SANYI

SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631

Annual Report 2015

Contents

Company Profile

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

The Group is the supplier of port machinery and whole set of engineering vessel machinery with the largest, most complete technologically advanced vessel products in China. Currently, Hong Kong port machinery and engineering vessel products of the Group's comprise of three majors business segments, namely port machinery, engineering vessel and marine engineering equipment, consisting of 16 major types with more than 150 specifications, including front loader, container stacking machine, heavy-duty forklift truck, rubber-tyred crane, drive off-highway dump truck, quayside container crane, portal crane, transtainer, elevated hoisting arm and concrete mixers.

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

As a leading enterprise spearheading the industry's technological advances, the Group considers research and development ("R&D") as one of its most important competitive strengths. By virtue of its strong R&D capability, the Group achieved remarkable achievements in its R&D and successively launched new product models that led the development direction of the industry. 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. DSW90 project, an underground soft soil project, was established and its general proposal and design has been completed. Pure water hydraulic support (純水液壓支架) project was completed and the testing progress of such project has commenced. The Group completed the R&D and design of SYR200Z, EBZ260Z tunnel roadheaders and performed relevant industrial tests, realizing the technological upgrading of mining vehicle with SAT40 articulator and SES12 power shovel. The second generation modularized and smart design of products of the natural gas LNG-CNG cobuilt station and various gasification stations was carried out. In 2015, the Company obtained 74 invention patents, 38 utility model patents and three exterior design patents. The Group also received national outstanding patent award and obtained five science and technology awards from Shenyang, Liaoning Province, as well as subsidy from Changsha for the implementation of one patent.

Given the outstanding product quality and friendly after-sales services, the Group's port machinery and engineering vessels have gained favourable market share in the large ports in mainland China, and are exported to certain countries and regions, including USA, Germany, Brazil, Russia, South Africa and Australia. The Group's energy equipment products have gained favourable market share in the coal production zones in mainland China and each coal mining group, and are exported to certain countries and regions, including Ukraine, Russia, Australia, the Philippines, Indonesia and Laos.

(RMB'000)	2015 (audited)	2014 (audited)	Increase (%)
Revenue	**2,201,801**	2,175,237	1.2
Gross profit	**629,336**	709,214	(11.3)
Profit before tax	**35,775**	175,310	(79.6)
Net profit	**18,557**	169,886	(89.1)
Profit attributable to owners of the parent	**18,064**	168,270	(89.3)
Profit attributable to owners of the parent (excluding one-off items and revaluation items)[1]	**18,064**	(72,283)	125.0
Total assets	**11,331,186**	12,753,243	(11.2)
Total equity	**6,788,968**	6,761,796	0.4
Cash flows of operating activities	**152,812**	92,266	
Cash flows of investing activities	**400,180**	155,354	
Cash flows of financing activities	**(311,809)**	(301,245)	
Earnings per share[2]			
– Basic (RMB Yuan)	**0.01**	0.06	
– Diluted (RMB Yuan)	**0.01**	0.06	

(Percentage)	2015	2014	Increase (points)
Gross profit margin	**28.6%**	32.6%	(4.0)
Percentage of profit attributable to shareholders of the Company[3]	**0.8%**	7.7%	(6.9)
Percentage of profit attributable to shareholders of the Company (excluding one-off items and revaluation items)	**0.8%**	(3.3%)	4.1
Assets turnover	**18.3%**	20.3%	(2.0)
Asset – Liability ratio	**40.1%**	47.0%	(6.9)
Average total assets (RMB'000)	**12,042,215**	10,732,947	

1 The Group has no one-off item and revaluation item (2014: RMB240,553,000).

2 The weighted average number of ordinary shares for the year ended 31 December 2015 was 3,041,025,000, and the weighted average number of ordinary shares for the year ended 31 December 2014 was 3,041,025,000, details of which are set out in note 12 to the Financial Statement.

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

Important Milestones in Year 2015

The sales of mine transportation equipment grew rapidly

In March 2015, the Company completed the delivery of 17 95C mining vehicles, with an aggregate contract amount of USD22 million. In July 2015, the Company was awarded the tender of hydro power construction project in Argentina, with the contract amount of RMB120 million.

Sany reach stacker helped Tianjin

On 12 August 2015, an explosion occurred in dangerous goods warehouse in Tianjin Binhai New Area. The Company immediately mobilized reach stackers of the Group to the stricken area. The equipment was praised for its reliability, comfortability, flexibility and safety and saved the precious time to clean the harmful chemicals for the relief of the accident in Tianjin.

Fully drove into non-coal field

In 2015, Sany International started to fully engage in non-coal industry, by centralizing the advantages of resources to develop products by exploration. Currently, the roadheaders of the Company have been successfully put into use in the projects relating to tunnels, pyrite resources and irrigation work, etc. The market feedback is encouraging.

The port machinery entered Busan port

In 2015, the small port machinery of the Company successfully entered and was stationed at Busan port in Korea, indicating the collaboration on the small port machinery between the Company and the top 10 ports in the world.

Collaboration on big port machinery business between the Company and well-known port operators

In 2015, the big port machinery business of the Company continued to carry out the deep cooperation with one of the biggest port operators in the world, with an aggregate contract amount of RMB100 million.

Small port machinery 2.0 made new progress

In 2015, the Company made new progress in the small port machinery 2.0 and successfully developed reach stacker and forklift in H9 series. The comprehensive evaluation of energy saving and productivity of this series of products were significantly improved.

Dear Shareholders:

Due to the complicated and ever-changing economic situation during the past year, the economic development in our country entered a new normal. Investments in fixed assets have slackened, presenting unprecedented new challenges to the development of our industry. Despite the complexities and volatility in the external environment, we will continue to move forward for future growth with relentless efforts.

In the past year, the Company adhered to a "dual transition approach" strategy, which allowed the Group to develop its operation from the single business of mechanical energy to the fields of port machinery and non-coal mechanical products, and expand its sales network from single China market to international market, leading to the diversified profit growth. This strategic transformation has already made a positive effect to our company.

For the 2015 financial year, the sales revenue of our Group reached approximately RMB2,201.8 million, representing a year-on-year increase of approximately 1.2%. The profit before tax of our Group amounted to approximately RMB35.8 million, representing a year-on-year decrease of approximately 79.6%. The net profit of the Group amounted to approximately RMB18.6 million, representing a year-on-year decrease of approximately 89.1%. Excluding gain on disposal of non-current assets classified as held for sale, the profit attributable to owners of the parent amounted to approximately RMB18.1 million, representing an increase of 125.0%. The earnings per share of our Group amounted to approximately RMB0.01.

Over the past year, the development of enterprises faced enormous pressure in view of continuous macroeconomic adjustments. Nevertheless, we firmly believe that we will be able to overcome such difficulties and emerge stronger than before. With the company's strong brand influence and abundant technical experience accumulated over the years, we continue to be an industry leader of mobile port machinery products in terms of domestic market share. We have made a greater breakthrough in international sales of large-scale port machinery products (quayside), and continue to keep the leading position in domestic road headers industry in terms of market share.

Over the past year, sporadic difficulties resulting from the transition of the industry still remained, but they were also the best touchstones. Goals can only be reached with persistence. In the year of 2015, we witnessed a steady growth in the port machinery business, which has become the company's most important business sector. The timely introduction of the company's road headers and natural gas LNG equipment won satisfactory performance in the market. International sales of mining vehicles achieved a historic breakthrough, which helped further improve our gross profit.

The past year was a year of continuous deepening reforms in our country. It was also a year of learning from our past experiences and development and promotion of our internal strength. In 2015, the company embarked on a new development process, organized an inter-departmental collaborative research and development team with equal emphasis on cost and performance, and actively carried out reviews of products in different stages so as to enable us to launch new products in the market. In terms of collection of receivables, we ensured the recovery of our receivables by following the "Five-All Principles" of: all customers, all trade receivables, all collection methods, all manners of payment and all leaders involvement, setting an annual receivables collection target, delegating such collection duties to our branches and respective payment collectors, and dynamically managing the "One Client One Credit" Policy on a daily basis in order to speed up the recovery of the payments. In terms of cost management, we set profit targets according to the scope of sales, suppressed expense ratios, reasonably allocated sources for sales and services, and worked hard to improve labor productivity and to control costs.

Flatness is nice, but beautiful scenery can only be created by variations in levels. Self-transcendence can only be achieved by overcoming setbacks one by one. In spite of the complicated and ever-changing economic environment, all employees of the Company will unite together to face the challenges, refine governance, strive for excellence, and create a better future with diligence and wisdom in order to fulfill the dream of producing a world-class brand for our Chinese nation.

Finally, I would like to take this opportunity to express my sincere gratitude to all the shareholders, members of the community, our valued customers and our entire hard working staff for their care and support to our Company.

Qi Jian
Chairman

Hong Kong, 28 March 2016

Business Review

In 2015, under the depressed economic environment, China's economy continued to decline, which caused great pressure on industrial development. Faced with the challenging and critical period, the Group actively responded by adhering to "dual transition approach" which allowed the Group to expand its core business from coal machinery to port machinery and non-coal machinery businesses. In the meantime, the Group shifted from solely focusing on domestic market to actively exploring international market and developed new profit growing opportunity. The Company has achieved satisfactory results in strategic transformation.

Major products

With the ongoing transformation, the Group divided its products into four categories, namely (1) the coal mining business, which includes roadheaders (all types of soft rock, hard rock roadheader, EBS630 mining roadheader and drilling machinery) and CCMU (coal mining machines (shearer), hydraulic support system, scraper conveyor (Armored-Face Conveyer) and centralized control system); (2) the non-coal related business, which includes mining transport equipment (mechanical drive off-highway dump truck, electric drive off-highway dump truck, articulated truck and underground coal mining vehicle) and excavation equipment (tunnel series, potash mine series and drilling series equipment); (3) the marine engineering business, which includes port machinery products (reach stacker, empty container handler and quayside gantry crane) and offshore heavy machineries; and (4) the new energy equipment business, which mainly includes natural gas equipment (full-line products of filling station and gasification station).

Research and development capability

As a leading enterprise spearheading the industry's technological advances, the Group considered research and development ("R&D") as one of its most important competitive strengths and a main drive to provide customers with products of higher quality at a more reasonable price, which differentiate the Group from the peers in the industry. During the year under review, the Group achieved remarkable achievements in its R&D and successively launched new product models that led the development direction of the industry. 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. DSW90 project, an underground soft soil project, was established and its general proposal and design has been completed. Pure water hydraulic support (純水液壓支架) project was completed and the testing progress of such project has commenced. The Group 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 performed industrial tests. 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. During the year ended 31 December 2015, the Group obtained 74 invention patents, 38 utility model patents and 3 exterior design patents. The Group also received national outstanding patent award and obtained 5 science and technology awards from Shenyang, Liaoning Province, as well as subsidy from Changsha for the implementation of one patent.

Production and Manufacturing

Currently, the Group has production and manufacturing bases in Shenyang, Changsha and Zhuhai respectively. There are 8 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 zone with an area of approximately 100,000 sq.m., with 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 reached 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.

Marketing and Service

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

Financial Review

Revenue

For the year ended 31 December 2015, the Group recorded revenue of approximately RMB2,201.8 million (2014: approximately RMB2,175.2 million), representing an increase of approximately 1.2% as compared with the year ended 31 December 2014. The increase is mainly due to (1) the sales of port machinery business acquired on 31 December 2014 which was consolidated to the Group during the year, which accounted for approximately 54.3% of the sales of the Group; (2) the continued downturn of coal industry, which affected the sales of coal machinery products; and (3) the rapid growth the Group's mining vehicles in international market. The stable growth of marine engineering business alongside with the increasing sales, together with the gradual introduction of new models of non-coal products laid a solid foundation for the Group's long-term development.

Other income and gains

For the year ended 31 December 2015, the Group's other income and gains was approximately RMB222.0 million (2014: approximately RMB137.1 million), representing a year-on-year increase of approximately 61.9%. The increase was mainly due to the increase in the government subsidies obtained.

Cost of sales

For the year ended 31 December 2015, the Group's cost of sales was approximately RMB1,572.5 million (2014: approximately RMB1,466.0 million), representing an increase of approximately 7.3%. The change was mainly due to the increase in proportion of the sales of large port machinery to the total revenue of the Group following the implementation of strategic transformation by the Group.

Gross profit and gross profit margin

For the year ended 31 December 2015, the gross profit of the Group was approximately RMB629.3 million (2014: approximately RMB709.2 million), representing a year-on-year decline of approximately 11.3%. Gross margin was approximately 28.6% (2014: approximately 32.6%), representing a decrease of approximately 4.0 percentage points year-on-year. Such decrease was mainly due to (1) the lower gross profit of large port machinery products as compared with that of coal machinery products; and (2) the declining price of coal machinery products resulting from the continuous downturn of coal industry. As such the Group will continue to push forward the cost reduction strategy in all production processes to raise the level of gross profit margin of products.

Profit margin before tax

For the year ended 31 December 2015, the Group's profit margin before tax was approximately 1.6%, representing a decrease of approximately 6.5 percentage points as compared to approximately 8.1% for the year ended 31 December 2014. The decrease was mainly due to the absence of the gain of RMB240.6 million resulting from the disposal of a land parcel located at Yansaihu Street, Shenyang to Shenyang government, which was recorded in 2014, while there was nil in 2015.

Selling and distribution expenses

For the year ended 31 December 2015, the selling and distribution expenses were approximately RMB276.1 million (2014: approximately RMB312.9 million), representing a decrease of approximately 11.8%. For the year ended 31 December 2015, the ratio of the Group's selling and distribution expenses to revenue was approximately 12.5% (2014: approximately 14.4%), representing a decrease of approximately 1.9 percentage points as compared to 2014. Such improvement was due to (1) the increase in the contribution to the Group's revenue by port machinery products while these products cost less distribution expenses; and (2) the strengthened control on sales expenses by the Group.

Research and development expenses

For the year ended 31 December 2015, the research and development expenses of the Group were approximately RMB154.3 million (2014: approximately RMB169.2 million), and its ratio to revenue was approximately 7.0%, representing a decrease of approximately 0.8 percentage point from approximately 7.8% of 2014. Such decrease is mainly due to:

(1) that the Group continues to acquire know-hows during the year and the stability of coal machinery products has gradually improved accordingly; and

(2) the Group's research and development standard had been enhanced due to the past efforts.

In order to adapt to the Company's strategic transformation, the Group allocated research and development resources for port machinery products, excavation equipment, mining transport equipment and natural gas equipment, which laid a solid foundation for the Group's long-term development.

Administrative expenses

For the year ended 31 December 2015, administrative expenses of the Group were approximately RMB371.7 million (2014: approximately RMB358.7 million). The administrative expenses excluding research and development expenses were approximately RMB217.4 million (2014: approximately RMB189.5 million), representing an increase in the proportion of sales revenue of approximately 1.2 percentage points from approximately 8.7% of 2014 to 9.9%. Such changes were mainly attributable to the increase in other administrative expenses coming from the plants of Sany Marine Industry International Holding Company Ltd. and its subsidiaries since their acquisition by the Group by the end of 2014, which are located in Changsha and Zhuhai.

Finance costs

For the year ended 31 December 2015, finance costs of the Group were approximately RMB10.5 million (2014: approximately RMB30.6 million), mainly due to repayment of bank loans by the Group.

Taxation

For the year ended 31 December 2015, the Group's effective tax rate was approximately 48.1% (2014: approximately 3.1%). For details regarding income tax, please refer to note 10 to the financial statements.

Profit attributable to owners of the parent

For the year ended 31 December 2015, the Group's profit attributable to owners of the parent decreased to approximately RMB18.1 million (2014: approximately RMB168.3 million), representing a decrease of approximately 89.3%. The profit attributable to owners of the parent after excluding gain on disposal of non-current assets classified as held for sale increased by approximately 125.0% to RMB18.1 million (2014: loss attributable to owners of the parent was approximately RMB72.3 million). The main reason of the increase was due to the consolidation of profit of port machinery business acquired on 31 December 2014.

Liquidity and financial resources

As at 31 December 2015, current assets of the Group were approximately RMB5,418.8 million (31 December 2014: approximately RMB6,928.0 million). As at 31 December 2015, current liabilities of the Group were approximately RMB2,898.6 million (31 December 2014: approximately RMB4,582.2 million). As as 31 December 2015, the balance of bank loans of the Group was RMB14.9 million (31 December 2014: RMB351.8 million).

As at 31 December 2015, total assets of the Group were approximately RMB11,331.2 million (31 December 2014: approximately RMB12,753.2 million), and total liabilities were approximately RMB4,542.2 million (31 December 2014: approximately RMB5,991.4 million). As at 31 December 2015, the gearing ratio (the asset to liability ratio) of the Group was approximately 40.1% (31 December 2014: approximately 47.0%).

Trade and bills receivables

As at 31 December 2015, the Group's trade and bills receivables were approximately RMB3,378.1 million, representing a decrease of approximately 6.2% from approximately RMB3,601.9 million as at 31 December 2014, of which trade receivables were approximately RMB3,115.3 million, representing a decrease of approximately 4.1% from approximately RMB3,248.8 million as at 31 December 2014 and bills receivable were approximately RMB262.8 million, representing a decrease of approximately 25.6% from approximately RMB353.1 million as at 31 December 2014. Such change was mainly due to the enhanced management on the receivables of the Group by implementing "one client one credit policy", and the increase in bad debt provision for trade receivables for the year ended 31 December 2015 in accordance with the principle of prudence.

Cash flow

As at 31 December 2015, cash and cash equivalents of the Group, investment deposits and deposits with maturity of three months or more were approximately RMB522.8million in total.

For the year ended 31 December 2015, the net cash inflow of the Group from operating activities was approximately RMB152.8 million (2014: net cash inflow of approximately RMB92.3 million).

For the year ended 31 December 2015, the net cash inflow from investing activities was approximately RMB400.2 million (2014: net cash inflow of approximately RMB155.4 million). Such change was mainly due to the decrease in the payments for investment deposits.

For the year ended 31 December 2015, the net cash outflow of the Group from financing activities was approximately RMB311.8 million (2014: net cash outflow of approximately RMB301.2 million).

Turnover days

The Group's average turnover days of inventory were approximately 319.5 days in 2015, representing an increase of approximately 37.6 days from 281.9 days in 2014, mainly due to the downturn of coal machinery market, which decreased the sales of the coal mining equipment. The Group conducted impairment tests on our existing inventory and made provision for the inventory with indication of impairment according to the age of inventory.

The turnover days of trade and bills receivables in 2015 were approximately 578.6 days, representing a decrease of approximately 38.6 days from approximately 617.2 days in 2014. Please refer to the above paragraph titled "Trade and bills receivables" for the reasons of such decrease.

Turnover days of trade and bills payables decreased by approximately 22.2 days from approximately 283.8 days in 2014 to approximately 261.6 days in 2015, which was due to that the bills payables became due during the year under review and the Group settled these bills payable accordingly.

Contingent liabilities

As at 31 December 2015, the Group had contingent liability of RMB139.3 million, being the financial guarantee provided by Hunan Sany Port Equipment under financing lease arrangement and equipment mortgage loan arrangement (31 December 2014: RMB264.6 million).

Capital commitment

As at 31 December 2015, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB4,231.1 million (31 December 2014: approximately RMB4,493.4 million).

Employees and remuneration policy

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

Material Acquisition, Disposal and Significant Investment

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorized by the Board for other material investments or additions of capital assets at the date of this announcement.

Pledge on assets

As at 31 December 2015, pledged deposits and pledged bills of the Group with aggregate value of approximately RMB14.7 million (31 December 2014: approximately RMB50.9 million), which were for the purpose of issuing bills payable. As at 31 December 2015, none of the Group's bank loans were secured by property, plant and equipment and prepaid land lease payments (31 December 2014: Nil).

Foreign exchange risk

As at 31 December 2015, the Group's cash and bank balances denominated in HK$ and US$ were equivalent to approximately RMB15.2 million. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

Social responsibility

The Group promotes good values of fraternity and mutual assistance and selfless contribution, it advocates more people to get involved in charity activities with love and care. During the Spring Festival, the Group launched activities to give warmth and help staff mitigate their financial stress. The management visited staff with family difficulties and provided them with consolation money and items; presented family package insurance to staff; and organized staff health check. The Group also raised funds for staff requiring assistance and spread love and care to staff who are in need of support.

Directors and Senior Management

Executive Directors

Mr. Qi Jian (戚建), aged 56, was appointed as an executive Director, chairman of the Board and chief executive officer of the Company on 6 August 2015.

Mr. Qi joined Sany Group Co., Ltd. ("Sany Group") since May 2001. He served as the deputy dean of the research institute of Sany Heavy Industry Co., Ltd. (a company listed on the 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"). During his term of service, Sany Automobile Lifting grew rapidly and became a core business of Sany Group with a sales amount ranked second in lifting machinery industry in 2014.

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 is a senior engineer at the level of researcher, who has over 30 years of experience in design and technical management and over 10 years of experience as senior management.

Mr. Qi graduated from Qingdao Chemical Engineering Academy (青島化工學院) 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 42, 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 Industry, assistant to the president of Sany Heavy Industry, general manager of US operation department of Sany Group, deputy general manager of Sany Heavy Industry, 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.

Mr. Xiao Huishu (肖輝曙), aged 37, was appointed as an executive Director, the chief financial officer and the joint company secretary of the Company on 6 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 (上海國家會計學院) and the Chinese University of Hong Kong in June 2014 with a master's degree in EMPACC. He graduated from Hunan University of Commerce (湖南商學院) in June 2002 with a bachelor's degree in financial management.

Non-executive Directors

Mr. Tang Xiuguo (唐修國), aged 53, 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. 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 8 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 now a senior engineer.

Mr. Xiang Wenbo (向文波), aged 54, was appointed as a non-executive Director of the Company on 23 July 2009. He has also been a non-executive director of Sany Heavy Equipment since January 2004. Mr. Xiang has over 20 years of experience in the machinery industry. Mr. Xiang joined Sany Group in 1991 and was a standing director and general manager of the marketing department and executive president of Sany Group. He is currently the president and vice-chairman of Sany Heavy Industry.

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

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

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

Mr. Mao Zhongwu (毛中吾), aged 54, was resigned 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

Mr. Xu Yaxiong (許亞雄), aged 69, a professor-level senior engineer, was appointed as an independent non-executive Director of the Company on 5 November 2009. Mr. Xu joined the China National Coal Machinery Industry Association in June 2007 and was elected as the President. Mr. Xu resigned as the President of China National Coal Machinery Industry Association in September 2013 due to old age and will transfer as the senior consultant of the China National Coal Machinery Industry Association, the director of experts committee and the deputy director of China National Coal Association. He is currently a legal representative of the association.

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

Mr. Ng Yuk Keung (吳育強), aged 51, 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.

Mr. Poon Chiu Kwok, aged 53, was appointed as an independent non-executive Director of the Company on 18 December 2015.

Mr. Poon has over 25 years of experience in regulatory affairs, corporate finance, listed companies governance and management. He is also an executive director and the company secretary of Huabao International Holdings Limited, a company listed on the Stock Exchange (stock code: 336). At at the latest practicable date, he serves as an independent non-executive director of the following public companies listed on the Stock Exchange: Sunac China Holdings Limited (stock code: 1918), Yuanda China Holdings Limited (stock code: 2789), Changan Minsheng APLL Logistics Co., Ltd. (stock code: 1292), Tonly Electronics Holdings Limited (stock code: 1249), Aux International Holdings Limited (formerly known as Magnum Entertainment Group Holdings Limited) (stock code: 2080) and Global Intelligence Network (formerly known as Jinheng Automotive Safety Technology Holdings Limited) (stock code: 872). In addition, within the past three years since the latest practicable date, he also acted but has retired as an independent non-executive director of the following public companies: CSSC Offshore & Marine Engineering (Group) Company Limited (listed on the Stock Exchange) (stock code: 317) and Ningbo Port Company Limited (listed on the Shanghai Stock Exchange) (stock code: 601018).

Mr. Poon is a fellow member of the Hong Kong Securities and Investment Institute, a fellow member of both the Institute of Chartered Secretaries and Administrators, and the Hong Kong Institute of Chartered Secretaries and a member of its Technical Consultation Panel and Professional Development Committee. Mr. Poon was awarded the postgraduate diploma in laws by the University of London and also obtained a bachelor's degree in laws, bachelor's degree in business studies a master's degree in international accounting.

Joint Company Secretaries

Mr. Xiao Huishu (肖輝曙), please refer to the paragraph in the biography in the section headed "Executive Directors" above.

Ms. Kam Mei Ha Wendy (甘美霞) (a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom), she is a director of Corporate Services Department at Tricor Services Limited, an external service provider engaged by the Company to provide a named company secretary

The Company's primary contact person in the Company is Mr. Xiao Huishu.

The Board is pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2015.

Principal Activities and Subsidiaries

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

Results and Dividends

The results of the Group for the year ended 31 December 2015 are set out in the financial statements on pages 53 to 129 of this annual report.

The Company has not declared any dividend during the year ended 31 December 2015. The Board resolved not to declare any final dividend for the year ended 31 December 2015.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 130 of this annual report.

Reserves

Details of movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and note 31 to the financial statements, respectively.

Borrowings

Details of bank borrowings of the Group as at 31 December 2015 are set out in note 25 to the financial statements.

Distributable Reserves

As at 31 December 2015, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands ("Companies Law"), amounted to approximately RMB3,906.1 million, and no final dividend has been proposed for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Share Capital

Details of the changes in the share capital of the Company during the year ended 31 December 2015 are set out in note 29 to the financial statements.

Pre-Emptive Rights

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

Share Option Scheme

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 50,000,000 shares, representing approximately 1.61% of the issued share capital as at 16 February 2013, being the date of adoption of the Share Option Scheme and representing approximately 1.64% of the issued share capital as at the date of this report.

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

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

(a) the nominal value of a share;

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

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

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

Details of the movement of share options granted under the Share Option Scheme as at 31 December 2015 are as follows:

Name or class of participant(s)	Date of Grant (1)	Exercise price per Share	Exercise period	As at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period(3)	As at 31 December 2015
Directors								
Mao Zhongwu	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	363,600	–	–	141,400	222,200
Lu Ben (2)	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	634,500	–	–	246,750	387,750
Other staff				22,563,900	–	–	11,513,300	11,050,600
Total				23,562,000	–	–	11,901,450	11,660,550

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 was appointed as an executive Director of the Company on 28 September 2014 and resigned as an executive Director on 6 August 2015.*

(3) *For details, please refer to the vesting schedule on page 21 of this annual report.*

The vesting schedule is as follows:

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

Notes:

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

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

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

As at the date of this annual report, a total of 21,476,000 shares (representing 0.71%) of the issued share capital of the Company as at the date of this annual report) may be issued upon exercise of all options which may be granted under the Share Option Scheme and a total of 14,399,000 shares (representing 0.42% of the issued share capital of the Company as at the date of this annual report) may be issued upon exercise of all options which had been granted and vet to be exercised the Share Option Scheme.

Major Suppliers and Customers

During the year under review, the aggregate sales attributable to the Group's five largest customers comprised approximately 75.3% of the Group's total sales and the sales attributable to the Group's largest customer (being a group of entities under common control) were approximately 62.3% of the Group's total sales. The aggregate purchases during the year under review attributable to the Group's five largest suppliers were approximately 16.5% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 3.7% of the Group's total purchases.

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

Donations

During the year under review, there was no charitable and other donations made by the Group (2014: Nil).

Property, Plant and Equipment

During the year ended 31 December 2015, the Group held property, plant and equipment of approximately RMB2,732.9 million. Details of the movements are set out in note 13 to the financial statements.

Repurchase, Sale or Redemption of the Company's Shares

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company (2014: nil).

Business Review

A fair review of the Group's business has been set out in the section headed "Management Discussion and Analysis" of this annual report. Discussions and information therein forms part of this Directors' Report.

Important Events After the Period

Investment by National Development Fund

On 8 March 2016, Sany Marine Heavy Industry Co., Ltd.* (三一海洋重工有限公司) ("Sany Marine Heavy Industry"), Sany Marine Industry International Holdings Co., Ltd. (三一海工國際控股有限公司) ("Sany Marine Heavy"), Sany Group and National Development Fund Co., Ltd.* (國開發展基金有限公司) ("National Development Fund") entered into an investment agreement, pursuant to which National Development Fund has agreed to invest an amount of RMB160 million in Sany Marine Heavy Industry to subscribe for 14.56% of the enlarged registered capital of Sany Marine Heavy Industry. The aforesaid investment is subject to the approval by the independent Shareholders at a general meeting of the Company. For further details, please refer to the announcements of the Company dated 8 March 2016 and 21 March 2016.

Factoring

In March 2016, the Group factored its trade receivables to financial institutions without recourse of RMB1,100,063,000 and received net cash considerations of RMB1,001,179,000. The difference between the net cash considerations and carrying amounts of trade receivables of RMB98,884,000 was charged to the statement of profit or loss of the Group for the year ended 31 December 2015 as the impairment of trade receivables.

Future Development

China's economy has entered into the new normal and the future development of the industry will face unprecedented challenges. The Company will continue to adhere to the "dual-transition approach" strategy, which will allow the Group to develop its current operation from the single business of energy mechanical to the fields of port machinery and non-coal mechanical products and expand its sales network from single Chinese market to international market, leading to the diversified profit growth. With the strategy of "Addition in one field, subtraction in two fields, reduction in three fields and growth in four fields", the Group will actively promote the 4.0 plant construction in Zhuhai Industrial Park by gradual intelligentization and digitalization and will continue to cut off inventory and production capacity in order to reduce costs, expenses and payment overdue and increase the Group's profitability.

In future, we will continue to focus on our primary objectives, including internationalization, cost control and borrowing risk control. The Group will insist on providing better products to customers and maintain a healthy and stable operating company in the interests of the shareholders of the Company.

Principal Risks and Uncertainties:

The principal risks and uncertainties for the Company include the followings:

(1) Reliance on the Chinese economy

A significant portion of the Group's revenue is derived from sales in China. The Group is therefore heavily dependent on general economic conditions in China for the Group's continued growth. It cannot be assured that China's economy will continue to grow or that its growth will be steady or occur in the geographical regions or economic sectors that related to the Group. In addition, it is anticipated that sales to customers based in China will continue to represent a significant proportion of the Group's revenue. Any continued slowdown in China's economic growth or a decline in the general economic environment could have an adverse effect on the Group's business, financial position and result of operations.

(2) Fluctuation in the Prices of Steel and Other Raw Materials

The Group's production process depends on reliable sources of large quantities of raw materials, particularly steel. The prices of these raw materials are subject to volatility caused by external conditions, such as fluctuations in the prices of commodities and changes in economic conditions and government policies. The Group expects the volatility and uncertainty of steel prices to continue. It cannot be assured that that the Group will be able to transfer any incremental cost increases to the customers. In addition, it cannot be assured that the Group's key suppliers will continue to provide the Group with raw materials at reasonable prices or at all. As a result, any increase in the prices of the raw materials used to make the products may adversely affect the Group's results of operations.

(3) Cooperation with Third Party Suppliers

The Group procures some of the parts and components from external suppliers. Any unexpected shortage, delay in delivery, price fluctuations, or other factors beyond control may result in an interruption in such supply of raw materials and components. Such interruption may affect the Group's manufacturing schedule and the Group may need to source materials, components and services from alternative suppliers at higher prices, which may harm the Group's reputation and affect profitability. In particular, to the extent that the Group is dependent on a limited number of suppliers for certain parts, it may be difficult to replace them on similar terms in a timely manner. Failure to secure sufficient quantities of raw materials and machinery components at the required standards for the Group's existing operations and the planned business expansion at reasonable prices, or at all, may have a material and adverse impact on the Group's business, financial position and results of operations.

(4) Uncertainty of PRC government incentives

The Group has certain subsidiaries in China which are entitled to certain government incentives relating to the development of our products. However, it cannot be assured that the Group will be able to continue to enjoy such preferential treatment, incentives and favourable support on the same terms, or at all, in the future. Unfavourable changes to the Group's preferential treatment and incentives in the future may adversely affect its business, financial position and results of operations.

Key Relationships

1. Employees

Human resources are one of the greatest assets of the Group and the Group considers the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees.

The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides on-the-job training and development opportunities to the staff members. The training programs cover areas such as managerial skills, sales and production, customer services, quality control and training of other areas relevant to the industry.

The Group conducts employee engagement survey across mainland China operations once a year. It seriously considers all those valuable feedback from the employees for enhancing workplace productivity and harmony.

The Group has also adopted a share option scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

In addition, the Group also actively performs its social responsibility by helping staff with family difficulties. For further information, please refer to the paragraph headed "Social Responsibility" under the section headed "Management Discussion and Analysis".

2. Suppliers

The Group has developed long-standing relationships with a number of the suppliers and taken great care to ensure that they share the Group's commitment to quality and ethics. The Group carefully selects the suppliers and requires them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

3. Customers

The Group is dedicated to providing first class products and service to customers. The Group adheres to its service philosophy of "All For Customers, All From Innovations", by providing first-class service and highly efficient response to meet customers' needs and raise customers' satisfaction and to address any concerns of our customers. The Group's superior product quality, attentive after-sales service and efficient response have achieved a high recognition from our customers.

Environmental Policies

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also require our factories to operate in strict compliance with the relevant environmental regulations and rules and possess all necessary permission and approval from the relevant Chinese regulators.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China. Our establishment and operations accordingly shall comply with relevant laws and regulations in the mainland China. During the year ended 31 December 2015 and up to the date of this report, we have complied with the relevant laws and regulations in the mainland China in all material aspects.

Directors

As at the date of this report, the Directors comprise:

Executive Directors:
Mr. Qi Jian *(Chairman of the Board) (appointed on 6 August 2015)*
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:
Mr. Xu Yaxiong
Mr. Ng Yuk Keung
Mr. Poon Chiu Kwok *(appointed on 18 December 2015)*

Notes: Each of Mr. Wu Jialiang and Mr. Lu Ben resigned as an executive Director, with effect from 6 August 2015. Each of Mr. Qi Jian, Mr. Fu Weizhong, Mr. Xiao Huishu was appointed as an executive Director with effect from 6 August 2015. Dr. Ngai Wai Fung resigned as an independent non-executive Director on 18 December 2015. Mr. Poon Chiu Kwok was appointed as an independent non-executive Director, with effect from 18 December 2015.

In accordance with article 83(3) of the Company's articles of association, Mr. Qi Jian, Mr. Fu Weizhong, Mr. Xiao Huishu and Mr. Poon Chiu Kwok shall hold office until the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

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

Directors' Service Contracts

Each of the current executive Directors on the Board during the year ended 31 December 2015 has entered into a service agreement with the Company for an initial term of three years commencing from 6 August 2015. The non-executive Directors on the Board have entered into a service agreement with the Company for an initial term of three years commencing from 28 September 2014 for Mr. Tang Xiuguo, 25 December 2015 for Mr. Xiang Wenbo and 28 September 2014 for Mr. Mao Zhongwu, respectively. Each of the independent non-executive Directors has entered into a service agreement with the Company. The service agreements of Mr. Xu Yaxiong and Mr. Ng Yuk Keung commenced from 25 November 2015 for an initial term of three years while the service agreement of Mr. Poon Chiu Kwok commenced from 18 December 2015 for an initial term of three years.

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

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

Confirmation of Independence

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

Permitted Indemnity Provision

Article 164 of the Company's articles of association provides that the Directors, secretary and other officers acting in relation to any of the affairs of the Company and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Directors' Remuneration

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the remuneration committee of the Company to ensure that the levels of their remuneration and compensation are appropriate. None of the Directors waived any emoluments during the year ended 31 December 2015. Details of directors' remuneration are set out in note 8 to the financial statements.

Directors' and Senior Management's Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 14 to 18 of this annual report.

Controlling Shareholders' Interests in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a controlling shareholder had a material interest in, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the financial year under review save as disclosed under the sub-section headed "Connected Transaction" below and "Related party transactions" in note 35 to the financial statements.

Directors' Interests in Transactions, Arrangements, Contracts of Significance

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party, and in which a Director of the Company or an entity connected with a Director had a material interest in, whether directly or indirectly, subsisted at the end of the financial year under review or at any time during the financial year. Save as disclosed under the sub-section headed "Connected Transaction" below and "Related Party Transactions" in note 35 to the financial statements.

Director's Interests in Competing Business

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2015 and up to and including the date of this annual report.

Directors' Rights to Purchase Shares or Debentures

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

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

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

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

Name of Director	Nature of interest	Number of shares held	Percentage of issued share capital
Mr. Tang Xiuguo (Note)	Beneficial owner	875	8.75%
Mr. Mao Zhongwu (Note)	Beneficial owner	800	8.00%
Mr. Xiang Wenbo (Note)	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).*

Long positions in shares of the Company

Name of Director	Nature of interest	Number of shares/underlying shares held	Percentage of issued share capital
Mr. Mao Zhongwu (Note)	Beneficial owner	363,600	0.012%

Note: *Mr. Mao Zhongwu is deemed to be interested in 363,600 shares which may be issued to him upon the exercise of the share options granted to him on 23 February 2013. For details of the movements of share options granted under the Share Option Scheme, please refer to the paragraph headed "Share Option Scheme".*

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

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

Notes:

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

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

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

Deed of Non-Competition

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

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained sufficient public float required under the Listing Rules for the year ended 31 December 2015 and up to as at the date of this annual report.

Retirement Scheme

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

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

For the year ended 31 December 2015, the Group's total contributions to the retirement schemes charged in the income statement amounted to RMB28.8 million (2014: RMB31.2 million). Details of the Group's pension scheme are set out in note 6 to the financial statements.

Code on Corporate Governance Practices

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. Except for the deviation from code A.2.1 of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has complied with the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2015. The Group's principal corporate governance practices are set out on pages 39 to 49 of the annual report.

Connected Transaction

During the year ended 31 December 2015, the Group has the following connected transactions with Sany Group or its subsidiaries which are subject to the reporting requirements set out in Chapter 14A of the Listing Rules.

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

Continuing Connected Transactions

(1) Master Purchase Agreement

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

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

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

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

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

It was proposed that the cap amount under the Master Purchase Agreement for the financial year ended 31 December 2015 would not exceed RMB159,366,707.00. The annual cap amount was determined with reference to (a) historical transaction amounts, (b) the Group's anticipated manufacturing capacity for the year ended 31 December 2015 and (c) the Group's expected requirement for parts and components and manufacturing equipment.

On 19 June 2015, the Company and Sany Group entered into the supplemental master purchase agreement (the "Supplemental Master Purchase Agreement"), pursuant to which the annual cap amount for the year ended 31 December 2015 was increased to RMB339,814,121.00 taking into account the additional manufacturing capacity of Sany Marine Industry and its subsidiaries, which were acquired by the Group by the end of 2014.

During the year under review, the actual transactions under the Master Purchase Agreement and the Supplemental Master Purchase Agreement amounted to RMB226,329,460.78, which was within the cap of RMB339,814,121.00.

Further details of the Master Purchase Agreement and the Supplemental Master Purchase Agreement are set out in the announcements of the Company dated 31 December 2014 and 19 June 2015 and the circular of the Company dated 20 July 2015.

(2) Master Transportation Agreement

On 31 December 2014, the Company entered into the new master transportation agreement (the "Master Transportation Agreement") with Hunan Sany Logistics Co, Ltd.*(湖南三一物流有限公司)("Sany Logistics"), pursuant to which Sany Logistics would provide certain logistics services to the Company or its subsidiaries in connection with the transportation of the coal mining machinery and equipment from 1 January 2015 to 31 December 2015. The service fees payable under the Master Transportation Agreement shall be determined based on arm's length negotiation with reference to (i) means of transportation, (ii) transportation distance, (iii) transportation location, (iv) weight of the goods transported and (v) gasoline price, which should be in any event no less favorable to the Group than is available to independent third parties.

It was proposed that the cap amount under the Master Transportation Agreement for the financial year ending 31 December 2015 would not exceed RMB10,432,521.00. Such annual cap amount is determined with reference to (i) prevailing market price for logistics service fees in the open market in the PRC; (ii) the anticipated business volume of the Group's products; and (iii) the expected logistics services to be involved.

On 19 June 2015, the Company and Sany Group entered into the supplemental master transportation agreement (the "Supplemental Master Transportation Agreement"), pursuant to which the annual cap amount for the year ended 31 December 2015 was increased to RMB55,732,521.00, considering the anticipated business volume of the Group's products and the expected logistics services to be involved considering the effect of the acquisition of Sany Marine Industry and its subsidiaries.

During the year under review, the actual transactions under the Master Transportation Agreement and the Supplemental Master Transportation Agreement amounted to RMB28,068,601.33, which was within the cap of RMB55,732,521.00.

Further details of the Master Transportation Agreement and the Supplemental Master Transportation Agreement are set out in the announcements dated 31 December 2014 and 19 June 2015, respectively.

(3) Master Sales Agreement

On 25 August 2014, the Company and Sany Group entered into the master sales agreement (the "Master Sales Agreement"), pursuant to which the Company (or its subsidiaries) agreed to sell to Sany Group (or its subsidiaries) certain parts and components produced by the Group for the production of Sany Group's products for a period from 25 August 2014 to 31 December 2015. The basis of determining prices of the parts and components produced by the Group will be determined based on the arm's length negotiation and with reference to the manufacturing costs involved in the relevant part and component plus a gross margin of approximately 30%, which should be in any event no less favorable to the Group than is available from customers who are independent third parties. It is proposed that the annual cap amount for the transactions under the Master Sales Agreement for the financial years ended 31 December 2015 would not exceed RMB11,692,500.00. The annual cap amounts for the transactions under the Master Sales Agreement are determined with reference to (1) anticipated operation volume and the sales volume of the Group's parts and components, (2) Sany Group's anticipated demand for parts and components during the term of the Master Sales Agreement and (3) the prices of the relevant parts and components stipulated by the Group, which is also applicable to customers who are independent third parties.

On 19 June 2015, the Company and Sany Group entered into the supplemental master sales agreement (the "Supplemental Master Sales Agreement"), pursuant to which the annual cap amount for the year ended 31 December 2015 was increased to RMB107,742,791.00 considering (i) anticipated operation volume and the sales volume of the Group's parts and components, and (ii) Sany Group's anticipated increasing demand for parts and components during the term of the Master Sales Agreement. During the year under review, the actual transactions under the Master Sales Agreement and the Supplemental Master Sales Agreement amounted to RMB25,324,521.96, which was within the cap of RMB107,742,791.00.

Further details of the Master Sales Agreement and the Supplemental Master Sales Agreement are set out in the announcements dated 25 August 2014 and 19 June 2015, respectively.

(4) Hunan Lease

On 1 September 2014, Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") (as the lessee) entered into a lease agreement (the "Hunan Lease") with Sany Automobile Manufacturing Co. Ltd. ("Sany Auto Manufacturing") (as the lessor) to lease the premises with a total floor area of 28,487.64 sq.m. located in Sany Industry Town, Xingsha Town, Changsha City, Hunan Province ("Hunan Property") with effect from 1 September 2014 to 31 August 2015 at a rental of RMB257,749.00 per month, subject to the conditions under Hunan Lease and the terms thereunder for the period from 1 September 2014 to 31 August 2015.

On 19 June 2015, Hunan Sany Port Equipment and Sany Auto Manufacturing entered into the supplemental Hunan lease (the "Supplemental Hunan Lease"), pursuant to which (1) the lease of the Hunan Property would be renewed till 31 December 2015, and (2) the lease would be further expanded to cover the Hunan R&D Property, being certain R&D premises owned by Sany Auto Manufacturing with a total floor area of 4,300 sq.m. located in Sany Industry Town, Xingsha Town, Changsha County, Hunan Province, the PRC with the rental of RMB51,710.48 per month. Accordingly, the annual rental payable by Hunan Sany Port Equipment would be increased. For the year ended 31 December 2015, the maximum aggregate amount of rent under the Supplemental Hunan Lease would be RMB3,713,513.76, determined based on the annual rental payable by Hunan Sany Port Equipment pursuant to the Supplemental Hunan Lease. During the year under review, the actual transactions under the Hunan Lease and the Supplemental Hunan Lease amounted to RMB3,713,513.76, which was within the cap of RMB3,713,513.76.

Further details of the Hunan Lease and the Supplemental Hunan Lease are set out in the announcements of the Company dated 7 November 2014 and 19 June 2015, respectively.

(5) Utility Charges Payment Agreement

In relation to the Supplemental Hunan Lease, on 19 June 2015, Hunan Sany Port Equipment and Sany Auto Manufacturing entered into the utility charges payment agreement (the "Utility Charges Payment Agreement"), commencing from 19 June 2015 to 31 December 2015 (both days inclusive), pursuant to which Hunan Sany Port Equipment shall pay the electricity and water charges incurred by it under the Supplemental Hunan Lease to Sany Auto Manufacturing, which in turn shall pay such charges to the relevant authorities.

It was proposed that the annual cap amount for the transactions contemplated under the Utility Charges Payment Agreement would be set at RMB6,000,002.28. The proposed annual cap is calculated and determined after taking into account (i) the historical transaction amount, and (ii) the expanding of the lease under the Supplemental Hunan Lease. During the year under review, the actual transactions under the Utility Charges Payment Agreement amounted to RMB4,407,049.98, which was within the cap of RMB6,000,002.28.

Further details of the Utility Charges Payment Agreement are set out in the announcement dated 19 June 2015.

(6) Zhuhai Lease

On 1 September 2014, Zhuhai Sany Port Machinery Co., Ltd. ("Zhuhai Sany Port Machinery") (as the lessee) entered into a lease agreement (the "Zhuhai Lease") with Sany Group (as the lessor) to lease the premises with a total floor area of 21,943 sq.m. located in Gaolan Port Economic District, Zhuhai City, Guangdong Province ("Zhuhai Property") which takes retrospective effect from 10 February 2012 and ended on 9 February 2015 at a rental of RMB337,125 per month, subject to the conditions under Zhuhai Lease and the terms thereunder for the period from 10 February 2012 to 9 February 2015. On 19 June 2015, Zhuhai Sany Port Machinery and Sany Group entered into the supplemental zhuhai lease ("Supplemental Zhuhai Lease"), pursuant to which the lease of the Zhuhai Property will be renewed till 31 December 2015. For the year ended 31 December 2015, the maximum aggregate amount of rental under the Zhuhai Lease and the Supplemental Zhuhai Lease is RMB4,045,500.00, determined based on the annual rental payable by Zhuhai Sany Port Machinery pursuant to the Zhuhai Lease and the Supplemental Zhuhai Lease. During the year under review, the actual transactions under the Zhuhai Lease and the Supplemental Zhuhai Lease amounted to RMB4,045,500.00, which was within the cap of RMB4,045,500.00.

Further details of the Zhuhai Lease and the Supplemental Zhuhai Lease are set out in the announcements of the Company dated 7 November 2014 and 19 June 2015, respectively.

(7) Sales Agreement

On 19 June 2015, the Company and Sany Group entered into the sales agreement (the "Sales Agreement"), commencing from 19 June 2015 to 31 December 2015 (both days inclusive), pursuant to which the Company (or its subsidiaries) agreed to sell its finished products to Sany Group (or its subsidiaries) for sales to the end-customers. Since the Sales Agreement serves the purpose for the Company to take advantage of Sany Group's sales network to sell its finished products to end-customers, the prices of the finished products under the Sales Agreement are determined with reference to the selling price offered to independent third parties customers, being the manufacturing costs plus reasonable profit margin. In any event, the prices at which the Company (or its subsidiaries) sells its product(s) to Sany Group (or its subsidiaries) shall not be less than the price at which the Company (or its subsidiaries) sells the same product(s) to other distributors.

Pursuant to the Sales Agreement, the annual cap amount for the transactions thereunder for the year ended 31 December 2015 shall be RMB1,475,831,828. The proposed annual cap is calculated and determined after taking into account (i) the Group's anticipated manufacturing capacity for the year ended 31 December 2015 having considered the effect of the acquisition of Sany Marine Industry on 31 December 2014, and (ii) the Group's expected plans to take advantage of Sany Group's strong domestic and overseas sales network and sales experiences to enhance the Group's product sales. During the year under review, the actual transactions under the Sales Agreement amounted to RMB1,128,599,513.62, which was within the cap of RMB1,475,831,828.

Further details of the Sales Agreement are set out in the announcement dated 19 June 2015 and the circular dated 20 July 2015.

Review by the independent non-executive Directors

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

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

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

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

Review by the auditors

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

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

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

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

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

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

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 35 to the financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those described in the sub-sections headed "Connected Transaction" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

Management Contracts

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

Closure of Register of Members

The register of members of the Company will be closed from Friday, 17 June 2016 to Wednesday, 22 June 2016, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to attend and vote at the annual general meeting is Wednesday, 22 June 2016. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 22 June 2016, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 16 June 2016.

Audit Committee

The Audit Committee had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2015.

Auditors

The consolidated financial statements for the year ended 31 December 2015 have been audited by Ernst & Young. Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed by the Company at the forthcoming annual general meeting to re-appoint Ernst & Young as auditors of the Company.

By Order of the Board

Qi Jian
Chairman

Hong Kong, 28 March 2016

Corporate Governance

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

Except for the code provision A.2.1, the Company has complied with the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules from 1 January 2015 to 31 December 2015. In accordance with code provision A.2.1 of the CG Code, the roles of chairman of the Board and chief Executive Officer should be separate and should not be performed by the same individual. Further, the division of responsibilities between the chairman and chief executive officer should be clearly established. From 1 January 2015 to 18 March 2015, Mr. Wu Jialiang acted as both of the chairman of the Board and the chief executive officer. On 18 March 2015, Mr. Wu Jialiang resigned as the chief executive officer and Mr. Mei Yonghua was appointed as the chief executive officer. On 6 August 2015, Mr. Mei Yonghua resigned as the chief executive officer and Mr. Wu Jialiang resigned as the chairman of the Board. On the same date, Mr. Qi Jian was appointed as both of the chairman of the Board and the chief executive officer. The Board considers vesting the role of both of the chairman of the Board and the chief executive officer in Mr. Qi Jian provides the Company with consistent leadership, facilities effective and efficient planning and implementation of business decisions and strategies. The Board believes that this structure did not impair the balance of power and authority between the Board and the management of the Company. As the Board comprises of experienced and quality calibres (including sufficient number of independent non-executive Director), balance between duty and right can be assured.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the review period, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they had complied with the Model Code throughout the year ended 31 December 2015.

The Board

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

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

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

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

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

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

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

Chairman and Chief Executive Officer

From 1 January 2015 to 18 March 2015, Mr. Wu Jialiang acted as both of the chairman of the Board and the chief executive officer. On 18 March 2015, Mr. Wu Jialiang resigned as the chief executive officer and Mr. Mei Yonghua was appointed as the chief executive officer. On 6 August 2015, Mr. Mei Yonghua resigned as the chief executive officer and Mr. Wu Jialiang resigned as the chairman of the Board. On the same date, Mr. Qi Jian was appointed as both of the chairman of the Board and the chief executive officer. The Board considers vesting the role of both of the chairman of the Board and the chief executive officer in Mr. Qi Jian provides the Company with consistent leadership, facilities effective and efficient planning and implementation of business decisions and strategies. The Board considers that Mr. Qi Jian's role will not impair the balance of power and authority between the Board and the management of the Company.

Joint Company Secretaries

Ms. Kam Mei Ha Wendy of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary to act jointly with Mr. Xiao Huishu (appointed in August 2015). The primary contact person at the Company is Mr. Xiao Huishu. Please refer to the paragraph headed "Investor Relations" under the section headed "Corporate Information" in this annual report. Details of the biographies of the joint company secretaries of the Company are set out in the section headed "Directors and Senior Management" of the annual report of which this corporate governance report forms part. In accordance with Rule 3.29 of the Listing Rules, the Company has received training information from the joint company secretaries of the Company, pursuant to the content of which, the Company considers that the training of those two joint company secretaries was in compliance with the requirements under Rule 3.29 of the Listing Rules. Please see below for the details:

Name of company Secretaries	Corporate Governance/ Updates on Laws, Rules and Regulations Read materials	Attend Seminars Briefings/(Times)	Accounting/Financial/ Management or Other Professional Skills Read materials	Attend Seminars Briefings/(Times)
Mr. Xiao Huishu		1 (15.0 hours in total)		2 (6.0 hours in total)
Ms. Kam Mei Ha Wendy		6 (19.5 hours in total)		

Appointments and Re-election of Directors

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

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

Board Diversity Policy

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

Board Committees

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

Audit Committee

The audit committee of the Company ("Audit Committee") was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems 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 Mr. Xu Yaxiong, Mr. Ng Yuk Keung and Mr. Poon Chiu Kwok, of which are all independent non-executive Directors. Mr. Poon Chiu Kwok, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

During the year ended 31 December 2015, the Audit Committee held two meetings. The Group's unaudited interim results for the six months ended 30 June 2015 and the audited annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors.

Remuneration Committee

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

During the year ended 31 December 2015, the Remuneration Committee held two meetings. During the year ended 31 December 2015, the Remuneration Committee reviewed the remuneration packages of the Directors and the senior management and recommended the remuneration of Mr. Qi Jian, Mr. Fu Weizhong, Mr. Xiao Huishu, Mr. Xu Yaxiong, Mr. Ng Yuk Keung and Mr. Poon Chiu Kwok to the Board.

Nomination Committee

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

During the year ended 31 December 2015, the Nomination Committee held four meetings. The Nomination Committee reviewed and recommended the appointment of Mr. Qi Jian, Mr. Fu Weizhong and Mr. Xiao Huishu as executive Directors and Mr. Poon Chiu Kwok as an independent non-executive Director.

Strategic Investment Committee

The strategic investment committee of the Company (the “Strategic Investment Committee”) was established on 4 October 2012. The Strategic Investment Committee is responsible for the proposal and analysis of the business development and investment of the company. Mr. Qi Jian acted as the chairman of the Strategic Investment Committee and the other five members were Mr. Mao Zhongwu, Mr. Fu Weizhong, Mr. Xu Yaxiong, Mr. Ng Yuk Keung and Mr. Poon Chiu Kwok.

The Board may seek advice from the Strategic Investment Committee on the business development plan of the Group and the feasibility of investment project whenever necessary. During the year ended 31 December 2015, no meeting was held by the Strategic Investment Committee.

Corporate Governance Function

The Company’s corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with Code Provision D.3.1 of the CG Code, which include (a) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company’s compliance with the CG Code and disclosure in the corporate governance report. During the year of 2015, the Board determined the policy for the corporate governance of the Company.

Number of Meetings and Directors' Attendance

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Strategic Investment Committee and general meetings of the Company during the year ended 31 December 2015 is set out below:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Strategic Investment Committee	General Meeting
Executive Directors						
Mr. Qi Jian (1) *(Chairman)*	3/8	N/A	N/A	N/A	0/0	1/2
Mr. Wu Jialiang (2)	5/8	N/A	N/A	N/A	0/0	1/2
Mr. Lu Ben (3)	5/8	N/A	N/A	N/A	N/A	1/2
Mr. Fu Weizhong (4)	3/8	N/A	N/A	N/A	0/0	1/2
Mr. Xiao Huishu (5)	3/8	N/A	N/A	N/A	N/A	1/2
Non-executive Directors						
Mr. Tang Xiuguo	8/8	N/A	N/A	N/A	N/A	2/2
Mr. Xiang Wenbo	8/8	N/A	N/A	N/A	N/A	2/2
Mr. Mao Zhongwu	8/8	N/A	N/A	4/4	0/0	2/2
Independent non-executive Directors						
Dr. Ngai Wai Fung (6)	7/8	3/3	1/2	3/4	0/0	1/2
Mr. Xu Yaxiong	7/8	3/3	2/2	4/4	0/0	1/2
Mr. Ng Yuk Keung	7/8	3/3	2/2	N/A	0/0	1/2
Mr. Poon Chiu Kwok (7)	1/8	0/3	1/2	1/4	0/0	0/2

Notes:

(1) Mr. Qi Jian was appointed as an executive Director, the chairman of the Board and the chairman of the Strategic Investment Committee, with effect from 6 August 2015.

(2) Mr. Wu Jialiang resigned as an executive Director, the chairman of the Board, a member of the Strategic Investment Committee and the chairman of the Strategic Investment Committee, with effect from 6 August 2015.

(3) Mr. Lu Ben resigned as an executive Director and a member of the Strategic Investment Committee, with effect from 6 August 2015.

(4) Mr. Fu Weizhong was appointed as an executive Director and a member of the Strategic Investment Committee, with effect from 6 August 2015.

(5) Mr. Xiao Huishu was appointed as an executive Director with effect from 6 August 2015.

(6) Dr. Ngai Wai Fung resigned as an independent non-executive Director, a member of the Nomination Committee, the Remuneration Committee, the Audit Committee and the Strategic Investment Committee and the chairman of the Audit Committee with effect from 18 December 2015.

(7) Mr. Poon Chiu Kwok was appointed as an independent non-executive Director, a member of the Nomination Committee, the Remuneration Committee, the Audit Committee and the Strategic Investment Committee and the chairman of the Audit Committee with effect from 18 December 2015.

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

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

Continuous Professional Development

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

The Directors have been informed of the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development. For the year ended 31 December 2015, the Company has received training information from each Director, pursuant to the content of which, the Company considers that the training of Directors was in compliance with the requirements under Rule A.6.5 of the Listing Rules.

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the year ended 31 December 2015:

	Corporate Governance/Updates on Laws, Rules and Regulations		Accounting/Financial/Management or Other Professional Skills	
Name of Director	**Read materials**	**Attend Seminars/ Briefings**	**Read materials**	**Attend Seminars/ Briefings**
Executive Directors				
Mr. Qi Jian	✓	✓	✓	✓
Mr. Fu Weizhong	✓	✓	✓	✓
Mr. Xiao Huishu	✓	✓	✓	✓
Non-executive Directors				
Mr. Tang Xiuguo	✓	✓	✓	✓
Mr. Xiang Wenbo	✓	✓	✓	✓
Mr. Mao Zhongwu	✓	✓	✓	✓
Independent non-executive Directors				
Mr. Xu Yaxiong	✓	✓	✓	✓
Mr. Ng Yuk Keung	✓	✓	✓	✓
Mr. Poon Chiu Kwok	✓	✓	✓	✓

Compliance with the Model Code for Directors' Securities Transactions

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

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2015 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

Auditors' Remuneration

The audit committee of the Board is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company has appointed Ernst & Young as the auditors of the Company. The fees for the audit services provided by the auditor to the Group for the year ended 31 December 2015 amounted to RMB2.96 million, details of which are as follows:

Types of service	RMB'000
Audit service	2,960
Non-audit service	nil

The statement of the auditors of the Company concerning their responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on pages 51 to 52 of this annual report.

Internal Control and Risk Management

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and Shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout 2015 and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the year under review, the Board has conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2015. External consultants were engaged to assist the Board to perform high-level review of the internal control systems for its business operations and processes. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment was made by discussions with the management of the Company and its external auditors. The Board believes that the existing internal control system is adequate and effective.

On 17 December 2015, the Board adopted the updated terms of reference of the Audit Committee so that the Audit Committee shall also oversee the risk management systems of the Group according to the CG Code.

Shareholders' Rights

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

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

Procedures by which enquiries may be put to the Board

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

Constitutional documents

During the year ended 31 December 2015, there has been no significant change in the Company's constitutional documents.

Communication with Shareholders

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

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

Corporate Information

Directors

Executive Directors
Mr. Qi Jian *(Chairman)*
Mr. Fu Weizhong
Mr. Xiao Huishu

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

Independent Non-executive Directors
Mr. Xu Yaxiong
Mr. Ng Yuk Keung
Mr. Poon Chiu Kwok

Joint Company Secretaries
Mr. Xiao Huishu *(Executive)*
Ms. Kam Mei Ha (Wendy)

Audit Committee
Mr. Poon Chiu Kwok *(Chairman)*
Mr. Xu Yaxiong
Mr. Ng Yuk Keung

Remuneration Committee
Mr. Xu Yaxiong *(Chairman)*
Mr. Poon Chiu Kwok
Mr. Ng Yuk Keung

Nomination Committee
Mr. Xu Yaxiong *(Chairman)*
Mr. Mao Zhongwu
Mr. Poon Chiu Kwok

Strategic Investment Committee
Mr. Qi Jian *(Chairman)*
Mr. Fu Weizhong
Mr. Mao Zhong Wu
Mr. Poon Chiu Kwok
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 2022-2023
Landmark North
No. 39 of Lung Sum AV
Shengshui
New Territories
Hong Kong

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

Auditors
Ernst & Young
Certified Public Accountants

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

Stock Code
00631

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

Company Website
www.sanyhe.com

Investor Relations
Ms. Tang Lin

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

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

We have audited the consolidated financial statements of Sany Heavy Equipment International Holdings Company Limited (the "Company") and its subsidiaries set out on pages 53 to 129, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong

28 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**2,201,801**	2,175,237
Cost of sales		**(1,572,465)**	(1,466,023)
Gross profit		**629,336**	709,214
Other income and gains	5	**222,019**	137,105
Gain on disposal of non-current assets classified as held for sale		**–**	240,553
Selling and distribution expenses		**(276,149)**	(312,886)
Administrative expenses		**(371,669)**	(358,689)
Other expenses		**(157,264)**	(209,371)
Finance costs	7	**(10,498)**	(30,616)
PROFIT BEFORE TAX	6	**35,775**	175,310
Income tax expense	10	**(17,218)**	(5,424)
PROFIT FOR THE YEAR		**18,557**	169,886
Attributable to:			
Owners of the parent		**18,064**	168,270
Non-controlling interests		**493**	1,616
		18,557	169,886
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB Yuan)	12	**0.01**	0.06
Diluted (RMB Yuan)	12	**0.01**	0.06

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR	**18,557**	169,886
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,372**	95
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**3,372**	95
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**3,372**	95
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**21,929**	169,981
Attributable to:		
Owners of the parent	**21,436**	168,365
Non-controlling interests	**493**	1,616
	21,929	169,981

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,732,946**	2,685,917
Prepaid land lease payments	14	**694,930**	709,754
Goodwill	15	**1,129,520**	1,129,520
Intangible assets	16	**44,218**	75,973
Trade receivables	19	**99,923**	–
Available-for-sale investments	17	**10,636**	12,536
Non-current prepayments	20	**736,722**	752,836
Deferred tax assets	28	**463,520**	458,719
Total non-current assets		**5,912,415**	5,825,255
CURRENT ASSETS			
Inventories	18	**1,179,787**	1,573,416
Trade receivables	19	**3,015,396**	3,248,784
Bills receivable	19	**262,822**	353,142
Prepayments, deposits and other receivables	20	**423,319**	910,657
Investment deposits	21	**–**	400,000
Time deposits	22	**–**	112,884
Pledged deposits	22	**14,651**	50,864
Cash and cash equivalents	22	**522,796**	278,241
Total current assets		**5,418,771**	6,927,988
CURRENT LIABILITIES			
Trade and bills payables	23	**841,966**	1,411,794
Other payables and accruals	24	**1,665,123**	2,424,487
Interest-bearing bank borrowings	25	**14,920**	351,819
Tax payable		**341,776**	344,555
Provision for warranties	26	**14,148**	33,966
Government grants	27	**20,645**	15,555
Total current liabilities		**2,898,578**	4,582,176
NET CURRENT ASSETS		**2,520,193**	2,345,812
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,432,608**	8,171,067

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	**16,287**	9,299
Government grants	27	**1,627,353**	1,399,972
Total non-current liabilities		**1,643,640**	1,409,271
Net assets		**6,788,968**	6,761,796
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	**302,214**	302,214
Reserves	31	**6,415,892**	6,389,213
		6,718,106	6,691,427
Non-controlling interests		**70,862**	70,369
Total equity		**6,788,968**	6,761,796

Qi Jian
Director

Xiao Huishu
Director

	Attributable to owners of the parent											
	Issued capital											
	Ordinary shares RMB'000 (note 29)	Convertible preference shares RMB'000 (note 29)	Share premium account RMB'000 (note 31)	Contributed surplus RMB'000 (note 31)	Share option reserve RMB'000 (note 30)	Reserve funds RMB'000 (note 31)	Exchange fluctuation reserve RMB'000	Capital redemption reserve* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	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 year	-	-	-	-	-	-	-	-	18,064	18,064	493	18,557
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	3,372	-	-	3,372	-	3,372
Total comprehensive income for the year	-	-	-	-	-	-	3,372	-	18,064	21,436	493	21,929
Share-based payments	-	-	-	-	5,243	-	-	-	-	5,243	-	5,243
Transfer from retained profits	-	-	-	-	-	24,573	-	-	(24,573)	-	-	-
At 31 December 2015	264,366	37,848	2,239,502#	1,332,316#	12,510#	372,857#	(37,339)#	5,744#	2,490,302#	6,718,106	70,862	6,788,968

These reserve accounts comprise the consolidated reserves of RMB6,415,892,000 (2014: RMB6,389,213,000) in the consolidated statement of financial position.

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent											
	Issued capital											
	Ordinary shares RMB'000 (note 29)	Convertible preference shares RMB'000 (note 29)	Share premium account RMB'000 (note 31)	Contributed surplus RMB'000 (note 31)	Share option reserve RMB'000 (note 30)	Reserve funds RMB'000 (note 31)	Exchange fluctuation reserve RMB'000	Capital redemption reserve* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	264,366	–	1,516,974	1,332,316	3,331	327,993	(40,806)	5,744	2,348,832	5,758,750	68,753	5,827,503
Profit for the year	–	–	–	–	–	–	–	–	168,270	168,270	1,616	169,886
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	95	–	–	95	–	95
Total comprehensive income for the year	–	–	–	–	–	–	95	–	168,270	168,365	1,616	169,981
Issue of convertible preference shares	–	37,848	722,528	–	–	–	–	–	–	760,376	–	760,376
Share-based payments	–	–	–	–	3,936	–	–	–	–	3,936	–	3,936
Transfer from retained profits	–	–	–	–	–	20,291	–	–	(20,291)	–	–	–
At 31 December 2014	264,366	37,848	2,239,502#	1,332,316#	7,267#	348,284#	(40,711)#	5,744#	2,496,811#	6,691,427	70,369	6,761,796

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**35,775**	175,310
Adjustments for:			
Finance costs	7	**10,498**	30,616
Interest income	5	**(4,435)**	(2,541)
Gains from investment deposits	5	**(483)**	(14,723)
(Gain)/Loss on disposal of items of property, plant and equipment	6	**(2,708)**	956
Gain on disposal of items of non-current assets classified as held for sales	6	**–**	(240,553)
Depreciation	13	**148,479**	117,439
Amortisation of land lease prepayments	14	**15,492**	10,869
Amortisation of intangible assets	16	**25,817**	25,816
Government grants	27	**(177,035)**	(81,538)
Impairment of trade receivables	19	**148,766**	208,311
Impairment of other receivables		**660**	104
Provision against slow-moving and obsolete inventories	18	**20,995**	3,197
Impairment of intangible assets	16	**5,938**	–
Impairment of available-for-sale investments	6	**1,900**	–
Share option expense	30	**5,243**	3,936
		234,902	237,199
Decrease/(increase) in inventories		**372,634**	(398,454)
Increase in trade receivables		**(15,301)**	(458,667)
Decrease in bills receivable		**90,320**	394,417
Decrease in prepayments, deposits and other receivables		**136,010**	67,076
(Decrease)/increase in trade and bills payables		**(569,828)**	269,514
Decrease in other payables and accruals		**(212,803)**	(39,152)
Decrease in provision for warranties		**(19,818)**	(9,716)
Receipt of government grants		**154,506**	36,501
Cash generated from operations		**170,622**	98,718
PRC tax paid		**(17,810)**	(6,452)
Net cash flows generated from operating activities		**152,812**	92,266

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Net cash flows generated from operating activities		**152,812**	92,266
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**4,435**	2,541
Purchases of items of property, plant and equipment		**(364,244)**	(281,815)
Acquisition of subsidiaries		**–**	8,846
Payment for consideration of acquired subsidiaries		**(302,720)**	–
Decrease in financial assets at fair value through profit or loss		**–**	184,947
Proceeds of disposal of non-current assets classified as held for sale		**248,547**	192,363
Proceeds from disposal of items of property, plant and equipment		**45,886**	4,008
Collection of investment deposits		**400,000**	300,000
Payment for investments deposits		**–**	(400,000)
Gains from investment deposits		**483**	17,983
Purchase of land		**(91)**	(119)
Collection of non-pledged deposits with original maturity of three months or more when acquired		**112,884**	126,934
Investment in non-pledged deposits with original maturity of three months or more when acquired		**–**	(7,524)
Receipt of government grants		**255,000**	7,190
Net cash flows generated from investing activities		**400,180**	155,354
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**14,920**	351,819
Repayment of bank loans		**(351,819)**	(678,341)
Interest paid		**(11,123)**	(30,616)
Decrease of pledged deposits		**36,213**	55,893
Net cash flows used in financing activities		**(311,809)**	(301,245)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**241,183**	(53,625)
Cash and cash equivalents at beginning of year		**278,241**	330,404
Effect of foreign exchange rate changes, net		**3,372**	1,462
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**522,796**	278,241

1. Corporate and Group Information

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ establishment and operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sany Heavy Equipment Co., Ltd. ("Sany Heavy Equipment") (三一重型裝備有限公司) *	PRC/Mainland China 13 January 2004	RMB2,918,070,000	100	–	Manufacture and sale of integrated excavation machinery, integrated coal mining equipment and coal mine transportation equipment
Shanxi Sany Coal Mining Equipment Co., Ltd. ("Sany Mining Equipment") (山西三一煤機裝備有限公司) *	PRC/Mainland China 12 June 2010	RMB50,000,000	–	100	Provision of maintenance service
Xinjiang Sany Heavy Equipment Co., Ltd. ("Xinjiang Sany") (新疆三一重型裝備有限公司) * #	PRC/Mainland China 7 July 2011	RMB20,000,000	–	100	Provision of maintenance service

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ establishment and operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sany Mining Machinery Co., Ltd. ("Sany Mining Machinery") (三一礦機有限公司) *	PRC/Mainland China 26 March 2012	RMB172,004,600	–	91	Manufacture and sale of off-highway mining trucks
Shenyang Zhongjing Property Development Co., Ltd. ("Shenyang Zhongjing") (瀋陽中璟房地產開發有限公司) * #	PRC/Mainland China 11 July 2012	RMB50,000,000	–	51	Property development
Sany Marine Industry International Holdings Co., Ltd. ("Sany Marine Industry") (三一海工國際控股有限公司)	Cayman Islands 30 March 2011	HK$380,000	100	–	Investment holding
Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy Industry") (三一海洋重工有限公司) *	PRC/Mainland China 8 June 2011	RMB713,180,000	–	100	Development, manufacture and sale of large-size port machinery
Zhuhai Sany Port Machinery Co., Ltd. ("Zhuhai Sany")(珠海三一港口機械有限公司) *	PRC/Mainland China 10 February 2012	RMB63,180,000	–	100	Development, manufacture and sale of large-size port machinery
Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") (湖南三一港口設備有限公司) *	PRC/Mainland China 26 August 2014	RMB13,180,000	–	100	Development, manufacture and sale of small-size port machinery

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

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standard, International Accounting Standards ("IAS") and interpretations) issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements to 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements to 2011-2013 Cycle	Amendments to a number of IFRSs

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

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 Issued But Not Yet Effective International Financial Reporting Standards

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

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferred Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Amendments to IAS 1	*Disclosure Inititative*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]
Amendments to IAS 7	*Statement of Cash Flows*[2]
Amendments to IAS 12	*Income Taxes*[2]
IFRS 16	*Leases*[4]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
6 Effective for annual periods beginning on or after a date to be determined

2.3 Issued But Not Yet Effective International Financial Reporting Standards (continued)

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

2.4 Summary of Significant Accounting Policies

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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

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

Impairment of non-financial assets

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Non-current assets classified as held for sale

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

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

Intangible assets (other than goodwill)

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

Patents and licences

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

Research and development costs

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

2.4 Summary of Significant Accounting Policies (continued)

Provisions

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

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

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

Income tax

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

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

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

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

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

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

Government grants

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

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

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

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

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

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 Summary of Significant Accounting Policies (continued)

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

Employee retirement benefits

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Tax

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

Estimation uncertainty

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

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Deferred tax assets

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

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

In determining the useful life and residual value of an item of property, plant and equipment and intangible assets, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation/amortisation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment and intangible assets are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. Further details are included in notes 13 and 16 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2015, the best estimate of the carrying amount of capitalised development costs was RMB42,496,000 (2014: RMB72,133,000) and such amount was included in "patents and licences" in 2015. Further details are included in note 16 to the financial statements.

Provision for product warranties

The Group provides one-year warranties on the products sold to its customers, under which faulty products are repaired or replaced. The amount of the warranty provision is estimated based on the sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. Further details are included in note 26 to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down charge/write-back of inventories in the period in which the estimate has been changed. Further details are included in note 18 to the financial statements.

Impairment of trade receivables

The Group estimates the provisions for impairment of trade receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amount of trade receivables and thus the impairment loss in the period in which the estimate is changed. The Group reassesses the provisions at the end of the reporting period. Further details are included in note 19 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was RMB1,129,520,000 (2014: RMB1,129,520,000). Further details are given in note15.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16 to the financial statements.

4. Operating Segment Information

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

(a) Coal mining equipment segment

The coal mining equipment segment engages in the production and sale of roadheaders, 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, 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.

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

4. Operating Segment Information (continued)

Year ended 31 December 2015	Coal mining equipment RMB'000	Port machinery RMB'000	Total RMB'000
Segment revenue			
Sales to customers	1,005,945	1,195,856	2,201,801
Other revenue	86,112	135,907	222,019
Revenue from operations	1,092,057	1,331,763	2,423,820
Segment results	(226,197)	268,035	41,838
Interest income			4,435
Finance costs			(10,498)
Profit before tax			35,775
Income tax expense			(17,218)
Profit for the year			18,557
Segment assets	5,176,041	4,451,199	9,627,240
Reconciliation:			
Corporate and other unallocated assets			1,703,946
Total assets			11,331,186
Segment liabilities	607,408	3,561,827	4,169,235
Reconciliation:			
Corporate and other unallocated liabilities			372,983
Total liabilities			4,542,218
Other segment information:			
Depreciation and amortisation	163,469	26,319	189,788
Capital expenditure*	34,984	203,702	238,686
Gain/(loss) on disposal of items of property, plant and equipment	2,750	(42)	2,708
Impairment losses recognised in profit or loss	172,061	6,198	178,259

4. Operating Segment Information (continued)

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

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

4. Operating Segment Information (continued)

Geographical information

As over 92% of the Group's revenue is derived from customers based in Mainland China and most of the Group's identifiable assets and liabilities are located in Mainland China, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

Revenue of approximately RMB242,058,000 (2014: RMB578,988,000) 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.

Revenue of approximately RMB1,128,600,000 (2014: Nil) was derived from sales to a fellow subsidiary, including sales to a group of entities which are known to be under common control with that customer.

5. Revenue, Other Income and Gains

Revenue 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:

	Note	2015 RMB'000	2014 RMB'000
Revenue			
Sale of goods		**2,150,691**	2,114,718
Rendering of services		**51,110**	60,519
		2,201,801	2,175,237
Other income			
Bank interest income		**4,435**	2,541
Gain on disposal of items of property, plant and equipment		**2,708**	–
Profit from sale of scrap materials		**11,413**	18,241
Government grants	27	**177,035**	81,538
Foreign exchange differences, net		**12,955**	4,158
Others		**12,990**	15,904
		221,536	122,382
Gains			
Gains from investment deposits		**483**	14,723
		222,019	137,105

6. Profit Before Tax

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**1,504,393**	1,410,130
Cost of services provided		**47,077**	52,696
Depreciation	13	**148,479**	117,439
Amortisation of land lease prepayments**	14	**15,492**	10,869
Amortisation of intangible assets**	16	**25,817**	25,816
Auditors' remuneration		**2,960**	3,460
(Reversal of)/provision for warranties*	26	**(8,866)**	10,048
Research and development costs**		**154,276**	169,174
Minimum lease payments under operating leases		**8,847**	6,669
Employee benefit expenses (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**246,464**	252,825
Equity-settled share option expense		**5,243**	3,936
Employee retirement benefits		**28,840**	31,181
Other staff welfare		**15,328**	15,142
		295,875	303,084
Foreign exchange differences, net***		**(12,955)**	(4,158)
Impairment of trade and other receivables***		**149,426**	208,415
Provision against slow-moving and obsolete inventories****	18	**20,995**	3,197
Impairment of available-for-sale investments***		**1,900**	–
Impairment of intangible assets***	16	**5,938**	–
Gain on disposal of items of non-current assets classified as held for sale		**–**	(240,553)
(Gain)/loss on disposal of items of property, plant and equipment***		**(2,708)**	956

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

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

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

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

7. Finance Costs

	2015 RMB'000	2014 RMB'000
Interest on interest-bearing bank borrowings	**5,034**	24,437
Interest on documentary bills	**1,040**	815
Interest on discounted bills	**4,424**	5,364
	10,498	30,616

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**651**	634
Other emoluments:		
Salaries, allowances and benefits in kind	**1,549**	4,851
Equity-settled share option expense	**253**	1,755
Employee retirement benefits and other staff welfare	**220**	362
	2,022	6,968
	2,673	7,602

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

(a) Independent non-executive directors

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

	Fees RMB'000	Mandatory provident fund RMB'000	Total remuneration RMB'000
2015			
Mr. Xu Yaxiong	**209**	**–**	**209**
Mr. Poon Chiu Kwok (appointed on 18 December 2015)	**8**	**–**	**8**
Dr. Ngai Wai Fung (resigned on 18 December 2015	**225**	**–**	**225**
Mr. Ng Yuk Keung	**209**	**–**	**209**
	651	**–**	**651**
2014			
Mr. Xu Yaxiong	206	–	206
Dr. Ngai Wai Fung	222	–	222
Mr. Ng Yuk Keung	206	–	206
	634	–	634

There were no emoluments payable to the independent non-executive directors during the year (2014: Nil).

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Employee retirement benefits and other staff welfare RMB'000	Total remuneration RMB'000
2015					
Executive directors:					
Mr. Qi Jian (appointed on 6 August 2015)	–	208	–	–	208
Mr. Fu Weizhong (appointed on 6 August 2015)	–	422	253	54	729
Mr. Xiao Huishu (appointed on 6 August 2015)	–	208	–	–	208
Mr. Wu Jialiang (resigned on 6 August 2015)	–	260	–	66	326
Mr. Lu Ben (resigned on 6 August 2015)	–	451	–	30	481
	–	1,549	253	150	1,952
Non-executive directors:					
Mr. Tang Xiuguo	–	–	–	–	–
Mr. Mao Zhongwu	–	–	–	70	70
Mr. Xiang Wenbo	–	–	–	–	–
	–	–	–	70	70

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

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

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

There was no other arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2014: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included two directors of the Company (2014: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2014: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and allowances	1,573	538
Bonuses	491	315
Equity-settled share option expense	2,400	138
Employee retirement benefits and other staff welfare	139	68
	4,603	1,059

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

	Number of employees	
	2015	2014
Nil to RMB803,000 (HK$1,000,000)	1	-
RMB803,000 (HK$1,000,000) to RMB1,204,000 (HK$1,500,000)	2	1
	3	1

10. Income Tax

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to a certain subsidiary operating in Mainland China, the companies of the Group which operate in Mainland China were subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the year ended 31 December 2015.

Two of the Group's principal operating companies, Sany Heavy Equipment and Hunan Sany Port Equipment, were recognised as the High and New Technology Enterprise and were therefore subject to CIT at a rate of 15% in 2015.

10. Income Tax (continued)

	2015 RMB'000	2014 RMB'000
Current – Mainland China		
Charge for the year	**15,031**	39,638
Deferred	**2,187**	(34,214)
Total tax charge for the year	**17,218**	5,424

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

	2015		2014	
	RMB'000	%	RMB'000	%
Profit before tax	**35,775**		175,310	
Tax at the statutory tax rate	**8,944**	**25.0**	43,828	25.0
Entities subject to lower statutory income tax rates	**7,139**	**19.9**	(18,849)	(10.8)
Expenses not deductible for tax	**1,683**	**4.7**	463	0.3
Tax losses utilised from previous periods	**–**	**–**	(1,952)	(1.1)
Different tax rate when temporary difference is realised	**9,608**	**26.9**	11,396	6.5
Super-deduction of research and development costs	**(13,703)**	**(38.3)**	(13,377)	(7.6)
Adjustments in respect of current tax of previous periods	**(2,781)**	**(7.8)**	(17,444)	(10.0)
Income not subject to tax	**(31,024)**	**(86.7)**	(2,578)	(1.4)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**7,018**	**19.6**	2,490	1.4
Tax losses not recognised	**30,334**	**84.8**	1,447	0.8
Tax charge at the Group's effective tax rate	**17,218**	**48.1**	5,424	3.1

11. Dividend

The board does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share is based on the profit for the year ended 31 December 2015 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (2014: 3,041,025,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year ended 31 December 2015 attributable to ordinary equity holders of the parent, adjusted to reflect the preferred distribution on the convertible preference shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	2015 RMB'000	2014 RMB'000
Earnings		
Earnings attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**18,064**	168,270
Preferred distribution to the convertible preference shares	**48**	–
Earnings attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**18,112**	168,270

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,041,025,000**	3,041,025,000
Effect of dilution – convertible preference shares	**479,781,034**	1,314,469
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,520,806,034**	3,042,339,469

The Company's share options have no dilution effect for the years ended 31 December 2015 and 2014 as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

13. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015						
At 31 December 2014 and at 1 January 2015:						
Cost	628,415	1,034,684	119,948	60,217	1,327,608	3,170,872
Accumulated depreciation	(42,452)	(364,459)	(37,102)	(40,942)	–	(484,955)
Net carrying amount	585,963	670,225	82,846	19,275	1,327,608	2,685,917
At 1 January 2015, net of accumulated depreciation	585,963	670,225	82,846	19,275	1,327,608	2,685,917
Additions	12,973	48,839	2,352	16,785	157,737	238,686
Disposals	(29)	(37,576)	(2,559)	(3,014)	–	(43,178)
Depreciation provided during the year	(26,009)	(101,734)	(4,322)	(16,414)	–	(148,479)
Transfers	217,667	20,183	–	6,659	(244,509)	–
At 31 December 2015, net of accumulated depreciation	790,565	599,937	78,317	23,291	1,240,836	2,732,946
At 31 December 2015:						
Cost	859,026	1,034,837	113,761	76,838	1,240,836	3,325,298
Accumulated depreciation	(68,461)	(434,900)	(35,444)	(53,547)	–	(592,352)
Net carrying amount	790,565	599,937	78,317	23,291	1,240,836	2,732,946

13. Property, Plant and Equipment (continued)

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

Certificates of ownership in respect of buildings of the Group located in Shenyang with a net carrying amount of approximately RMB191,056,000 as at 31 December 2015 (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.

At 31 December 2015, no interest-bearing bank borrowings were secured by the Group's buildings and machinery (2014: Nil).

14. Prepaid Land Lease Payments

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	725,914	476,367
Acquisition of subsidiaries	–	260,416
Recognised during the year (note 6)	(15,492)	(10,869)
Carrying amount at 31 December	710,422	725,914
Current portion included in prepayments, deposits and other receivables	(15,492)	(16,160)
Non-current portion	694,930	709,754

On 22 February 2012, Sany Marine Heavy Industry, a subsidiary of the Group, entered into an agreement with China Zhuhai Government to purchase two parcels of land (the "Agreement"), which are situated in Mainland China and held under a medium term lease.

As at 31 December 2015, Sany Marine Heavy Industry has received one parcel of land with a carrying amount of approximately RMB260,416,000 and acquired the land use right certificate. Another parcel of land, acquired at a consideration of RMB544,665,000, has not yet been provided to Sany Marine Heavy Industry by China Zhuhai Government up to the date of this report.

According to the Agreement, the total investment in these two parcels of land shall be no less than RMB5.1 billion in 2 years after the parcels of land are provided. As at 31 December 2015, the Group has invested RMB1,245,660,000 and the remaining investment of RMB3,875,741,000 was disclosed in capital commitment (note 34). 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.

15. Goodwill

	RMB'000
Cost at 31 December 2013 and 1 January 2014,	
net of accumulated impairment	–
Acquisition of subsidiaries	1,129,520
Cost and net carrying amount at 31 December 2014	1,129,520
At 31 December 2014 and 31 December 2015:	
Cost	1,129,520
Accumulated impairment	–
Net carrying amount	1,129,520

Impairment testing of goodwill

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

- Port machinery cash-generating unit

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

	2015 **RMB'000**
Carrying amount of goodwill	**1,129,520**

The recoverable amount of goodwill has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which was the same as the long term average growth rate of the industry. The goodwill was not impaired based on the result of the above impairment testing.

Assumptions were used in the value in use calculation for 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

15. Goodwill (continued)

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

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

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

16. Intangible Assets

	Patents and licences RMB'000
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	75,973
Amortisation provided during the year (note 6)	(25,817)
Impairment during the year	(5,938)
At 31 December 2015	44,218
At 31 December 2015:	
Cost	129,427
Accumulated amortization and impairment	(85,209)
Net carrying amount	44,218

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

17. Available-for-Sale Investments

	2015 RMB'000	2014 RMB'000
Unlisted equity investments, at cost less impairment	**10,636**	12,536

The unlisted equity investments of the Group are not stated at fair value but at cost less any accumulated impairment losses, because they do 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 them in the near future.

18. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	**431,148**	543,270
Work in progress	**336,917**	380,653
Finished goods	**446,955**	663,731
	1,215,020	1,587,654
Less: Provision against slow-moving and obsolete inventories	**(35,233)**	(14,238)
	1,179,787	1,573,416

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

	Note	2015 RMB'000	2014 RMB'000
At 1 January		**14,238**	9,998
Charge for the year	6	**20,995**	3,197
Acquisition of subsidiaries		**–**	1,856
Amount written off		**–**	(813)
At 31 December		**35,233**	14,238

19. Trade and Bills Receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	**3,559,206**	3,545,409
Impairment	**(443,887)**	(296,625)
	3,115,319	3,248,784
Less: Trade receivables due after one year	**(99,923)**	–
	3,015,396	3,248,784
Bills receivable	**262,822**	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 a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentrations of credit risk as 26% (2014: 30%) of the Group's trade receivables were due from a single customer, including a group of entities which are known to be under common control with that customer. Included in the trade receivables was an amount due from fellow subsidiaries in aggregate of RMB508,882,000 as at 31 December 2015 (2014: RMB305,448,000) for sales of products by the Group. Trade receivables are non-interest-bearing.

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

	2015 RMB'000	2014 RMB'000
Within 180 days	**677,181**	1,251,472
181 to 365 days	**555,562**	1,006,395
1 to 2 years	**1,383,503**	757,906
2 to 3 years	**261,367**	215,977
Over 3 years	**237,706**	17,034
	3,115,319	3,248,784

19. Trade and Bills Receivables (continued)

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

	2015 RMB'000	2014 RMB'000
At 1 January	296,625	83,381
Impairment losses recognised	148,766	208,311
Acquisition of subsidiaries	–	6,335
Amount written off as uncollectible	(1,504)	(1,402)
At 31 December	443,887	296,625

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB443,887,000 (2014: RMB296,625,000) with a carrying amount before provision of RMB1,520,234,000 (2014: RMB296,625,000).

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

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

			Past due but not impaired		
	Total RMB'000	Neither past due nor impaired RMB'000	within 1 year RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000
31 December 2015	3,115,319	1,223,921	1,366,614	262,945	261,839
31 December 2014	3,248,784	2,227,113	750,645	240,501	30,525

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. The Directors are of the opinion that no provision for impairment is necessary in respect of these balances as they were subsequently settled before the date of this report or there has not been a significant change in credit quality and the balances are still considered fully recoverable based on past experience. The Group does not hold any collateral or other credit enhancements over these balances.

19. Trade and Bills Receivables (continued)

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

	2015 RMB'000	2014 RMB'000
Within six months	**242,567**	332,154
Over six months	**20,255**	20,988
	262,822	353,142

Included in the bills receivable was an amount of RMB5,038,000 as at 31 December 2015 (2014: RMB2,000,000) which was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2015, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB31,706,000 (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 RMB31,706,000 (2014: RMB53,879,000) as at 31 December 2015.

Transferred financial assets that are derecognised in their entirety

At 31 December 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 RMB224,704,000 (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.

20. Prepayments, Deposits and Other Receivables

	2015 RMB'000	2014 RMB'000
Non-current prepayments	**736,722**	752,836
Current assets:		
Prepayments	**145,647**	194,729
Deposits and other receivables	**128,305**	715,928
Loans to third parties	**149,367**	–
	423,319	910,657

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

Included in the current prepayments was an amount due from fellow subsidiaries in aggregate of RMB1,144,000 as at 31 December 2015 (2014: RMB1,764,000) for purchasing raw materials by the Group. Included in other receivables was an amount due from fellow subsidiaries in aggregate of RMB56,735,000 as at 31 December 2015 (2014: RMB597,000), which is non-interest-bearing and has no fixed terms of repayment.

Loans to third parties of RMB149,367,000 are unsecured, repayable within one year and bearing interest at the prevailing market rate.

21. Investment Deposits

	2015 RMB'000	2014 RMB'000
Investment deposits, with licensed banks in Mainland China, at amortised cost	**–**	400,000

Investment deposits represented investments in financial products purchased from licensed banks in Mainland China, at a total consideration of RMB400,000,000 in Year 2014. 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 at 31 December 2014 bore variable interest return rates in the range of 3.0% to 4.6% per annum and matured in February 2015.

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

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	**522,796**	278,241
Time deposits	**14,651**	163,748
	537,447	441,989
Less: Non-pledged time deposits with original maturity of three months or more when acquired as at 31 December	**–**	(112,884)
Pledged time deposits for banking facilities	**(14,651)**	(50,864)
Cash and cash equivalents in the consolidated statement of cash flows	**522,796**	278,241
Cash and cash equivalents, time deposits and pledged deposits denominated in		
– RMB	**522,264**	434,838
– HK$	**2,083**	4,583
– United States dollars ("US$")	**13,100**	2,568
	537,447	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.

23. 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:

	2015 RMB'000	2014 RMB'000
Within 30 days	**240,468**	260,870
31 to 90 days	**235,351**	523,754
91 to 180 days	**213,035**	500,105
181 to 365 days	**99,942**	74,948
Over 1 year	**53,170**	52,117
	841,966	1,411,794

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 due to fellow subsidiaries in aggregate of RMB113,709,000 as at 31 December 2015 (2014: RMB140,891,000) for purchasing raw materials by the Group.

24. Other Payables and Accruals

	2015 RMB'000	2014 RMB'000
Deposits received from customers	**312,256**	384,373
Other payables	**1,289,078**	1,880,371
Accruals	**63,789**	159,743
	1,665,123	2,424,487

Included in the accruals was an amount of RMB1,368,000 as at 31 December 2015 (2014: RMB14,980,000) payable to a fellow subsidiary for purchasing logistics services by the Group. Included in the other payables was an amount due to fellow subsidiaries in aggregate of RMB782,637,000 as at 31 December 2015 (2014: RMB1,246,910,000), which were non-interest-bearing and had no fixed terms of repayment. Include in the deposits received from customers was an amount of RMB155,513,000 as at 31 December 2015 (2014: RMB227,355,000) payable to a fellow subsidiary for sales of products.

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

25. Interest-Bearing Bank Borrowings

	2015			2014		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank overdrafts – unsecured			–	4.48	On demand	134,580
Bank loans – unsecured	2.8-3.4	2016	14,920	6.0-6.3	2015	217,239
			14,920			351,819

26. Provision for Warranties

	Note	2015 RMB'000	2014 RMB'000
At 1 January		33,966	43,682
Additional provision	6	–	10,048
Reversal of unutilised amounts	6	(8,866)	–
Amounts utilised during the year		(10,952)	(19,764)
At 31 December		14,148	33,966

The Group provides warranties (one-year for coal mining machinery, and two-years or four thousand hours during usage which is earlier for port machinery) 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.

27. Government Grants

	Group	
	2015 RMB'000	2014 RMB'000
At 1 January	1,415,527	457,666
Acquisition of subsidiaries	–	995,708
Grants recognised during the year	409,506	43,691
Recognised as income during the year	(177,035)	(81,538)
At 31 December	1,647,998	1,415,527
Current portion	(20,645)	(15,555)
Non-current portion	1,627,353	1,399,972

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

28. Deferred Tax

Deferred tax assets

	Deductible temporary differences RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2014	124,847	34,609	159,456
Credited/(charged) to the consolidated statement of profit or loss (note 10)	37,208	(504)	36,704
Acquisition of subsidiaries	259,092	3,467	262,559
At 31 December 2014 and 1 January 2015	**421,147**	**37,572**	**458,719**
Credited/(charged) to the consolidated statement of profit or loss (note 10)	**(20,607)**	**25,408**	**4,801**
At 31 December 2015	**400,540**	**62,980**	**463,520**

The Group has tax losses arising in Hong Kong of RMB13,151,000 (2014: RMB8,772,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. During the year, tax losses of RMB116,192,000 arising in Mainland China (2014: Nil), which would expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have mainly arisen in the Company and a certain subsidiary that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. Deferred Tax (continued)

Deferred tax liabilities

	Withholding taxes on dividend RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2014	5,343	–	5,343
Charged to the consolidated statement of profit or loss (note 10)	2,490	–	2,490
Acquisition of subsidiaries	–	1,466	1,466
At 31 December 2014 and 1 January 2015	7,833	1,466	9,299
Charged/(credit) to the consolidated statement of profit or loss (note 10)	7,018	(30)	6,988
At 31 December 2015	14,851	1,436	16,287

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 Sany Heavy Equipment was 5% from 1 January 2013 to 31 December 2015. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2015, the Group has not recognised deferred tax liabilities of RMB52,304,000 (2014: RMB34,614,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB869,186,000 (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.

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

29. Share Capital

Shares

	2015 HK$'000	2014 HK$'000
Authorised:		
4,461,067,880 (2014: 4,461,067,880) ordinary shares of HK$0.10 each	446,107	446,107
538,932,120 (2014: 538,932,120) convertible preference shares of HK$0.10 each	53,893	53,893
Total authorised capital	500,000	500,000
Issued and fully paid:		
3,041,025,000 (2014: 3,041,025,000) ordinary shares of HK$0.10 each	304,103	304,103
479,781,034 (2014: 479,781,034) convertible preference shares of HK$0.10 each	47,978	47,978
Total issued and fully paid capital	352,081	352,081
Equivalent to RMB'000	302,214	302,214

Movements of issued capital were as follows:

	Issued ordinary shares RMB'000	Issued convertible preference shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2014	264,366	–	1,516,974	1,781,340
Issue of convertible preference shares	–	37,848	722,528	760,376
At 31 December 2014 and 31 December 2015	264,366	37,848	2,239,502	2,541,716

30. Share Option Scheme

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

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

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

30. Share Option Scheme (continued)

Notes:

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

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

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

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

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

	2015		2014	
	Weighted average exercise price HK$ per share	Number of options	Weighted average exercise price HK$ per share	Number of options
At 1 January	**4.18**	**23,562,000**	4.18	28,524,000
Granted during the year	**4.18**	**–**	4.18	–
Forfeited during the year	**4.18**	**(2,738,450)**	4.18	(2,344,000)
Expired during the year	**4.18**	**(9,163,000)**	4.18	(2,618,000)
At 31 December	**4.18**	**11,660,550**	4.18	23,562,000

The fair value of the outstanding share options at the time of grant was HK$28,671,200 (HK$1.22 each) (equivalent to RMB23,501,000), of which the Group recognised a share option expense of HK$6,414,000 (equivalent to RMB 5,243,000) during the year (2014: HK$5,003,000 (equivalent to RMB3,936,000)).

30. Share Option Scheme (continued)

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

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

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

31. Reserves

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

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

In accordance with the PRC Company Law, the PRC subsidiaries of the Group are required to allocate 10% of their profit after tax to the reserve funds until the reserve reaches 50% of the registered capital of the PRC subsidiaries. Subject to certain restrictions set out in the Company Law of the PRC, part of the reserve funds may be converted to increase paid-up capital/issued capital of the PRC subsidiaries, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The reserve funds of the PRC subsidiaries amounted to RMB372,857,000 as at 31 December 2015 (2014: RMB348,284,000).

32. Contingent Liabilities

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

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Guarantees given to banks in connection with loans granted to customers	**28,275**	63,385

32. 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.

At the end of the reporting period, the unsettled lease receivables due by the end-customers under these arrangements were as follows:

	2015 **RMB'000**	2014 RMB'000
Guarantees given to Leasing Companies in connection with the unsettled lease amounts due from customers	**111,017**	201,221

In the opinion of the Directors, the fair values of the financial guarantee contracts above are insignificant at initial recognition and the Directors consider that the probability of defaults by most of the parties involved is remote, accordingly, no provision has been made at the inception of the guarantee contracts and at the end of 2015.

33. Operating Lease Arrangements

(a) As lessor

The Group leases its buildings and plant under operating lease arrangements, with leases negotiated for terms ranging from six to ten years.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	3,524	2,472
In the second to third years, inclusive	3,639	2,546
Above three years	13,836	8,106
	20,999	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.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	651	4,298
In the second to third years, inclusive	–	346
	651	4,644

34. Commitments

In addition to the operating lease commitments as set out in note 33(b) above, the Group had the following capital commitments as at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Buildings	269,403	369,648
Plant and machinery	3,961,716	4,123,777
	4,231,119	4,493,425

35. Related Party Transactions

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

(1) Recurring transactions

	Notes	2015 RMB'000	2014 RMB'000
Sales of products to:			
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(v)	**946,475**	–
Sany International Development Limited. (三一國際發展有限公司)	(i)&(v)	**152,158**	–
China Kangfu International Leasing Co., Ltd. (中國康富國際租賃有限公司)	(i)&(v)	**17,949**	–
Beijing Sany Shengneng Investment Co., Ltd. (北京三一盛能投資有限公司)	(i)&(v)	**11,111**	–
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(v)	**892**	–
Others	(i)&(v)	**15**	–
		1,128,600	–
Sales of raw materials to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(i)&(v)	**11,210**	–
Sany Group Co., Ltd. (三一集團有限公司)	(i)&(v)	**8,488**	–
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(i)&(v)	**2,107**	–
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(i)&(v)	**889**	–
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(i)&(v)	**484**	–
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(i)&(v)	**454**	–
Sany Electric Co., Ltd. (三一電氣有限責任公司)	(i)&(v)	**418**	–
Beijing Sany Heavy Machinery Co., Ltd. (北京市三一重機有限公司)	(i)&(v)	**265**	–
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(i)&(v)	**181**	–
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限公司)	(i)&(v)	**141**	–
Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司)	(i)&(v)	**129**	–
Others	(i)&(v)	**559**	–
		25,325	–

35. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2015 RMB'000	2014 RMB'000
Purchases of raw materials from:			
Sany Group Co., Ltd. (三一集團有限公司)	(ii)&(v)	67,347	–
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(ii)&(v)	35,808	37,632
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(ii)&(v)	20,230	52,091
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(v)	19,352	1,225
Hong Kong Winternity International Trade Co., Ltd. (香港中興恒遠國際貿易有限公司)	(ii)&(v)	16,638	20,892
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(ii)&(v)	11,412	64,262
Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司)	(ii)&(v)	9,192	3,866
Kunshan Sany Digital Co., Ltd. (昆山三一數字科技有限公司)	(ii)&(v)	8,974	–
Hunan Sany Intelligent Control Equipment Co., Ltd. (湖南三一智能控制設備有限公司)	(ii)&(v)	5,021	5,129
Kunshan Sany Machinery Co., Ltd. (昆山三一機械有限公司)	(ii)&(v)	1,584	3,652
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(v)	1,568	8,678
Zhejiang Sany Foundry Co., Ltd. (浙江三一鑄造有限公司)	(ii)&(v)	747	226
Sany General Electric Co., Ltd. (三一電氣有限責任公司)	(ii)&(v)	724	22,519
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(ii)&(v)	639	3,680
Hunan Sany Hoisting Machinery Co., Ltd. (湖南三一汽車起重機械有限司)	(ii)&(v)	555	974
Beijing Sany Machinery Co., Ltd. (北京市三一重機有限公司)	(ii)&(v)	366	772
Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司)	(ii)&(v)	223	–
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	(ii)&(v)	115	378
Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司)	(ii)&(v)	114	–
Changshu Huawei track Co., Ltd. (常熟華威履帶有限公司)	(ii)&(v)	7	258
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	(ii)&(v)	–	174
Sany America Inc.(三一美國有限公司)	(ii)&(v)	–	19,014
Beijing Sany Booster Engine Equipment Co., Ltd.(北京三一增速機設備有限責任公司)	(ii)&(v)	–	626
Sany Germany GmbH (三一德國有限公司)	(ii)&(v)	–	415
Shanghai Huaxing Digital Technology Co., Ltd. (上海華興數字科技有限公司)	(ii)&(v)	–	147
Others	(ii)&(v)	72	–
		200,688	246,610

35. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

	Notes	2015 RMB'000	2014 RMB'000
Purchases of equipment from:			
Sany Group Co., Ltd. (三一集團有限公司)	(ii)&(v)	**20,191**	–
Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司)	(ii)&(v)	**2,442**	–
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	(ii)&(v)	**1,278**	–
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(ii)&(v)	**1,009**	–
Zhejiang Sany Foundry Co., Ltd. (浙江三一鑄造有限公司)	(ii)&(v)	**323**	–
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(ii)&(v)	**184**	–
Others	(ii)&(v)	**216**	–
		25,643	–
Rental fee paid to:			
Sany Group Co., Ltd. (三一集團有限公司)	(iii)&(v)	**4,046**	–
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(v)	**3,714**	–
Sany Heavy Machinery Co., Ltd. （三一重機有限公司）	(iii)&(v)	**–**	2,829
		7,760	2,829
Service fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(v)	**4,407**	–
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(iv)&(v)	**28,069**	1,696

35. RELATED PARTY TRANSACTIONS (continued)

(1) Recurring transactions (continued)

Notes:

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

(ii) The sales to companies owned and controlled by the Controlling Shareholder* were made at prices and conditions as mutually agreed.

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

(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 future.

35. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions

	2015 RMB'000	2014 RMB'000
Relocation service fee paid to:		
Sany Group Co., Ltd. (三一集團有限公司)	**4,671**	7,637
	4,671	7,637
Service fee paid to:		
Hunan Xingxiang Construction Consultation Co., Ltd. (湖南興湘建設監理諮詢有限公司)	**1,489**	1,194
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	**366**	–
Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司)	**178**	–
	2,033	1,194
Service fee from:		
Hunan Sany Road Machinery Co., Ltd. (湖南三一路面機械有限公司)	**514**	–
Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司)	**115**	–
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	**70**	–
Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司)	**44**	–
	743	–
Sales of equipment to:		
Sany Group Co., Ltd. (三一集團有限公司)	**22,368**	–
Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司)	**2,461**	–
	24,829	–

35. RELATED PARTY TRANSACTIONS (continued)

(2) Non-recurring transactions (continued)

	2015 RMB'000	2014 RMB'000
Agency fee paid to:		
Sany International Development Limited. (三一國際發展有限公司)	**1,362**	677
Sany Heavy Industry Co., Ltd.(三一重工股份有限公司)	**83**	–
	1,445	677

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

(3) Compensation of key management personnel

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**4,340**	6,274
Equity-settled share option expense	**2,653**	1,851
Employee retirement benefits and other staff welfare	**359**	381
Total compensation paid to key management personnel	**7,352**	8,506

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

36. Financial Instruments by Category

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

2015 **Financial assets**	**Loans and receivables** **RMB'000**	**Available-for-sale financial assets** **RMB'000**	**Total** **RMB'000**
Available-for-sale investments	–	10,636	10,636
Trade receivables	3,115,319	–	3,115,319
Bills receivable	262,822	–	262,822
Financial assets included in prepayments, deposits and other receivables	277,672	–	277,672
Pledged deposits	14,651	–	14,651
Cash and cash equivalents	522,796	–	522,796
	4,193,260	10,636	4,203,896

2015 **Financial liabilities**	**Financial liabilities at amortised cost** **RMB'000**
Trade and bills payables	841,966
Financial liabilities included in other payables and accruals	1,352,867
Interest-bearing bank borrowings	14,920
	2,209,753

36. Financial Instruments by Category (continued)

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

2014 Financial liabilities	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,411,794
Financial liabilities included in other payables and accruals	2,040,114
Interest-bearing bank borrowings	351,819
	3,803,727

36. Financial Instruments by Category (continued)

Management has assessed that the carrying amounts of the Group's and the Company's financial instruments including cash and cash equivalents, pledged deposits, time deposits, investment deposits, trade receivables, bills receivable, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximated to their fair values as at the end of the reporting period 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 31 December 2015, no financial asset was measured at fair value (2014: Nil).

37. Financial Risk Management Objectives and Policies

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

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

Interest rate risk

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

The Group will constantly assess the interest rate risk it encounters to decide whether it is required to hedge against the possible interest rate risk that may arise. As at 31 December 2015, assuming the interest rate of the floating rate bank borrowings increased/decreased by 5% and all other factors remained unchanged, then there would have been no effect on the profit after tax for the year of the Group and the Company (2014: Nil).

37. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

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

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

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000
31 December 2015		
If RMB weakens against HK$	**5**	**159**
If RMB strengthens against HK$	**(5)**	**(159)**
If RMB weakens against US$	**5**	**3,091**
If RMB strengthens against US$	**(5)**	**(3,091)**
If RMB weakens against Euro	**5**	**(804)**
If RMB strengthens against Euro	**(5)**	**804**
31 December 2014		
If RMB weakens against HK$	5	37,647
If RMB strengthens against HK$	(5)	(37,647)

Credit risk

At the end of the reporting period, the Group had certain concentrations of credit risk as 26% (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. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 19 and 20 to the financial statements.

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

37. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

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

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

	31 December 2015			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade and bills payables	–	841,966	–	841,966
Financial liabilities included in other payables and accruals	–	1,352,867	–	1,352,867
Interest-bearing bank borrowings	–	14,957	–	14,957
	–	2,209,790	–	2,209,790

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

38. Events After the Reporting Period

On 8 March 2016, the Group entered into an investment agreement with National Development Fund Co., Ltd. ("National Development Fund"), pursuant to which National Development Fund agreed to invest an amount of RMB160 million in Sany Marine Heavy Industry. National Fund Development will hold 14.56% of the equity interest of Sany Marine Heavy Industry after the completion of the investment.

In March 2016, the Group factored its trade receivables to financial institutions without recourse of RMB1,100,063,000 and received net cash considerations of RMB1,001,179,000. The difference between the considerations and carrying amounts of RMB98,884,000 was charged to the statement of profit or loss for the year ended 31 December 2015 as the impairment of trade receivables.

39. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	34	43
Investment in subsidiaries	3,424,144	3,424,145
Total non-current assets	3,424,178	3,424,188
CURRENT ASSETS		
Prepayments, deposits and other receivables	75	471
Due from subsidiaries	778,611	775,265
Cash and cash equivalents	5,474	12,962
Total current assets	784,160	788,698
NET CURRENT ASSETS	784,160	788,698
TOTAL ASSETS LESS CURRENT LIABILITIES	4,208,338	4,212,886
Net assets	4,208,338	4,212,886
EQUITY		
Issued capital	302,214	302,214
Reserves	3,906,124	3,910,672
Total equity	4,208,338	4,212,886

Qi Jian
Director

Xiao Huishu
Director

39. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2014	1,516,974	1,676,409	3,331	(40,806)	5,744	35,302	3,196,954
Loss for the year	–	–	–	–	–	(12,841)	(12,841)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	–	95	–	–	95
Total comprehensive loss for the year	–	–	–	95	–	(12,841)	(12,746)
Issue of convertible preference shares	722,528	–	–	–	–	–	722,528
Share-based payments	–	–	3,936	–	–	–	3,936
As at 31 December 2014 and 1 January 2015	2,239,502	1,676,409	7,267	(40,711)	5,744	22,461	3,910,672
Loss for the year	–	–	–	–	–	(13,151)	(13,151)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	–	3,360	–	–	3,360
Total comprehensive loss for the year	–	–	–	3,360	–	(13,151)	(9,791)
Share-based payments	–	–	5,243	–	–	–	5,243
As at 31 December 2015	2,239,502	1,676,409	12,510	(37,351)	5,744	9,310	3,906,124

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 28 March 2016.

Five Year Financial Summary

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

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**2,201,801**	2,175,237	3,225,463	3,640,739	3,780,183
Cost of sales	**(1,572,465)**	(1,466,023)	(2,062,410)	(2,312,048)	(2,254,484)
Gross profit	**629,336**	709,214	1,163,053	1,328,691	1,525,699
Other income and gains	**222,019**	137,105	168,675	231,424	217,130
Gain on disposal of non-current assets classified as held for sale	**–**	240,553	–	–	–
Selling and distribution expenses	**(276,149)**	(312,886)	(500,675)	(566,041)	(465,253)
Administrative expenses	**(371,669)**	(358,689)	(359,264)	(375,040)	(382,015)
Other expenses	**(157,264)**	(209,371)	(47,024)	(21,733)	(11,213)
Finance costs	**(10,498)**	(30,616)	(17,180)	(4,678)	(4,679)
PROFIT BEFORE TAX	**35,775**	175,310	407,585	592,623	879,669
Income tax expense	**(17,218)**	(5,424)	(49,406)	(92,589)	(105,314)
PROFIT FOR THE YEAR	**18,557**	169,886	358,179	500,034	774,355
Attributable to:					
Owners of the parent	**18,064**	168,270	356,208	499,532	774,355
Non-controlling interests	**493**	1,616	1,971	502	–
	18,557	169,886	358,179	500,034	774,355

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**11,331,186**	12,753,243	8,712,651	7,979,222	7,466,151
TOTAL LIABILITIES	**(4,542,218)**	(5,991,447)	(2,885,148)	(2,283,564)	(2,092,393)
NON-CONTROLLING INTERESTS	**70,862**	70,369	68,753	66,782	–