. Natural gas products successfully completed the research and development ("R&D") of the entire series of gas station and gasification station products and achieved product sales.

### 3. Research and Innovation

In terms of R&D, the Company has successfully completed launching the third generation of roadheaders (EBZ132S, EBZ160S, EBZ200S) and completed the R&D and design of the SYR200Z and EBZ260Z tunnel roadheaders. The technological upgrading of mining vehicles was achieved. SAT40 articulated truck and SES12



electric shover were successfully launched and put into industrial tests. Natural gas LNG-CNG combined station products and various models of gasification station products have undergone the second generation module and smart design. Port machinery products have completed research in energy-saving technology, ergonomics engineering and smart control technology and significantly raised the automaticity of the products. The Group successfully developed the emulsifier security system full set equipment, maintaining its leading position in the industry in terms of products and technology. In the first half of 2015, the Group obtained 14 invention patents, 23 utility model patents and 1 exterior design patent. It was also awarded 5 science and technology awards by Shenyang, Liaoning Province.

#### 4. Internal Control

While the Company was undergoing strategic transformation, it improved its R&D and controls over overdue receivables, inventory and expenditure. The Company established new procedure for R&D and organized the R&D with the assistance from different department. Our R&D work not only focuses on the function, but also the cost. We carefully examine the products in each stage of R&D and actively launch new products. In terms of overdue receivables, by establishing a 4-level receivables management framework of "marketing company, supervising officer, dedicated personnel and general manager of agency or responsible marketing representative" and strengthening and improving the legal capability of agents, our legal capability was strengthened and the risk of receivables was controlled. In terms of inventory control measures, our planning committee was formed to sort and improve the planning control system of the entire Company to control the planning input from the source and lower the risk of slow-moving inventory. The Company insisted on the principle of keeping expenditure within the limits of revenues in expenditure control. On the basis of ensuring the improvement of labour productivity and average income of employees, the Company strived to achieve the working condition where everyone has clear responsibilities and goals.

#### 5. Social Responsibility

The Group promotes good values of fraternity, mutual assistance and selfless contribution, and encourages more people to get involved in charity activities with love and care. During Chinese New Year, the Group organized poverty alleviation activities. The management personally led teams to visit staff with difficulties, providing them with consolation money and goods. Family insurance was given for free to 2436 staff members. Health check for staff was organized. The Group also gave donations to staff in need and spread love and care to staff who are in need of support.

### Outlook

#### 1. Industry outlook

In the first half of 2015, the Group actively advanced strategic transformation and business plan amidst difficulties and challenges. Facing the slowing down of economic growth rate and structural change in economy, the Company is still experiencing the challenges in business transformation in a short term. However, as coal comprises 60% of the consumption proportion of primary energy in China, together with the consideration of the development of coal chemicals and coal clean combustion technology, we believe that there are still relatively large rooms for development for the coal industry. Port machinery business of the Group realized stable growth in 2015. According to statistics, fixed asset investment of domestic ports in the past three years grew more than 11% in average. Hence, as the Zhuhai Industrial Park of port machinery has been established and commenced operation, the port machinery business will realize greater growth. In addition, the Group will continue to focus on new energy equipment as well as "above ground" and "non-coal" fields, actively developing towards the directions of "diversified business operation", EPC and EPCO.



# Chairman's Statement

## 2. Embracing the Internet

The Company will establish a customer-oriented simulated design support system, significantly raising product design capability and fully responding to and satisfying individual needs of clients.

The CRM system will be improved and promoted to enhance the management level and work efficiency of agents. An e-commerce procurement platform will be set up to enhance capability in commercial procurement and reduce procurement costs.

## 3. Internationalization

Port machinery: allocating more resources, giving greater support to overseas distributors, strengthening the R&D and innovation of port machinery, raising gross profit margin and shortening time of delivering products to international customers.

Mining vehicle: increasing the number of international sales staff, expanding the market in Pan-Russia, Asia and Latin America regions, entering into contracts with competitive international distributors, and accelerating the sales of mining vehicles, including SRT45, SRT55 and SRT95C.

In the future, the Group is confident that its products will be launched timely 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 manufacturing of energy-related equipment and related services and offer comprehensive equipment solutions for clients.

## 4. Confidence

Facing the new economic environment, the Group has also entered into a new era in its development. 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 International and realize the dream of establishing a world-class enterprise of China.

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

**Qi Jian**

*Chairman*

Hong Kong, 19 August 2015



# Management Discussion and Analysis

## Business Review

The coal industry was still experiencing a period of consolidation. Despite the gradual stabilization of coal demand, there was no rebound in the demand for coal machinery products in the first half of the year. During the critical period for the industry in face of challenges, the Group continued to actively implement strategic transformation and expand the markets of mining vehicles, mining and excavation equipment and natural gas equipment while consolidating its absolute competitive advantages on original coal machinery products, putting efforts to create new streams of profit growth. Meanwhile, we are confident that the establishment and commencement of operation of Zhuhai Industrial Park which owns a coastal dock will drive the comprehensive development of marine engineering products of the Group.

## Major Products

With the ongoing transformation, the Group divided its products into four categories, namely the coal mining business, which includes roadheaders (all types of soft rock, hard rock roadheader, EBS630 mining roadheader and drilling machinery) and CCMU (coal mining machines (shearer), hydraulic support system, scraper conveyor (Armored-Face Conveyor) and centralized control system); the noncoal-related business, which includes mining transport equipment (mechanical drive off-highway dump truck, electric drive off-highway dump truck, articulated truck and underground coal mining vehicle) and excavation equipment (tunnel series, potash mine series and drilling series equipment); the marine engineering business, which includes port machinery products (reach stacker, empty-container handler and quayside gantry crane) and offshore heavy machineries; and the new energy equipment business, which mainly includes natural gas equipment (full-line products of filling station and gasification station).

## Development of New Products

The Group successfully launched the third generation roadheaders (EBZ132S, EBZ160S, EBZ200S); completed the research, development and design of SYR200Z, EBZ260Z tunnel roadheaders; realized the technological upgrading of mining vehicle with SAT40 articulator and SES12 power shovel and performing industrial tests; and successfully developed the emulsifier security system full set equipment, maintaining its leading position in the industry in terms of products and technology. The second generation modularized and smart design of products of the natural gas LNG-CNG co-built station and various gasification stations was carried out. Research of port machinery in the aspects such as energy-saving technology, ergonomics engineering and smart control technology was completed and the automaticity of products was drastically enhanced. In the first half of 2015, the Group obtained 14 invention patents, 23 utility model patents and 1 exterior design patent. The Group has also obtained 5 science and technology awards from Shenyang, Liaoning Province.





# Management Discussion and Analysis

## Production and Manufacturing

Currently, the Group has production and manufacturing bases in Shenyang, Changsha and Zhuhai respectively. There are eight plants in the coal machinery industrial park located in the Economic and Technological Development Zone of Shenyang with a total area of approximately 629,000 sq.m. The industrial park for small port equipment is located in the Changsha industrial city with an area of approximately 100,000 sq.m., having several plants and commissioning fields. The industrial park for large port machinery commenced operation on 6 May 2015. Phase 1 of the project occupies an area of 800 mu, equipped with a deep-water dock with a coastline of 3.5 km which has currently acquired the production capability of full range large-scale port machinery. The Group focused on enhancement of processing and assembly techniques, adopted various measures to cut production costs, and continued to push forward cost reduction measures in R&D and all business systems. In the first half of the year, the Group had a total of 36 cost reduction projects of manufacturing and completed a total of 32 projects. Meanwhile, the Group adopted production quota control to lower the production costs. In addition, the Group increased the self-manufacturing of key components, ensured the manufacturing quality of products and shortened the production lead time.

## Marketing and Service

The Group will adhere to its operation philosophy of "All For Customers, All From Innovations", and make every effort to provide first-class service and highly efficient response to meet customers' needs and raise customers' satisfaction and address any concerns of our customers. The Group has 69 service outlets and 56 spare parts warehouses through the country. In order to adapt to the strategic transformation of the Company, the sales and service mode should be transformed as well. The Group actively optimized the sales system of port products and natural gas equipment and actively promoted the distribution of international sales network. Meanwhile, the Group planned to explore the after-sales markets of components and integrated mining full set equipment in order to bring new sources of profit growth while meeting customers' demand.

## Financial Review

### Sales Revenue

For the six months ended 30 June 2015, the Group recorded revenue of approximately RMB1,212.2 million, representing a decrease of approximately 16.1% as compared with the six months ended 30 June 2014. The main reason for the decline was that the adjustment in the price of coal and the absence of a trend of rebound in coal production and fixed asset investments in the coal industry affected the sales of the coal machinery products. Although the Group's revenue decreased for the six months ended 30 June 2015, it is expected that the gradual introduction of new models of non-coal products the Group to the market and the increase in the proportion of the sales of marine engineering products and mining vehicles will contribute to new profit growth. The change in product restructure of the Group is still continuing.

### Other income and gains

For the six months ended 30 June 2015, the Group's other income and gains was approximately RMB168.8 million (six months ended 30 June 2014: approximately RMB98.1 million), representing an increase of approximately 72.1%. Such change was mainly due to the increase in the government subsidies obtained.



# Management Discussion and Analysis

## Cost of sales

For the six months ended 30 June 2015, the Group's cost of sales decreased to approximately RMB823.6 million (six months ended 30 June 2014: approximately RMB895.2 million), representing a decrease of approximately 8.0% over the same period in 2014. The change was mainly due to the decrease in revenue and the changes in product structure resulting from the implementation of strategic transformation by the Group.

## Gross profit and gross profit margin

For the six months ended 30 June 2015, the Group's gross profit margin was approximately 32.1%, decreased by approximately 6.0 percentage points as compared to the same period in 2014. Such decrease was mainly due to the lower gross profit of port machinery products as compared with the gross profit of coal machinery products, after the merge of port machineries. As such the Group will continue to push forward the cost reduction projects in all production processes such as product R&D and design, processing technology, commercial procurement and manufacturing to raise the level of gross profit margin of products.

## Profit margin before tax

For the six months ended 30 June 2015, the Group's profit margin before tax was approximately 6.2%, decreased by approximately 10.7 percentage points as compared to 16.9% in the corresponding period in 2014. Such decrease is mainly due to (1) the drop in revenue of products; (2) the drop in the gross profit margin of products; (3) the increase in R&D expenses due to the increase in the inputs to the development of new products; and (4) the increase in provision for impairment of receivables. As the Group achieved sales breakthrough successively in the fields of non-coal and natural gas equipment, together with the increase in the sales of mining vehicle products and the development of port machinery business, it is expected that the profit will gradually be improved.

## Selling and distribution expenses

For the six months ended 30 June 2015, the selling and distribution expenses decreased by approximately 20.1% to approximately RMB131.0 million as compared with the same period of 2014 (six months ended 30 June 2014: approximately RMB163.9 million). For the six months ended 30 June 2015, the ratio of the Group's selling and distribution costs to revenue decreased by approximately 0.5 percentage point to approximately 10.8% as compared to the same period in 2014 (six months ended 30 June 2014: approximately 11.3%). The decrease was mainly due to the decrease in selling expenses resulting from the adjustment of allocation structure of sales resources by the Group after the changes in market situations.

## Research and development expenses

For the six months ended 30 June 2015, the R&D expenses of the Group were approximately RMB95.9 million (six months ended 30 June 2014: approximately RMB73.6 million). The ratio of R&D expenses to revenue increased 2.8 percent points to 7.9% as compared with that of approximately 5.1% in the corresponding same period in 2014. The increase in R&D expenses was mainly due to (1) the increase in inputs to the R&D of new products as to adapt to the strategic transformation of the Company. It was mainly used in the research such as energy saving technology of port machinery products, ergonomics engineering and intelligent control technology as well as strengthening the research of non-coal products, mining vehicle products and natural gas equipment to create new profit growth. (2) The drop in revenue of the Group, which made the proportion of R&D expenses increased accordingly.



# Management Discussion and Analysis

## Other administrative expenses

For the six months ended 30 June 2015, the Group's administrative expenses (excluding R&D expenses) were approximately RMB101.0 million (six months ended 30 June 2014: approximately RMB89.2 million), representing an increase of approximately 13.2% from that of the same period in 2014. The increase was mainly due to the increase in other administrative expenses of Sany Marine Industry International Holding Company Ltd., and its subsidiaries acquired by the Group in 2014.

## Finance costs

For the six months ended 30 June 2015, the Group's finance costs were approximately RMB4.6 million (six months ended 30 June 2014: approximately RMB14.4 million), and the drop in finance cost was mainly due to the decrease in bank borrowings.

## Taxation

For the six months ended 30 June 2015, the Group's effective tax rate was approximately 35.0% (six months ended 30 June 2014: effective tax rate was approximately 15.4%). For a breakdown of the income tax, please refer to Note 7 to the interim condensed consolidated financial statements.

## Profit attributable to owners of the parent

For the six months ended 30 June 2015, the Group's profit attributable to owners of the parent decreased to approximately RMB48.8 million (six months ended 30 June 2014: approximately RMB203.3 million), representing a decrease of approximately 76.0%. For the main reason of the decrease, please refer to the above paragraphs titled "Revenue", "Gross profit and gross profit margin" and "Profit margin before tax".

## Liquidity and financial resources

As of 30 June 2015, total current assets of the Group were approximately RMB6,126.8 million (as of 31 December 2014: RMB6,928.0 million). As of 30 June 2015, total current liabilities of the Group were approximately RMB4,051.6 million (as of 31 December 2014: RMB4,582.2 million).

As of 30 June 2015, total assets of the Group were approximately RMB12,256.6 million (as of 31 December 2014: approximately RMB12,753.2 million), total liabilities were approximately RMB5,444.0 million (as of 31 December 2014: approximately RMB5,991.4 million). The assets to liabilities ratio was approximately 44.4% as of 30 June 2015 (as of 31 December 2014: 47.0%).



# Management Discussion and Analysis

## Trade and bills receivables

The Group's trade receivables and bills receivable as of 30 June 2015 recorded an increase of approximately 0.8% to RMB3,631.5 million as compared to those as of 31 December 2014. The increase was mainly due to: (1) the relatively longer repayment time of products as compared with the past resulting from the general tight capital chain of the coal companies; and (2) for maintaining a long-term strategic cooperation with high-quality state-owned customers, the Group extended the credit period of certain state-owned customers with good reputation.

Adhering to the principle of prudence, the management carried out the "one client one credit policy" for the receivables. The Group analyzed according to the bad debt situations actually occurred in the past and the operation background of the customers as well as analyzed each customer's payment records and current financial situations of customers and made impairment provision for the receivables of 193 customers who have higher risk of repayment.

In order to control the receivables, the Group adopted the following measures: (1) ensuring effective and timely repayment of loans through a management and control system which strictly monitors pre, amid and post process of loan so as to minimise the credit risk; (2) utilizing mining service business to solve the problem of overdue inventory; (3) strengthening the risk control of finance loans; (4) the Company establishing a special team for payment collection called "Sunshine Action" and commencing the "100%" repayment initiative.

## Cash flow

As of 30 June 2015, the cash and cash equivalents, investment deposits and time deposits with maturity of three months or more were approximately RMB109.1 million.

For the six months ended 30 June 2015, the net cash outflow from operating activities was approximately RMB498.6 million (six months ended 30 June 2014: the net cash outflow from operating activities of the Group was approximately RMB30.3 million). Such change was mainly due to the increase in trade and bills receivables and the decrease in trade and bills payables.

For the six months ended 30 June 2015, the net cash inflow from investing activities of the Group was approximately RMB467.6 million (six months ended 30 June 2014: the net cash inflow from investing activities was approximately RMB235.8 million), mainly because of the amounts received from due investment deposits.

For the six months ended 30 June 2015, the net cash outflow from financing activities of the Group was approximately RMB145.4 million (six months ended 30 June 2014: the net cash outflow from financing activities was approximately RMB183.6 million), it was mainly because of the repayment of bank borrowings by the Group.

## Turnover days

During the period under review, the turnover days of the inventory of the Group recorded an increase from approximately 162.8 days as of 30 June 2014 to approximately 330.4 days as of 30 June 2015. Such was mainly due to the increase in inventory resulted from the drop in revenue. We have conducted impairment tests on our existing inventory (such as base machine, raw materials and spare parts) and the gross profit margin of coal machinery products is still positive and there is certain versatility in the existing inventory of raw materials, for instance, the inventory of steel can be used in the production and sales of new business such as mining vehicles, excavators, automation, natural gas equipment and port machinery and there is no sign of impairment. In addition, the Group established an inventory control committee to control the project inputs and lower risks of sluggish inventory from the sources and at the same time adopts the way of factoring to actively manage backlog inventory.



# Management Discussion and Analysis

The turnover days of the trade and bills receivables recorded an increase from approximately 465.0 days as of 30 June 2014 to approximately 600.3 days as of 30 June 2015. For the main reason of the increase, please refer to the above paragraph titled "Trade and bills receivables".

The turnover days of the trade and bills payables recorded an increase from approximately 212.9 days as of 30 June 2014 to approximately 278.0 days as of 30 June 2015. Such change is mainly due to the strengthening of the management of suppliers by the Group.

## Contingent liabilities

As at 30 June 2015, the Group had contingent liability of RMB149.5 million, being the financial guarantee provided by Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") under financing lease arrangement (31 December 2014: RMB264.6 million).

## Capital commitment

As at 30 June 2015, the contracted capital commitments of the Group which are not provided in the financial statements were approximately RMB3,956.1 million (31 December 2014: approximately RMB4,493.4 million).

## Employees and remuneration policy

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

## Material acquisition and disposal

For the six months ended 30 June 2015, neither the Company nor its subsidiaries had any material acquisition or disposal.

## Pledge of assets

As at 30 June 2015, the Group had pledged deposits and pledged bills with aggregate value of approximately RMB24.3 million (31 December 2014: approximately RMB50.9 million), which were pledged for the purpose of obtaining bank facility granted to the Group.

## Social responsibility

The Group promotes good values of fraternity and mutual assistance and selfless contribution, it advocates more people to get involved in charity activities with love and care. During the Spring Festival, the Group launched activities to give warmth and help staff with financial stress. The management visited staff with family difficulties and provided them with consolation money and items; presented family package insurance to 2,436 staff; organized staff health check and gave out souvenirs to female staff on the International Women's Day. The Group also gave every staff member a pack of holiday gift during Chinese New Year and it also raised funds for staff requiring assistance and spread love and care to staff who are in need of support.



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

As at 30 June 2015, the interests or short positions of each director of the Company ("Director") and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Company (the "Model Code") as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

### Long Position in shares of the Company

| Name of Director                  | Nature of Interest | Number of share interested | Percentage of issued share capital |
|-----------------------------------|--------------------|----------------------------|------------------------------------|
| Mr. Mao Zhongwu ( <i>Note 1</i> ) | Beneficial owner   | 404,000                    | 0.01%                              |
| Mr. Lu Ben ( <i>Note 2</i> )      | Beneficial owner   | 705,000                    | 0.02%                              |

Note:

- (1) Mr. Mao Zhongwu is deemed to be interest in 404,000 shares which may be issued to him upon exercise of the share options granted to him on 26 February 2013.
- (2) Mr. Lu Ben is deemed to be interest in 705,000 shares which may be issued to him upon exercise of the share options granted to him on 26 February 2013. Mr. Lu Ben resigned as an executive Director of the Company on 6 August 2015.

### 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 ( <i>Note</i> ) | Beneficial owner   | 875                   | 8.75%                              |
| Mr. Mao Zhongwu ( <i>Note</i> ) | Beneficial owner   | 800                   | 8.00%                              |
| Mr. Xiang Wenbo ( <i>Note</i> ) | Beneficial owner   | 800                   | 8.00%                              |

Note: Each of Mr. Tang Xiuguo, Mr. Mao Zhongwu and Mr. Xiang Wenbo holds 8.75%, 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).



## Disclosure of Interests

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company or any of their spouses or children under the age of eighteen were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its holding company, subsidiaries or other associated corporation (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries been participated in any arrangements to enable the directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of shares or underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

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

As at 30 June 2015, so far as the Directors and chief executive of the Company were aware, the following persons and corporations (excluding the directors and chief executives of the Company) had interests or short positions in any of the shares or underlying shares of the Company which were required to be notified to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who, directly or indirectly, is interested in 10% or more of the nominal value of any class of share capital to vote in all circumstances at general meetings of any other member of the Group:

| Name of Shareholder       | Capacity                             | Number of shares held | Approximate percentage of issued share capital |
|---------------------------|--------------------------------------|-----------------------|--|
| Sany HK (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 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 of the Company held by Sany HK under the SFO.

Save as disclosed above, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who had interests or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2015.



## Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report, the Company has maintained sufficient public float required under the Listing Rules for the six months ended 30 June 2015 and up to as at the date of this interim report.

## Share Option Scheme

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 50,000,000 shares, representing approximately 1.61% of the issued share capital as at 16 February 2013, being the date of adoption of the Share Option Scheme.

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

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

- (a) the nominal value of a share;
- (b) the closing price of a share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

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





## Disclosure of Interests

Details of the movement of share options granted under the Share Option Scheme as at 30 June 2015 are as follows:

| Name or class of participant(s) | Date of Grant <sup>(1)</sup> | Exercise price per Share | Exercise period                     | As at 1 January 2015 | Granted during the period under review | Exercised during the period under review | Lapsed during the period under review | As at 30 June 2015 |
|---------------------------------|------------------------------|--------------------------|-------------------------------------|----------------------|--|--|---------------------------------------|--------------------|
| Mao Zhongwu                     | 26 February 2013             | HK\$4.18                 | 26 February 2013 – 25 February 2023 | 363,600              | –                                      | –  | –                                     | 363,600            |
| Lu Ben <sup>(2)</sup>           | 26 February 2013             | HK\$4.18                 | 26 February 2013 – 25 February 2023 | 634,500              | –                                      | –  | –                                     | 634,500            |
| <b>Other staff</b>              |                              |                          |                                     | 22,563,900           | –                                      | –  | –                                     | 22,563,900         |
| Total                           |                              |                          |                                     | 23,562,000           | –                                      | –  | –                                     | 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) Lu Ben resigned as an executive Director on 6 August 2015.



# Disclosure of Interests

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 <sup>(1)</sup>                         | 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 <sup>(2) (4)</sup>  | 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 <sup>(3) (4)</sup> | 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;
- (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")<sup>(4)</sup>, 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; and
- (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 interim report.



# Corporate Governance and General Information

## Corporate Governance Practices

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

The Company has complied with the code provisions under the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules from 1 January 2015 to 30 June 2015.

On 6 August 2015, Mr. Wu Jialiang resigned as an executive Director and chairman of the Board and Mr. Mei Yonghua resigned as the chief executive officer of the Company. On the same date, Mr. Qi Jian was appointed as an executive Director, chairman of the Board and the chief executive officer of the Company.

In accordance with code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Further, the division of responsibilities between the chairman and chief executive officer should be clearly established. The Board considers vesting the role of both the chairman of the Board and the chief Executive officer of the Company in Mr. Qi Jian because Mr. Qi Jian has in-depth knowledge in the business of the Company and can make appropriate decisions promptly and efficiently. The Board will continue to review the effectiveness of the Company's corporate governance structure to assess whether the separation of the positions of chairman of the Board and chief executive officer of the Company is necessary.

## 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.

## Review of Interim Financial Statements

The interim financial results for the six months ended 30 June 2015 have not been audited or reviewed by the Company's external auditor.

## The Board

The Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Qi Jian, Mr. Fu Weizhong and Mr. Xiao Huishu<sup>(1)</sup>. 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



# Corporate Governance and General Information

convening Shareholders' meetings and reporting on the work of the Board to the Shareholders at Shareholders' meetings as may be required by applicable laws, implementing resolutions passed at Shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions as well as exercising other powers, functions and duties as conferred on it by the articles of association of the Company (the "Articles") and applicable laws. The senior management is delegated with the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors, the non-executive Director and independent non-executive directors bring a variety of experience and expertise to the Company.

*Note:*

- (1) Each of Mr. Wu Jialing and Mr. Lu Ben resigned as an executive Director on 6 August 2015. On the same date, each of Mr. Qi Jian, Mr. Fu Weizhong and Mr. Xiao Huishu was appointed as an executive Director.

## Audit Committee

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

The audit committee has held meetings to discuss the internal controls and financial reporting matters including the review of the unaudited interim condensed financial statements of the Group for the six months ended 30 June 2015.

## Remuneration Committee

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



# Corporate Governance and General Information

## Nomination Committee

The nomination committee is responsible for reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships, appointment, reappointment of Directors and Board succession and assessing the independence of independent non-executive Directors. The chairman is Mr. Xu Yaxiong, an independent non-executive Director, and the two other members are Mr. Mao Zhongwu, an executive Director and Dr. Ngai Wai Fung, an independent non-executive Director.

## Strategic Investment Committee

The strategic investment committee of the Company was established on 4 October 2012 and is responsible for providing recommendation and analysis to the Board on the development of the businesses and the investments of the Company. Mr. Qi Jian<sup>(1)</sup> acts as the chairman of the strategic investment committee, Mr. Fu Weizhong<sup>(2)</sup>, Mr. Mao Zhongwu, Mr. Nagi Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung are the members.

*Note:*

- (1) Mr. Wu Jialing resigned as a member of the strategic investment committee and the chairman of the strategic investment committee on 6 August 2015. On the same date, Mr. Qi Jian was appointed as a member of the strategic investment committee and the chairman of the strategic investment committee.
- (2) Mr. Fu Weizhong was appointed as a member of the strategic investment committee on 6 August 2015.

## Corporate Governance Function

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



## Directors and Senior Management

### Executive Directors



**Mr. Qi Jian (戚建)**, aged 55, was appointed as an executive Director, chairman of the Board, a member of the strategic investment committee, chairman of the strategic investment committee and the chief executive officer of the Company on 6 August 2015. He is a senior engineer at the level of researcher, with over 30 years of experience in design and technical management and over 10 years of experience as senior management.

Mr. Qi joined Sany Group in May 2001. He served as the deputy director of the research institute of Sany Heavy Industry Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 600031, "Sany Heavy Industry"), a subsidiary of Sany Group, from May 2001 to May 2003, overseeing the research and development of road machinery products. He served as the deputy general manager of Sany Automobile Manufacturing Co., Ltd., a subsidiary of Sany Group, from May 2003 to November 2006, overseeing the research and development and the production and manufacturing of commercial vehicles and passenger vehicles. From November 2006 to July 2015, he served as the general manager of Sany Automobile Lifting Machinery Co., Ltd. ("Sany Automobile Lifting"), a subsidiary of Sany Group. During his term of service, Sany Automobile Lifting grew rapidly and became a core business of Sany Group.

From 1982 to May 2001, Mr. Qi had taken positions such as the deputy chief engineer and the deputy director of China BlueStar Changsha Design and Research Institute, engaged in product design and contracting of engineering projects. He participated in over 30 projects of chemical engineering, light industry and mechanical engineering designs. He was in charge of and completed over 20 engineering designs, which received various provincial and ministerial excellent achievement awards.

Mr. Qi graduated from Qingdao Chemical Engineering Academy in 1982 with a bachelor degree in chemical machinery. He also received a degree of executive master of business administration at Wuhan University in 2005.



**Mr. Fu Weizhong (伏衛忠)**, aged 41, was appointed an executive director and the member of strategic investment committee of the Company on 6 August 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. Fu was appointed as the

director of marine machinery operation department of the Group in January 2015. Mr. Fu obtained a master's degree in business administration from China Europe International Business School in September 2011.



## Corporate Governance and General Information



**Mr. Xiao Huishu (肖輝曙)**, aged 36, was appointed as an executive Director and the chief financial officer of the Company on 6 August 2015 and appointed as the joint company secretary of the Company on 11 August 2015. Mr. Xiao has extensive experience in aspects related to information disclosure of listed companies, corporate finance, mergers and acquisitions and initial public offering projects. Mr. Xiao served as the assistant to the chief financial officer, the deputy director and the accounting department supervisor of Sany Heavy Industry from April 2011 to August 2015, responsible for financial budgeting, analysis, performance, accounting and auditing, information disclosure of listed companies, financial information systematization, H-share initial public offering projects and bond issuance. From November 2010 to April 2011, he served as the supervision secretary of the board of Sany Group. From May 2010 to November 2010, he served as the head of the accounting department of Sany Group. From August 2009 to May 2010, he served as the head of the management analysis department of Sany Group. From June 2007 to August 2009, he served as the general accountant and the general ledger supervisor of Sany Group. From January 2004 to June 2007, he served as the general accountant of a subsidiary of Sany Group.

Mr. Xiao graduated from Shanghai National Accounting Institute and the Chinese University of Hong Kong in June 2014 with a master's degree in EMPACC. He graduated from Hunan University of Commerce in June 2002 with a bachelor's degree in financial management.

### 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 Special 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.



# Corporate Governance and General Information

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 and chief executive director of SW Corporate Services Group Limited (a corporation specialized in provision of company secretary service, corporate governance service and specific compliance service before and after listing to the listing company) and the president of the Hong Kong Institute of Chartered Secretaries and Adjunct Professor of Department of Law in Hong Kong Shue Yan University. In 2013, Dr. Ngai 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 for a term of 2 years and his appointment was renewed in 2015 for a term of another 2 years. He obtained professional qualifications from Hong Kong Institute of Certified Public Accountants. Dr. Ngai is also a committee member of Examinations Board a member of general committee of the Charter of Hong Kong Listed Company.





## Corporate Governance and General Information

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. From 2007 to 2014, Mr. Ngai was also an independent non-executive director and a member of audit committee of China Railway Construction Corporation Limited (中國鐵建股份有限公司) 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), Beijing Capital Juda Limited (首創鉅大有限公司) (formerly known as 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), Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), and Yangtze Optical Fibre and Cable Joint Stock Limited Company (長飛光纖光纜股份有限公司) which are companies listed on the Stock Exchange. Mr. Ngai was the independent director and the member and chairman of the audit committee of LDK Solar Co., Ltd, which was formerly listed on the New York Stock Exchange and is currently listed on OTC Pink Limited Information.

Dr. Ngai was a director and head of listing services of an independent operation enterprise service provider. Prior to this, Dr. Ngai served in various senior management positions for more than 20 years, including executive director, chief financial officer and company secretary, mainly responsible for the financial issues, accounting, internal control, regulation compliance, corporate governance and company secretary of listing issuers (including large cap red chip companies). Also, Dr. Ngai has led or participated in major financing projects of listing issuers such as listing, mergers and acquisitions as well as issuance of debt securities.

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.



# Corporate Governance and General Information

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.

## Joint Company Secretaries

**Mr. Xiao Huishu (肖輝曙)**, please refer to the paragraph in the biography in the section headed "Executive Directors and Senior Management" above. The Company's primary contact person in the Company is Mr. Xiao Huishu.

**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



# Corporate Governance and General Information

## **Interim Dividend**

The Board resolved not to declare any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

## **Purchase, Sale or Redemption of the Company's Shares**

For the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company (for the six months ended 30 June 2014: Nil).



# Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 30 June 2015

|   | Notes | Six months ended 30 June       |                                |
|---|-------|--------------------------------|--------------------------------|
|   |       | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| <b>REVENUE</b>  | 4     | <b>1,212,195</b>               | 1,444,328                      |
| Cost of sales   |       | <b>(823,593)</b>               | (895,176)                      |
| <b>Gross profit</b>   |       | <b>388,602</b>                 | 549,152                        |
| Other income and gains  | 4     | <b>168,787</b>                 | 98,082                         |
| Selling and distribution expenses   |       | <b>(130,958)</b>               | (163,925)                      |
| Administrative expenses   |       | <b>(196,877)</b>               | (162,783)                      |
| Other expenses  |       | <b>(149,334)</b>               | (61,952)                       |
| <b>Operating profit</b>   |       | <b>80,220</b>                  | 258,574                        |
| Finance costs   | 6     | <b>(4,644)</b>                 | (14,386)                       |
| <b>Profit before tax</b>  | 5     | <b>75,576</b>                  | 244,188                        |
| Income tax expense  | 7     | <b>(26,463)</b>                | (37,607)                       |
| <b>PROFIT FOR THE PERIOD</b>  |       | <b>49,113</b>                  | 206,581                        |
| Attributable to:  |       |                                |                                |
| Owners of the parent  |       | <b>48,758</b>                  | 203,285                        |
| Non-controlling interests   |       | <b>355</b>                     | 3,296                          |
|   |       | <b>49,113</b>                  | 206,581                        |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b> |       |                                |                                |
| Basic (RMB)   | 8     | <b>0.02</b>                    | 0.07                           |
| Diluted (RMB)   | 8     | <b>0.01</b>                    | 0.07                           |



# Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2015

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| <b>PROFIT FOR THE PERIOD</b>   | <b>49,113</b>                  | 206,581                        |
| <b>OTHER COMPREHENSIVE INCOME</b>  |                                |                                |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>    |                                |                                |
| Exchange differences on translation of foreign operations  | (255)                          | 524                            |
| <b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b> | <b>(255)</b>                   | 524                            |
| <b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>  | <b>(255)</b>                   | 524                            |
| <b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>  | <b>48,858</b>                  | 207,105                        |
| Attributable to:   |                                |                                |
| Owners of the parent   | 48,503                         | 203,809                        |
| Non-controlling interests  | 355                            | 3,296                          |
|  | <b>48,858</b>                  | 207,105                        |



# Interim Condensed Consolidated Statement of Financial Position

30 June 2015

|  | Notes | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|--|-------|---|---|
| <b>NON-CURRENT ASSETS</b>                    |       |   |   |
| Property, plant and equipment                | 9     | 2,987,935                                 | 2,685,917                                   |
| Prepaid land lease payments                  | 10    | 701,828                                   | 709,754                                     |
| Goodwill                                     | 11    | 1,129,520                                 | 1,129,520                                   |
| Intangible assets                            | 12    | 63,064                                    | 75,973                                      |
| Available-for-sale investment                | 13    | 12,536                                    | 12,536                                      |
| Non-current prepayments                      | 16    | 755,058                                   | 752,836                                     |
| Deferred tax assets                          | 17    | 479,766                                   | 458,719                                     |
| Total non-current assets                     |       | 6,129,707                                 | 5,825,255                                   |
| <b>CURRENT ASSETS</b>                        |       |   |   |
| Inventories                                  | 14    | 1,377,617                                 | 1,573,416                                   |
| Trade receivables                            | 15    | 3,462,039                                 | 3,248,784                                   |
| Bills receivable                             | 15    | 169,452                                   | 353,142                                     |
| Prepayments, deposits and other receivables  | 16    | 984,305                                   | 910,657                                     |
| Investment deposits                          | 18    | –   | 400,000                                     |
| Time deposits                                | 19    | 7,524                                     | 112,884                                     |
| Pledged deposits                             | 19    | 24,342                                    | 50,864                                      |
| Cash and cash equivalents                    | 19    | 101,567                                   | 278,241                                     |
| Total current assets                         |       | 6,126,846                                 | 6,927,988                                   |
| <b>CURRENT LIABILITIES</b>                   |       |   |   |
| Trade and bills payables                     | 20    | 1,097,263                                 | 1,411,794                                   |
| Other payables and accruals                  | 21    | 2,344,088                                 | 2,424,487                                   |
| Interest-bearing bank borrowings             | 22    | 185,102                                   | 351,819                                     |
| Tax payable                                  |       | 387,840                                   | 344,555                                     |
| Provision for warranties                     | 23    | 16,702                                    | 33,966                                      |
| Government grants                            | 24    | 20,645                                    | 15,555                                      |
| Total current liabilities                    |       | 4,051,640                                 | 4,582,176                                   |
| <b>NET CURRENT ASSETS</b>                    |       | <b>2,075,206</b>                          | <b>2,345,812</b>                            |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | <b>8,204,913</b>                          | <b>8,171,067</b>                            |
| <b>NON-CURRENT LIABILITIES</b>               |       |   |   |
| Deferred tax liabilities                     | 17    | 10,017                                    | 9,299                                       |
| Government grants                            | 24    | 1,382,302                                 | 1,399,972                                   |
| Total non-current liabilities                |       | 1,392,319                                 | 1,409,271                                   |
| Net assets                                   |       | 6,812,594                                 | 6,761,796                                   |



# Interim Condensed Consolidated Statement of Financial Position

30 June 2015

|   | Note | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|---|------|---|---|
| <b>EQUITY</b>                               |      |   |   |
| Equity attributable to owners of the parent |      |   |   |
| Issued capital                              | 25   | 302,214                                   | 302,214                                     |
| Reserves                                    |      | 6,439,656                                 | 6,389,213                                   |
|   |      | 6,741,870                                 | 6,691,427                                   |
| Non-controlling interests                   |      | 70,724                                    | 70,369                                      |
| Total equity                                |      | 6,812,594                                 | 6,761,796                                   |

Executive Director: Qi Jian

Executive Director: Xiao Huishu



# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2015

|   | Attributable to owners of the parent |                               |                        |                        |                      |                      |                       |                      |                        |                    |         | Total equity<br>RMB'000 |                           |
|---|--------------------------------------|-------------------------------|------------------------|------------------------|----------------------|----------------------|-----------------------|----------------------|------------------------|--------------------|---------|-------------------------|---------------------------|
|   | Issued capital                       |                               | Share premium          |                        |                      | Share option         |                       | Exchange fluctuation |                        | Capital redemption |         |                         | Non-controlling interests |
|   | Ordinary shares                      | Convertible preference shares | Contributed surplus    | Reserve funds          | Reserve              | Reserve              | Reserve               | Retained profits     | Total                  | Total              |         |                         |                           |
|   | RMB'000<br>(note 25)                 | RMB'000<br>(note 25)          | RMB'000                | RMB'000                | RMB'000<br>(note 26) | RMB'000              | RMB'000               | RMB'000              | RMB'000                | RMB'000            | RMB'000 |                         |                           |
| At 1 January 2015 (Audited)                               | 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               |                           |
| Profit for the period                                     | -                                    | -                             | -                      | -                      | -                    | -                    | -                     | -                    | 48,758                 | 48,758             | 355     | 49,113                  |                           |
| Other comprehensive income for the year:                  |                                      |                               |                        |                        |                      |                      |                       |                      |                        |                    |         |                         |                           |
| Exchange differences on translation of foreign operations | -                                    | -                             | -                      | -                      | -                    | -                    | (255)                 | -                    | -                      | (255)              | -       | (255)                   |                           |
| Total comprehensive income for the period                 | -                                    | -                             | -                      | -                      | -                    | -                    | (255)                 | -                    | 48,758                 | 48,503             | 355     | 48,858                  |                           |
| Share-based payments (note 26)                            | -                                    | -                             | -                      | -                      | 1,940                | -                    | -                     | -                    | -                      | 1,940              | -       | 1,940                   |                           |
| Transfer from retained profits                            | -                                    | -                             | -                      | -                      | -                    | 343                  | -                     | -                    | (343)                  | -                  | -       | -                       |                           |
| At 30 June 2015 (Unaudited)                               | 264,366                              | 37,848                        | 2,239,502 <sup>#</sup> | 1,332,316 <sup>#</sup> | 9,207 <sup>#</sup>   | 348,627 <sup>#</sup> | (40,966) <sup>#</sup> | 5,744 <sup>#</sup>   | 2,545,226 <sup>#</sup> | 6,741,870          | 70,724  | 6,812,594               |                           |

<sup>#</sup> These reserve accounts comprise the consolidated reserves of RMB6,439,656,000 (31 December 2014: RMB6,389,213,000) in the interim condensed consolidated statement of financial position.

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





# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2014

|   | Attributable to owners of the parent |                       |                     |                      |               |                              |                            |                  |           | Non-controlling interests | Total Equity |
|---|--------------------------------------|-----------------------|---------------------|----------------------|---------------|------------------------------|----------------------------|------------------|-----------|---------------------------|--------------|
|   | Issued capital                       | Share premium account | Contributed surplus | Share option reserve | Reserve funds | Exchange fluctuation reserve | Capital redemption reserve | Retained profits | Total     |                           |              |
|   | RMB'000                              | RMB'000               | RMB'000             | RMB'000              | RMB'000       | RMB'000                      | RMB'000                    | RMB'000          | RMB'000   | RMB'000                   | RMB'000      |
| At 1 January 2014 (Audited)                               | 264,366                              | 1,516,974             | 1,332,316           | 3,331                | 327,993       | (40,806)                     | 5,744                      | 2,348,832        | 5,758,750 | 68,753                    | 5,827,503    |
| Profit for the period                                     | -                                    | -                     | -                   | -                    | -             | -                            | -                          | 203,285          | 203,285   | 3,296                     | 206,581      |
| Other comprehensive income for the period:                |                                      |                       |                     |                      |               |                              |                            |                  |           |                           |              |
| Exchange differences on translation of foreign operations | -                                    | -                     | -                   | -                    | -             | 524                          | -                          | -                | 524       | -                         | 524          |
| Total comprehensive income for the period                 | -                                    | -                     | -                   | -                    | -             | 524                          | -                          | 203,285          | 203,809   | 3,296                     | 207,105      |
| Share-based payments (note 26)                            | -                                    | -                     | -                   | 1,948                | -             | -                            | -                          | -                | 1,948     | -                         | 1,948        |
| Transfer from retained profits                            | -                                    | -                     | -                   | -                    | 22,422        | -                            | -                          | (22,422)         | -         | -                         | -            |
| At 30 June 2014 (Unaudited)                               | 264,366                              | 1,516,974             | 1,332,316           | 5,279                | 350,415       | (40,282)                     | 5,744                      | 2,529,695        | 5,964,507 | 72,049                    | 6,036,556    |



# Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2015

|   | Note | Six months ended 30 June       |                                |
|---|------|--------------------------------|--------------------------------|
|   |      | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Net cash flows used in operating activities   |      | (498,631)                      | (30,335)                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |      |                                |                                |
| Interest received   |      | 1,756                          | 1,950                          |
| Purchases of items of property, plant and equipment   |      | (127,795)                      | (98,872)                       |
| Decrease in financial assets at fair value through profit or loss                               |      | –                              | 184,947                        |
| Proceeds from disposal of items of property, plant and equipment                                |      | 9,617                          | 2,832                          |
| Proceeds of disposal of non-current assets classified as held for sale                          |      | 76,603                         | –                              |
| Payment for investments deposits  |      | –                              | (300,000)                      |
| Collection of investments deposits  |      | 400,000                        | 300,000                        |
| Gain from investment deposits   |      | 2,078                          | 10,857                         |
| Collection of non-pledged deposits with original maturity of three months or more when acquired |      | 105,360                        | 126,934                        |
| Receipt of government grants  |      | –                              | 7,190                          |
| Net cash flows from investing activities  |      | 467,619                        | 235,838                        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |      |                                |                                |
| New bank loans  |      | 206,989                        | 65,602                         |
| Repayment of bank loans   |      | (373,706)                      | (293,609)                      |
| Decrease of pledged deposits  |      | 26,522                         | 58,841                         |
| Interest paid   |      | (5,212)                        | (14,386)                       |
| Net cash flows used in financing activities   |      | (145,407)                      | (183,552)                      |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>                                     |      |                                |                                |
| Effect of foreign exchange rate changes, net  |      | (255)                          | 524                            |
| Cash and cash equivalents at beginning of period  |      | 278,241                        | 330,404                        |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>   |      | <b>101,567</b>                 | <b>352,879</b>                 |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>  |      |                                |                                |
| Cash and bank balances  | 19   | 101,567                        | 352,879                        |
|   |      | <b>101,567</b>                 | <b>352,879</b>                 |



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 1. Corporate Information

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

In the opinion of the directors of the Company (the "Directors"), as at the date of these interim condensed consolidated financial statements, the immediate holding company and 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

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

## 2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations that the Group has adopted for the first time for the current period as disclosed below.

|  |   |
|--|---|
| IFRS 19 Amendments                     | <i>Defined benefit plans: Employee Contribution</i> |
| Annual Improvements<br>2010-2012 Cycle | <i>Amendments to a number of IFRSs</i>              |
| Annual Improvements<br>2011-2013 Cycle | <i>Amendments to a number of IFRSs</i>              |

The adoption of these new and revised IFRSs has no significant effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 2.3 Issued But Not Yet Effective IFRSs

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

|  |   |
|--|---|
| IFRS 9                                     | <i>Financial Instruments</i> <sup>3</sup>   |
| Amendments to IFRS 10 and IAS 28           | <i>Sale or Contribution of Assets between an investor and its Associate or Joint Venture</i> <sup>1</sup> |
| Amendments to IFRS 11                      | <i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>1</sup>                          |
| IFRS 14                                    | <i>Regulatory Deferred Accounts</i> <sup>4</sup>  |
| IFRS 15                                    | <i>Revenue from Contracts with Customers</i> <sup>2</sup>   |
| Amendments to IAS 16 and IAS 38            | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>                  |
| Amendments to IAS 16 and IAS 41            | <i>Agriculture: Bearer Plants</i> <sup>1</sup>  |
| Amendments to IAS 27                       | <i>Equity Method in Separate Financial Statements</i> <sup>1</sup>  |
| Amendments to IAS 1                        | <i>Disclosure Initiative</i> <sup>1</sup>   |
| Amendments to IAS 10, IFRS 12 and IAS 28   | <i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>                             |
| Amendments to IAS 9 and IFRS 7             | <i>Mandatory effective date of HKFRS 9 and transition disclosures</i> <sup>3</sup>                        |
| <i>Annual Improvements 2012-2014 Cycle</i> | <i>Amendments to a number of IFRSs</i> <sup>1</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>4</sup> 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, but is not in a position to state whether these new and revised IFRSs will have a significant impact on the Group's results of operations and financial position.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 3. 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 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 handle and heavy duty forklift truck), spare parts and the provision of 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 borrowings, deferred tax liabilities, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 3. Operating Segment Information (continued)

|   | Coal mining<br>equipment<br>RMB'000 | Port<br>machinery<br>RMB'000 | Total<br>RMB'000 |
|---|-------------------------------------|------------------------------|------------------|
| <b>Period ended 30 June 2015 (Unaudited)</b>                  |                                     |                              |                  |
| <b>Segment revenue</b>  |                                     |                              |                  |
| Sales to customers  | 586,488                             | 625,707                      | 1,212,195        |
| Other revenue   | 47,116                              | 121,671                      | 168,787          |
| Revenue from operations                                       | 633,604                             | 747,378                      | 1,380,982        |
| <b>Segment results</b>  |                                     |                              |                  |
| Interest income   | (90,849)                            | 167,235                      | 76,386           |
| Finance costs   | 3,239                               | 595                          | 3,834            |
|   | (4,509)                             | (135)                        | (4,644)          |
| Profit before tax   | (92,119)                            | 167,695                      | 75,576           |
| Income tax expense  | 14,197                              | (40,660)                     | (26,463)         |
| Profit for the period   | (77,922)                            | 127,035                      | 49,113           |
| <b>Segment assets</b>   |                                     |                              |                  |
| Reconciliation:   |                                     |                              |                  |
| Corporate and other unallocated assets                        |                                     |                              | 1,316,178        |
| Total assets  |                                     |                              | 12,256,553       |
| <b>Segment liabilities</b>                                    |                                     |                              |                  |
| Reconciliation:   |                                     |                              |                  |
| Corporate and other unallocated liabilities                   |                                     |                              | 582,959          |
| Total liabilities   |                                     |                              | 5,443,959        |
| <b>Other segment information:</b>                             |                                     |                              |                  |
| Depreciation and amortisation                                 | 78,086                              | 12,257                       | 90,343           |
| Capital expenditure*  | 91,129                              | 290,746                      | 381,875          |
| Loss on disposal of items of property,<br>plant and equipment | (552)                               | –                            | (552)            |
| Impairment losses recognised in profit or loss                | 144,962                             | 3,820                        | 148,782          |

\* 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 period ended 30 June 2014, no operating segment information was presented.



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 3. Operating Segment Information (continued)

### Information about a major customer

Revenue of approximately RMB174,552,000 (six months ended 30 June 2014: RMB351,164,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

## 4. Revenue, Other Income and Gains

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

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

|                                     | Six months ended 30 June       |                                |
|-------------------------------------|--------------------------------|--------------------------------|
|                                     | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| <b>Revenue</b>                      |                                |                                |
| Sale of goods                       | 1,188,092                      | 1,423,571                      |
| Rendering of services               | 24,103                         | 20,757                         |
|                                     | <b>1,212,195</b>               | 1,444,328                      |
| <b>Other income and gains</b>       |                                |                                |
| Interest income                     | 3,834                          | 9,547                          |
| Profit from sale of scrap materials | 5,983                          | 16,056                         |
| Government grants (note 24)         | 152,327                        | 66,519                         |
| Exchange gain                       | 3,316                          | –                              |
| Others                              | 3,327                          | 5,960                          |
|                                     | <b>168,787</b>                 | 98,082                         |



# Notes to the Interim Condensed Consolidated Financial Statements

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## 5. Profit Before Tax

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

|   | Notes | Six months ended 30 June       |                                |
|---|-------|--------------------------------|--------------------------------|
|   |       | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Cost of inventories sold                                      |       | 805,158                        | 879,782                        |
| Cost of services provided                                     |       | 18,435                         | 15,394                         |
| Depreciation  | 9     | 69,688                         | 51,284                         |
| Amortisation of land lease prepayments                        | 10    | 7,746                          | 5,758                          |
| Amortisation of intangible assets                             | 12    | 12,909                         | 12,908                         |
| Auditors' remuneration  |       | 480                            | 980                            |
| (Reversal)/provision of warranties, net*                      | 23    | (10,193)                       | 17,227                         |
| Research and development costs**                              |       | 95,860                         | 73,605                         |
| Minimum lease payments under operating leases:                |       |                                |                                |
| Dormitories for staff   |       | 230                            | 38                             |
| Warehouses  |       | 3,239                          | 2,024                          |
|   |       | 3,469                          | 2,062                          |
| Employee benefit expenses:                                    |       |                                |                                |
| Wages and salaries  |       | 184,746                        | 124,647                        |
| Share-based payment   |       | 1,940                          | 1,948                          |
| Pension scheme contributions                                  |       | 15,651                         | 15,403                         |
| Other staff welfare   |       | 8,485                          | 7,597                          |
|   |       | 210,822                        | 149,595                        |
| Foreign exchange differences, net***                          |       | (3,316)                        | 1,266                          |
| Impairment of trade receivables***                            |       | 147,865                        | 60,459                         |
| Impairment of other receivables***                            |       | 917                            | –                              |
| Write-down of inventories to net realisable value#            |       | 2,354                          | 3,197                          |
| Loss on disposal of items of property, plant and equipment*** |       | 552                            | 227                            |

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

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

\*\*\* Included in "Other income and gains" or "Other expenses" in the interim condensed consolidated statement of profit or loss.

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





# Notes to the Interim Condensed Consolidated Financial Statements

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## 6. Finance Costs

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Interest on discounted bills                 | 1,462                          | 503                            |
| Interest on interest-bearing bank borrowings | 3,053                          | 13,350                         |
| Interest on documentary bills                | 129                            | 533                            |
|  | <b>4,644</b>                   | 14,386                         |

## 7. Income Tax

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatment available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the period ended 30 June 2015. One of the Group's principal operating companies, Sany Heavy Equipment Co., Ltd. (三一重型裝備有限公司), prepaid CIT at a rate of 15% for the period ended 30 June 2015 as Sany Heavy Equipment Co., Ltd. has obtained the high technology enterprise accreditation.

|   | Six months ended 30 June       |                                |
|---|--------------------------------|--------------------------------|
|   | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Current – Mainland China<br>Charge for the period | 46,792                         | 35,759                         |
| Deferred (note 17)                                | (20,329)                       | 1,848                          |
| Total tax charge for the period                   | <b>26,463</b>                  | 37,607                         |



# Notes to the Interim Condensed Consolidated Financial Statements

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

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2015 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (six months ended 30 June 2014: 3,041,025,000) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2015 attributable to ordinary equity holders of the parent, adjusted to reflect the allocation of preference shares on the convertible preference shares, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

|  | <b>Six months ended 30 June</b>       |                                |
|--|---------------------------------------|--------------------------------|
|  | <b>2015</b><br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| <b>Earnings</b>  |                                       |                                |
| Earnings attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation     | <b>48,758</b>                         | 203,285                        |
| Preferred distribution to the convertible preference shares  | –                                     | –                              |
| Earnings attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation   | <b>48,758</b>                         | 203,285                        |
|  | <b>Number of shares</b>               |                                |
|  | <b>30 June 2015</b><br>(Unaudited)    | 30 June 2014<br>(Unaudited)    |
| <b>Shares</b>  |                                       |                                |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | <b>3,041,025,000</b>                  | 3,041,025,000                  |
| Effect of dilution-convertible preference shares   | <b>479,781,034</b>                    | –                              |
| Weighted average number of ordinary shares used in the diluted earnings per share calculation                        | <b>3,520,806,034</b>                  | 3,041,025,000                  |

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2015 and 2014 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.



# Notes to the Interim Condensed Consolidated Financial Statements

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## 9. Property, Plant and Equipment

|  | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|--|---|---|
| Carrying amount at 1 January             | 2,685,917                                 | 2,151,073                                   |
| Acquisition of subsidiaries              | –   | 357,857                                     |
| Additions                                | 381,875                                   | 290,668                                     |
| Disposals                                | (10,169)                                  | (4,964)                                     |
| Transfer from assets held for sale       | –   | 8,722                                       |
| Depreciation charged for the period/year | (69,688)                                  | (117,439)                                   |
| Carrying amount at 30 June/31 December   | 2,987,935                                 | 2,685,917                                   |

During the six months ended 30 June 2015, the Group acquired assets with a cost of RMB381,875,000 (the six months ended 30 June 2014: RMB78,362,000).

Assets with a net book value of RMB10,169,000 were disposed of by the Group during the six months ended 30 June 2015 (the six months ended 30 June 2014: RMB3,059,000), resulting in a net loss on disposal of RMB552,000 (the six months ended 30 June 2014: RMB227,000).

The Group's buildings are located in Mainland China.

Certificates of ownership in respect of newly-built buildings of the Group located in Shenyang with a net carrying amount of approximately RMB4,551,000 as at 30 June 2015 (31 December 2014: RMB4,551,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.



# Notes to the Interim Condensed Consolidated Financial Statements

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## 10. Prepaid Land Lease Payments

|   | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|---|---|---|
| Carrying amount at 1 January  | 725,914                                   | 476,367                                     |
| Acquisition of subsidiaries   | –   | 260,416                                     |
| Recognised during the period/year                                       | (7,746)                                   | (10,869)                                    |
| Carrying amount at 30 June/31 December                                  | 718,168                                   | 725,914                                     |
| Current portion included in prepayments, deposits and other receivables | (16,340)                                  | (16,160)                                    |
| Non-current portion   | 701,828                                   | 709,754                                     |

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, 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 30 June 2015, Sany Marine Heavy Industry has received one parcel of land with a carrying amount of approximately RMB248,987,000 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 in these two pieces of land shall be no less than RMB5.1 billion in 2 years after the land are provided. As at 30 June 2015, the Group has invested RMB1,294,642,000 and the remaining investment of RMB3,826,759,000 was disclosed in capital commitment. 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.



# Notes to the Interim Condensed Consolidated Financial Statements

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## 11. Goodwill

|  | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|--|---|---|
| Carrying amount at 1 January           | 1,129,520                                 | –   |
| Acquisition of subsidiaries            | –   | 1,129,520                                   |
| Carrying amount at 30 June/31 December | 1,129,520                                 | 1,129,520                                   |

## 12. Intangible Assets

|  | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|--|---|---|
| Carrying amount at 1 January           | 75,973                                    | 101,789                                     |
| Amortised during the period/year       | (12,909)                                  | (25,816)                                    |
| Carrying amount at 30 June/31 December | 63,064                                    | 75,973                                      |

## 13. Available-for-sale Investment

|   | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|---|---|---|
| Unlisted equity investment, at cost less impairment | 12,536                                    | 12,536                                      |

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.



# Notes to the Interim Condensed Consolidated Financial Statements

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## 14. Inventories

|  | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|--|---|---|
| Raw materials  | 482,325                                   | 543,270                                     |
| Work in progress                                       | 366,185                                   | 380,653                                     |
| Finished goods   | 545,699                                   | 663,731                                     |
|  | <b>1,394,209</b>                          | 1,587,654                                   |
| Provision against slow-moving and obsolete inventories | (16,592)                                  | (14,238)                                    |
|  | <b>1,377,617</b>                          | 1,573,416                                   |

## 15. Trade and Bills Receivables

|                        | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|------------------------|---|---|
| Trade receivables      | 3,906,505                                 | 3,545,409                                   |
| Impairment             | (444,466)                                 | (296,625)                                   |
| Trade receivables, net | <b>3,462,039</b>                          | 3,248,784                                   |
| Bills receivable       | <b>169,452</b>                            | 353,142                                     |

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At 30 June 2015, the Group had certain concentrations of credit risk as 25% (31 December 2014: 30%) 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.



# Notes to the Interim Condensed Consolidated Financial Statements

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## 15. Trade and Bills Receivables (continued)

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

|                 | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|-----------------|---|---|
| Within 180 days | 909,425                                   | 1,251,472                                   |
| 181 to 365 days | 985,466                                   | 1,006,395                                   |
| 1 to 2 years    | 1,122,132                                 | 757,906                                     |
| 2 to 3 years    | 348,339                                   | 215,977                                     |
| Over 3 years    | 96,677                                    | 17,034                                      |
|                 | <b>3,462,039</b>                          | <b>3,248,784</b>                            |

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

|                                     | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|-------------------------------------|---|---|
| At 1 January                        | 296,625                                   | 83,381                                      |
| Impairment losses recognised        | 147,865                                   | 208,311                                     |
| Acquisition of subsidiaries         | —   | 6,335                                       |
| Amount written off as uncollectible | (24)                                      | (1,402)                                     |
| At 30 June/31 December              | <b>444,466</b>                            | <b>296,625</b>                              |

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

|                               | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|-------------------------------|---|---|
| Neither past due nor impaired | 1,875,111                                 | 2,227,113                                   |
| Past due but not impaired:    |   |   |
| Within 1 year past due        | 1,117,522                                 | 750,645                                     |
| 1 to 2 years past due         | 338,976                                   | 240,501                                     |
| Over 2 years past due         | 130,430                                   | 30,525                                      |
| Total                         | <b>3,462,039</b>                          | <b>3,248,784</b>                            |



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 15. Trade and Bills Receivables (continued)

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

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

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

|                 | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|-----------------|---|---|
| Within 6 months | 167,452                                   | 332,154                                     |
| Over 6 months   | 2,000                                     | 20,988                                      |
|                 | <b>169,452</b>                            | 353,142                                     |

As at 30 June 2015, there was no amount included in the bills receivable which was pledged to secure the issuance of bills payable (31 December 2014: RMB1,000,000).

Included in the bills receivable was an amount of RMB34,385,844 as at 30 June 2015 (31 December 2014: RMB2,000,000) which was endorsed to a fellow subsidiary for purchasing raw materials by the Group.

### Transfer of financial assets that are not derecognised in their entirety

At 30 June 2015, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB47,321,000 (31 December 2014: RMB53,879,000) 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 RMB47,321,000 (31 December 2014: RMB53,879,000) as at 30 June 2015.





# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 15. Trade and Bills Receivables (continued)

### Transfer of financial assets that are derecognised in their entirety

At 30 June 2015, 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 RMB285,699,000 (31 December 2014: RMB236,710,000). 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.

## 16. Prepayments, Deposits and Other Receivables

|                                | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|--------------------------------|---|---|
| Non-current prepayments        | 755,058                                   | 752,836                                     |
| Current assets:                |   |   |
| Prepayments                    | 185,573                                   | 194,729                                     |
| Deposits and other receivables | 798,732                                   | 715,928                                     |
|                                | 984,305                                   | 910,657                                     |

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

Included in the current prepayments was an amount of RMB4,337,000 as at 30 June 2015 (31 December 2014: RMB1,764,000) paid to a fellow subsidiary for purchasing raw materials by the Group. Included in other receivables was an amount of RMB2,255,000 as at 30 June 2015 (31 December 2014: RMB597,000) due from a fellow subsidiary, which is non-interest-bearing and has no fixed terms of repayment.



# Notes to the Interim Condensed Consolidated Financial Statements

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## 17. Deferred Tax

### Deferred tax assets

|   | Warranty provision<br>RMB'000 | Losses available<br>for offsetting<br>against future<br>taxable profits<br>RMB'000 | Total<br>RMB'000 |
|---|-------------------------------|--|------------------|
| At 1 January 2014 (Audited)   | 124,847                       | 34,609   | 159,456          |
| Credited/(charged) to the consolidated<br>statement of profit or loss                     | 37,208                        | (504)  | 36,704           |
| Acquisition of subsidiaries   | 259,092                       | 3,467  | 262,559          |
| At 31 December 2014 and<br>1 January 2015 (Audited)                                       | 421,147                       | 37,572   | 458,719          |
| Credited to the interim condensed<br>consolidated statement of<br>profit or loss (note 7) | 14,284                        | 6,763  | 21,047           |
| At 30 June 2015 (Unaudited)   | 435,431                       | 44,335   | 479,766          |

### Deferred tax liabilities

|   | Withholding taxes<br>on dividend<br>RMB'000 | Fair value<br>adjustments arising<br>from acquisition<br>of subsidiaries<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|------------------|
| At 1 January 2014 (Audited)   | 5,343                                       | –   | 5,343            |
| Charged to the consolidated<br>statement of profit or loss  | 2,490                                       | –   | 2,490            |
| Acquisition of subsidiaries   | –   | 1,466   | 1,466            |
| At 31 December 2014 and<br>1 January 2015 (Audited)   | 7,833                                       | 1,466   | 9,299            |
| Charged/(credited) to the interim<br>condensed consolidated statement<br>of profit or loss (note 7) | 733   | (15)  | 718              |
| At 30 June 2015 (Unaudited)   | 8,566                                       | 1,451   | 10,017           |



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 17. Deferred Tax (continued)

### Deferred tax liabilities (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. According to the approval obtained from the local tax bureau on 24 May 2013, the applicable rate to the Group is 5% since 1 January 2013 to 31 December 2015. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 30 June 2015, the Group has not recognised deferred tax liabilities of RMB36,636,000 (31 December 2014: RMB34,614,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB732,712,000 (31 December 2014: RMB692,289,000), 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.

## 18. Investment Deposits

|  | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|--|---|---|
| Investment deposits, in licensed banks<br>in Mainland China, at amortised cost | —   | 400,000                                     |

Investment deposits represented investments in financial products purchased from licensed banks in Mainland China. 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 4.0% and have been matured in February 2015.



# Notes to the Interim Condensed Consolidated Financial Statements

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

|   | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|---|---|---|
| Cash and cash equivalents   | 101,567                                   | 278,241                                     |
| Time deposits   | 31,866                                    | 163,748                                     |
|   | <b>133,433</b>                            | 441,989                                     |
| Less: Non-pledged time deposits with original maturity<br>of three months or more when acquired | (7,524)                                   | (112,884)                                   |
| Pledged time deposits for banking facilities  | (24,342)                                  | (50,864)                                    |
| Cash and cash equivalents   | 101,567                                   | 278,241                                     |
| Cash and cash equivalents, time deposits and<br>pledged deposits denominated in                 |   |   |
| – RMB   | 130,682                                   | 434,838                                     |
| – Hong Kong dollars (“HK\$”)  | 2,086                                     | 4,583                                       |
| – United States dollars (“US\$”)  | 665                                       | 2,568                                       |
|   | <b>133,433</b>                            | 441,989                                     |

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.



# Notes to the Interim Condensed Consolidated Financial Statements

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## 20. 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:

|                 | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|-----------------|---|---|
| Within 30 days  | 264,207                                   | 260,870                                     |
| 31 to 90 days   | 389,687                                   | 523,754                                     |
| 91 to 180 days  | 296,516                                   | 500,105                                     |
| 181 to 365 days | 113,600                                   | 74,948                                      |
| Over 1 year     | 33,253                                    | 52,117                                      |
|                 | <b>1,097,263</b>                          | <b>1,411,794</b>                            |

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 RMB86,048,000 as at 30 June 2015 (31 December 2014: RMB140,891,000) payable to fellow subsidiaries for purchasing raw materials by the Group.

## 21. Other Payables and Accruals

|                                  | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|----------------------------------|---|---|
| Deposits received from customers | 228,645                                   | 384,373                                     |
| Other payables                   | 1,955,049                                 | 1,880,371                                   |
| Accruals                         | 160,394                                   | 159,743                                     |
|                                  | <b>2,344,088</b>                          | <b>2,424,487</b>                            |

Included in the accruals was an amount of RMB4,994,000 as at 30 June 2015 (31 December 2014: 14,980,000) payable to a fellow subsidiary for purchasing logistics services by the Group. Included in the other payables was an amount of RMB1,050,182,000 as at 30 June 2015 (31 December 2014: RMB1,246,910,000) 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.



# Notes to the Interim Condensed Consolidated Financial Statements

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## 22. Interest-Bearing Bank Borrowings

|                             | 30 June 2015<br>(Unaudited) |           |                | 31 December 2014<br>(Audited) |           |                |
|-----------------------------|-----------------------------|-----------|----------------|-------------------------------|-----------|----------------|
|                             | Effective interest rate (%) | Maturity  | RMB'000        | Effective interest rate (%)   | Maturity  | RMB'000        |
| <b>Current</b>              |                             |           |                |                               |           |                |
| Bank overdrafts – unsecured | 4.08                        | On demand | 185,102        | 4.48                          | On demand | 134,580        |
| Bank loans – unsecured      |                             |           | –              | 6.0-6.3                       | 2015      | 217,239        |
|                             |                             |           | <b>185,102</b> |                               |           | <b>351,819</b> |

All borrowings are denominated in RMB.

## 23. Provision for Warranties

|   | 30 June 2015<br>RMB'000<br>(Unaudited) | 31 December 2014<br>RMB'000<br>(Audited) |
|---|--|--|
| At 1 January                            | 33,966                                 | 43,682                                   |
| (Reversal of)/additional provision      | (10,193)                               | 10,048                                   |
| Amounts utilised during the period/year | (7,071)                                | (19,764)                                 |
| At 30 June/31 December                  | <b>16,702</b>                          | <b>33,966</b>                            |

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

## 24. Government Grants

|  | 30 June 2015<br>RMB'000<br>(Unaudited) | 31 December 2014<br>RMB'000<br>(Audited) |
|--|--|--|
| At 1 January                             | 1,415,527                              | 457,666                                  |
| Acquisition of subsidiaries              | –                                      | 995,708                                  |
| Grants recognised during the period/year | 139,747                                | 43,691                                   |
| Recognised as income during the year     | (152,327)                              | (81,538)                                 |
| At 30 June/31 December                   | <b>1,402,947</b>                       | <b>1,415,527</b>                         |
| Current portion                          | (20,645)                               | (15,555)                                 |
| Non-current portion                      | <b>1,382,302</b>                       | <b>1,399,972</b>                         |



# Notes to the Interim Condensed Consolidated Financial Statements

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## 25. Share Capital

|   | 30 June<br>2015<br>HK\$'000<br>(Unaudited) | 31 December<br>2014<br>HK\$'000<br>(Audited) |
|---|--|--|
| Authorised:   |  |  |
| 4,461,067,880 ordinary shares (31 December 2014:<br>4,461,067,880 ordinary shares) of HK\$0.10 each | 446,107                                    | 446,107                                      |
| 538,932,120 convertible preference shares<br>(31 December 2014: 538,932,120) of HK\$0.10 each       | 53,893                                     | 53,893                                       |
| <b>Total authorised capital</b>   | <b>500,000</b>                             | 500,000                                      |
| Issued and fully paid:  |  |  |
| 3,041,025,000 ordinary shares (31 December 2014:<br>3,041,025,000 ordinary shares) of HK\$0.10 each | 304,103                                    | 304,103                                      |
| 479,781,034 convertible preference shares<br>(31 December 2014: 479,781,034) of HK\$0.10 each       | 47,978                                     | 47,978                                       |
| <b>Total issued and fully paid capital</b>  | <b>352,081</b>                             | 352,081                                      |
| Equivalent to RMB'000   | 302,214                                    | 302,214                                      |

## 26. Share Option Scheme

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

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

|                                  | Period ended 30 June 2015 |                                     | Year ended 31 December 2014 |                                   |
|----------------------------------|---------------------------|-------------------------------------|-----------------------------|-----------------------------------|
|                                  | Price<br>HK\$             | Number<br>of options<br>(Unaudited) | Price<br>HK\$               | Number<br>of options<br>(Audited) |
| At 1 January                     | 4.18                      | 23,562,000                          | 4.18                        | 28,524,000                        |
| Forfeited during the period/year | 4.18                      | –                                   | 4.18                        | (2,344,000)                       |
| Expired during the period/year   | 4.18                      | –                                   | 4.18                        | (2,618,000)                       |
| <b>At 30 June/31 December</b>    | <b>4.18</b>               | <b>23,562,000</b>                   | 4.18                        | 23,562,000                        |



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## 26. Share Option Scheme (continued)

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\$2,502,000 (equivalent to RMB1,940,000) for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB1,948,000).

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

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

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

## 27. Contingent Liabilities

- (a) Hunan Sany Port Equipment Co., Ltd. ("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.

Contingent liabilities not provided for in the financial statements were as follows:

|   | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|---|---|---|
| Guarantees given to banks in connection with loans granted to customers | 43,874                                    | 63,385                                      |





# Notes to the Interim Condensed Consolidated Financial Statements

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## 27. 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 entered 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.

The unsettled lease receivables due by the end-customers under these arrangements were as follows:

|   | <b>30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2014<br>RMB'000<br>(Audited) |
|---|---|---|
| Guarantees given to Leasing Companies in connection with the unsettled lease amounts due from customers | <b>105,675</b>                                      | 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 as at 30 June 2015 and 31 December 2014.



# Notes to the Interim Condensed Consolidated Financial Statements

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## 28. Operating Lease Arrangements

### (a) As lessor

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

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

|   | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|---|---|---|
| Within one year                         | 2,509                                     | 2,472                                       |
| In the second to third years, inclusive | 5,246                                     | 2,546                                       |
| Above three years                       | 4,133                                     | 8,106                                       |
|   | <b>11,888</b>                             | 13,124                                      |

### (b) As lessee

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

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

|   | 30 June<br>2015<br>(Unaudited)<br>RMB'000 | 31 December<br>2014<br>(Audited)<br>RMB'000 |
|---|---|---|
| Within one year                         | 1,623                                     | 4,298                                       |
| In the second to third years, inclusive | 173                                       | 346   |
|   | <b>1,796</b>                              | 4,644                                       |



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 29. Commitments

In addition to the operating lease commitments as set out in note 28(b) above, the Group had the following capital commitments as at the end of the reporting period:

|                                   | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
|-----------------------------------|---|---|
| Contracted, but not provided for: |   |   |
| Buildings                         | 77,752                                    | 369,648                                     |
| Plant and machinery               | 3,878,316                                 | 4,123,777                                   |
|                                   | <b>3,956,068</b>                          | <b>4,493,425</b>                            |

## 30. Related Party Transactions and Balances

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

### (1) Recurring transactions

|  | Notes   | Six months ended 30 June       |                                |
|--|---------|--------------------------------|--------------------------------|
|  |         | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Purchases of raw materials from:                                       |         |                                |                                |
| Sany Group Co., Ltd. (三一集團有限公司)  | (i)&(v) | 38,037                         | –                              |
| Loudi Zhongxing Hydraulic Parts Co., Ltd.<br>(婁底市中興液壓件有限公司)            | (i)&(v) | 15,103                         | 23,839                         |
| Hong Kong Winternity International Trade Co., Ltd.<br>(香港中興恒遠國際貿易有限公司) | (i)&(v) | 14,665                         | 14,873                         |
| Sany Automobile Manufacturing Co., Ltd.<br>(三一汽車製造有限公司)                | (i)&(v) | 9,169                          | 542                            |
| Suote Transmission Equipment Co., Ltd.<br>(索特傳動設備有限公司)                 | (i)&(v) | 11,505                         | 28,204                         |
| Loudi Zhongyuan New Material Co., Ltd.<br>(婁底市中原新材料有限公司)               | (i)&(v) | 5,702                          | 48,248                         |
| Hunan Zhongcheng Machinery Co., Ltd.<br>(湖南中成機械有限公司)                   | (i)&(v) | 3,463                          | 2,740                          |
| Sany Intelligent Control Equipment Co., Ltd.<br>(三一智能控制設備有限公司)         | (i)&(v) | 2,362                          | 3,716                          |
| Sany Electric Co., Ltd. (三一電氣有限責任公司)                                   | (i)&(v) | 621                            | 16,205                         |
| Kunshan Sany Machinery Co., Ltd.<br>(昆山三一機械有限公司)                       | (i)&(v) | 426                            | 2,083                          |



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 30. Related Party Transactions and Balances (continued)

### (1) Recurring transactions (continued)

|   | Notes    | Six months ended 30 June       |                                |
|---|----------|--------------------------------|--------------------------------|
|   |          | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Purchases of raw materials from (continued):                  |          |                                |                                |
| Sany Heavy Machinery Co., Ltd.<br>(三一重機有限公司)                  | (i)&(v)  | 395                            | 5,727                          |
| Zhejiang Sany Foundry Co., Ltd.<br>(浙江三一鑄造有限公司)               | (i)&(v)  | 342                            | –                              |
| Sany Automobile Lifting Machinery Co., Ltd.<br>(三一汽車起重機械有限公司) | (i)&(v)  | 338                            | 375                            |
| Zhejiang Sany Equipment Co., Ltd.<br>(浙江三一裝備有限公司)             | (i)&(v)  | 261                            | 1,449                          |
| Others  | (i)&(v)  | 131                            | 939                            |
|   |          | <b>102,520</b>                 | 148,940                        |
| Sales of raw materials to:                                    |          |                                |                                |
| Sany Group Co., Ltd. (三一集團有限公司)                               | (ii)&(v) | 7,716                          | –                              |
| Sany Automobile Manufacturing Co., Ltd.<br>(三一汽車製造有限公司)       | (ii)&(v) | 4,698                          | –                              |
| Sany Heavy Industry Co., Ltd.<br>(三一重工股份有限公司)                 | (ii)&(v) | 2,293                          | –                              |
| Zhejiang Sany Equipment Co., Ltd.<br>(浙江三一裝備有限公司)             | (ii)&(v) | 771                            | –                              |
| Sany Heavy Machinery Co., Ltd.<br>(三一重機有限公司)                  | (ii)&(v) | 482                            | –                              |
| Loudi Zhongxing Hydraulic Parts Co., Ltd.<br>(婁底市中興液壓件有限公司)   | (ii)&(v) | 359                            | –                              |
| Hunan Sany Road Machinery Co., Ltd.<br>(湖南三一路面機械有限公司)         | (ii)&(v) | 103                            | –                              |
| Others  | (ii)&(v) | 275                            | –                              |
|   |          | <b>16,697</b>                  | –                              |



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 30. Related Party Transactions and Balances (continued)

### (1) Recurring transactions (continued)

|  | Notes     | Six months ended 30 June       |                                |
|--|-----------|--------------------------------|--------------------------------|
|  |           | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Operating rental fee paid to:  |           |                                |                                |
| Sany Automobile Manufacturing Co., Ltd.<br>(三一汽車製造有限公司)                | (iii)&(v) | 2,285                          | –                              |
| Sany Group Co., Ltd. (三一集團有限公司)  | (iii)&(v) | 1,183                          | –                              |
| Sany Heavy Machinery Co., Ltd.<br>(三一重機有限公司)                           | (iii)&(v) | –                              | 2,844                          |
|  |           | <b>3,468</b>                   | 2,844                          |
| Service fee paid to:   |           |                                |                                |
| Hunan Xinxiang Construction Consultation<br>Co., Ltd. (湖南興湘建設監理諮詢有限公司) | (iv)&(v)  | 794                            | 863                            |
| Sany Automobile Manufacturing Co., Ltd.<br>(三一汽車製造有限公司)                | (iv)&(v)  | 3,314                          | –                              |
| Sany Heavy Machinery Co., Ltd.<br>(三一重機有限公司)                           | (iv)&(v)  | –                              | 1,517                          |
|  |           | <b>4,108</b>                   | 2,380                          |
| Purchases of logistics service from:                                   |           |                                |                                |
| Hunan Sany Logistics Co., Ltd.<br>(湖南三一物流有限責任公司)                       | (iv)&(v)  | 10,323                         | 437                            |
| Agency fee paid to:  |           |                                |                                |
| Sany International Development Limited.<br>(三一國際發展有限公司)                | (iv)&(v)  | 1,362                          | –                              |



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2015

## 30. Related Party Transactions and Balances (continued)

### (1) Recurring transactions (continued)

Notes:

- (i) The purchases from companies owned and controlled by the controlling shareholder\* (the "Controlling Shareholder") were made at prices and conditions as mutually agreed.
- (ii) The sales to companies owned and controlled by the Controlling Shareholder\* were made at prices and conditions as mutually agreed.
- (iii) The rentals were made at prices and conditions as mutually agreed.
- (iv) The services were made at prices and conditions as mutually agreed.
- (v) The above companies are owned and controlled by the Controlling Shareholder\*.

\* The Controlling Shareholders refer to the 15 individual shareholders: Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Zhao Xiangzhang, 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 the future.

### (2) Non-recurring transactions

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Relocation service fee paid to:<br>Shanghai Sany Precision Machinery Co., Ltd.<br>(上海三一精機有限公司) | 4,671                          | —                              |
| Acquired equipment from:   |                                |                                |
| Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)   | 1,009                          | —                              |
| Hunan Automobile Manufacturing Co., Ltd.<br>(湖南汽車製造有限責任公司)                                     | 615                            | —                              |
| Sany Group Co., Ltd. (三一集團有限公司)  | 315                            | —                              |
| Shanghai Sany Heavy Machinery Co., Ltd.<br>(上海三一重機有限公司)  | 254                            | —                              |
| Others   | 123                            | —                              |
|  | 2,316                          | —                              |

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



# Notes to the Interim Condensed Consolidated Financial Statements

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## 30. Related Party Transactions and Balances (continued)

### (3) Compensation of key management personnel of the Group

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Salaries, allowances, bonus and benefits in kind     | 2,969                          | 2,012                          |
| Pension scheme contributions and other staff welfare | 136                            | 198                            |
| Total compensation paid to key management personnel  | 3,105                          | 2,210                          |

## 31. Fair Value Measurement

Management has assessed that the carrying amounts of the Group'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.

### Fair value hierarchy

As at 30 June 2015, no financial asset was measured at fair value (31 December 2014: Nil).

## 32. Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 19 August 2015.