SANYI

SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631

Interim Report 2016

Contents

Financial Summary

(RMB: '000)	Six months ended 30 June 2016 (Unaudited)	2015 (Unaudited)	Increase (%)
Revenue	**859,455**	1,212,195	(29.1)
Gross profit	**272,728**	388,602	(29.8)
(Loss)/profit before tax	**(52,823)**	75,576	(169.9)
Net (loss)/profit	**(40,846)**	49,113	(183.2)
(Loss)/profit attributable to owners of the parent	**(36,027)**	48,758	(173.9)
(Loss)/profit attributable to owners of the parent (excluding one-off items and revaluation items)[1]	**(36,027)**	48,758	(173.9)
Total assets	**10,553,163**	12,256,553	(13.9)
Total equity	**6,751,161**	6,812,594	(0.9)
Cash flows of operating activities	**1,010,652**	(498,631)	302.7
Cash flows of investing activities	**(134,354)**	467,619	(128.7)
Cash flows of financing activities	**(415,414)**	(145,407)	185.7
(Loss)/earnings per share[2]			
– Basic (RMB Yuan)	**(0.01)**	0.02	
– Diluted (RMB Yuan)	**(0.01)**	0.01	

(Percentage)	Six months ended 30 June 2016	2015	Increase (points)
Gross profit margin	**31.7%**	32.1%	(0.4)
Percentage of (loss)/profit attributable to shareholders of the Company[3]	**(4.2%)**	4.0%	(8.2)
Percentage of (loss)/profit attributable to shareholders of the Company (excluding one-off items and revaluation items)	**(4.2%)**	4.0%	(8.2)
Assets turnover	**7.9%**	9.7%	(1.8)
Asset – Liability ratio	**36.0%**	44.4%	(8.4)
Average total asset (RMB'000)	**10,942,175**	12,504,898	

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

2 The weighted average number of ordinary shares for the six months ended 30 June 2016 was 3,041,025,000 (six months ended 30 June 2015: 3,041,025,000), details of which are set out in note 8 to the Interim Condensed Consolidated Financial Statements.

3 Loss/profit attributable to shareholders of the Company divided by revenues.

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

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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
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Company Website
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Ms. Tang Lin

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Chairman's Statement

Dear Shareholders,

In the first half of 2016, the economic growth in China remained slow while investment and export remained subdued. The domestic and global environment was still complicated and severe, and China has been under immense pressure of economic downturn. In the first half of 2016, consistently adhering to "transformation and upgrading", Sany Heavy Equipment International Holdings Company Limited (the "Company") has been determined to promote international growth. Against the backdrop of the endeavor to develop port machinery business and explore the market for marine engineering products, the Company has kept on raising its competitiveness in coal machinery products. Meanwhile, the Company implemented value-based selling, strengthened risk management and continuously enhanced the operation quality.

During the period, the Company's sales revenue amounted to approximately RMB859.5 million, representing a decrease of approximately 29.1% against the same period of 2015; loss before tax amounted to approximately RMB52.8 million, representing a decrease of approximately 169.9% against the same period of 2015; net loss amounted to approximately RMB40.8 million, representing a decrease of approximately 183.2% against the same period of 2015; and the Group's basic and diluted losses per share was approximately RMB0.01.

During the period, under the internal and external economic circumstances, the operational income and net profits of the Company both saw a decrease. Despite this, the Company's leading position in the market of its products has been consolidated, with stable improvement in the internationalised operation level for port machinery. Substantial progress has been made in business transformation and remarkable results have been achieved in research and development as well as product innovation. Besides, the risk management on trade receivables has been enhanced and the measures of cost and expenditure control have achieved further results.

Leading position in the product market has been consolidated. Leveraging its excellent product quality and services, during the period, the Company maintained its forerunner position in the industry in terms of the market share of the domestic mobilised port machinery market and still ranked the first in terms of the market share in the domestic roadheader market. Meanwhile, along with the accumulation of techniques, the Company's sales of large-scale port machinery (quayside) made a significant breakthrough.

The internationalised operation level for port machinery has been raised significantly. Capitalising on the outstanding product quality, the Company's port machinery products have gained a solid reputation worldwide and good cooperation relationship has been developed with key domestic and foreign customers. At the same time, as the Company has continued to explore the international market, the internationalised level for port machinery has been significantly raised.

Substantial progress was achieved in business transformation. During the period, the port machinery segment became the most important business segment of the Company with the total amount of business accounting for the majority of the Company's business and thus became the major source of profits. Sales of industrial drilling products made a substantial breakthrough. In the subway and hydraulic sectors, sales of industrial drilling products realised "zero" breakthrough and sales in the tunnel and non-coal mine sectors were increased.

Remarkable results were achieved in research and development as well as product innovation. During the period, 8 types of new product planning and development were completed in the port machinery segment and breakthroughs were achieved in three core techniques including mobile APP for the products, weighing and printing system for containers and testing, weighing and printing system for uneven loading; the initial certification stage was completed for large-scale port machinery digitalised platform and such platform has been continuously applied in numerous quayside projects; the research and development on intelligent pier system has made a breakthrough; the development of automatic transtainer smoothly entered inspection and testing stage. The development of EBZ260A mining roadheader and the subway drilling equipment of STR260 were completed under the coal machinery segment and put into operation; inspection of a small batch of the 1202 coal-mining machinery project was completed. The testing process of pure water hydraulic support (純水液壓支架) was completed and its inspection was up to the satisfaction of the customers. The electric system solution and drawing designs for pure water treatment equipment were completed while the prototype was put into operation; the top design, general proposal, construction drawing designs and the project of the automatic comprehensive mining projects were completed.

Risk management on trade receivables was enhanced. During the period, adhering to "One Client One Credit" and "Five-All Principles", the Company by virtue of major and specific clearing up efforts facilitated the collection of trade receivables; meanwhile, it embarked on value-based selling and reduced additional trade receivables. During the Reporting Period, the sales receipt proportion increased drastically compared with the same period last year.

Measures of cost and expenditure control achieved further results. During the period, the Company continued to adopt measures to control costs and expenditures and lowered costs in an all-rounded manner ranging from research and development, technical know-how, manufacturing to business affairs. On one hand, it worked hard in lowering research and development costs and controlled costs from the roots by optimising design; on the other it continued to set profit targets according to the size of sales, which would, in turn, suppress expense ratios, and adopted various key measures to control costs and expenditure.

Some might regard the complicated and ever-changing economic environment as crisis while some as opportunities. Faced with the crisis, only by standing tall, going ahead amidst the difficulties can we seek opportunities. Faced with opportunities, only by riding on the trend and staying prudent and cautious can we overcome the difficulties. In future, no matter how rocky the road will be and how inclement the environment will be, all employees of the Company will unite together to embrace the challenges, refine governance, strive for excellence and create a better future with diligence and wisdom.

Finally, I, on behalf of the Board of the Company, would like to express my sincere gratitude to our clients and shareholders for their trust and support and to the management and all our employees for their diligence and contribution.

Qi Jian
Chairman

Hong Kong, 24 August 2016

BUSINESS REVIEW

In the first half of 2016, China's economy continued to adjust with a great pressure on economic decline. Under the complex economic environment, the Group actively responded by adhering to "transition and upgrading" approach and procuring international development which allowed the Group to expand its port machinery business and to keep enhancing the market competitiveness of coal machinery by exploring the marine engineering market. Meanwhile, the Group focused on value of sales and strengthened its risk management to keep enhancing its operation quality.

Major products

With the ongoing transformation, the Group divides its products into four categories, namely the marine engineering business, which includes (1) port machinery products (reach stacker, empty container handler and quayside gantry crane) and offshore heavy machineries; (2) coal machinery business, which includes roadheaders (all types of soft rock, hard rock roadheader, mining roadheader and drilling machinery) and CCMU (coal mining machines (shearer), hydraulic support system, scraper conveyor (Armored-Face Conveyer) and centralised control system); (3) 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); and (4) 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 differentiates the Group from the peers in the industry. In the first half of 2016, the port machinery sector of the Group has completed its new product planning and development with breakthroughs in 3 core technologies such as obtaining products APP, container weighing and printing system and unbalanced load detection, weighing and printing system; completed the first phase of the digital platform verification for large port machinery and continuously applied in various bridge projects; and achieved a breakthrough in R&D of smart mooring system with its automatic bridge development entering the testing and detection phase. In respect of coal machinery sector, the Group has finalised the development of EBZ260A mining and digging machine and STR260 underground tunneling equipment, which are ready to be put into use; completed the small quantities of acceptance of 1202 shearer project; finished the water bracket test, the result of which was accepted by client, and finalised the water treatment equipment electrical systems solutions, drawing design and prototype production; and finalised the top-level design, overall plan, construction design and project approval of the automatic mining and excavation project. For the six months ended 30 June 2016, the Group obtained 32 invention patents, 25 utility model patents and 2 exterior design patents.

Management Discussion and Analysis

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 is located in Gaolan Port Economic Area of Zhuhai and 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, and adopted various measures to cut production costs.

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 addressing any concerns from 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 six months ended 30 June 2016, the Group recorded revenue of approximately RMB859.5 million, representing a decrease of approximately 29.1% as compared to approximately RMB1,212.2 million for the six months ended 30 June 2015. Such decrease was mainly due to: (1) the continued adjustment of coal industry in the PRC, which affected the sales of coal machinery products; and (2) the long lead-time of large port machinery products.

Although the Group's revenue decreased for the six months ended 30 June 2016, it is expected that the continuing increase of the sales proportion of the marine engineering business, together with the gradual recovery of the coal machinery market and the stable implementation of the international strategy of the Company will lay a solid foundation for the Group's long-term development.

Other income and gains

For the six months ended 30 June 2016, the Group's other income and gains was approximately RMB81.8 million, representing a decrease of approximately 51.6% against approximately RMB168.8 million for the six months ended 30 June 2015. Such decrease was mainly due to the decrease in the government subsidies obtained.

Cost of sales

For the six months ended 30 June 2016, the Group's cost of sales was approximately RMB586.7 million, representing a decrease of approximately 28.8% against approximately RMB823.6 million for the six months ended 30 June 2015. The change was mainly due to the decrease in the overall sales of the Group.

Gross profit and gross profit margin

For the six months ended 30 June 2016, the gross profit margin of the Group was approximately 31.7%, representing a decrease of approximately 0.4 percentage point against approximately 32.1% for the six month ended 30 June 2015. Such decrease was mainly due to change in product sales mix.

Loss/profit margin before tax

For the six months ended 30 June 2016, the Group's loss margin before tax was approximately 6.1%, as compared to the profit margin before tax of approximately 6.2% for the six months ended 30 June 2015. Such change was mainly due to (1) a decrease in other income and gains caused by a decrease in government's subsidies obtained during the six months ended 30 June 2016; (2) a decrease in the overall sales of the Group and an increase in the ratio of selling, distribution and administrative expenses to gross sales proceeds; and (3) an increase in provision for bad debts of trade receivables for the six months ended 30 June 2016 under the principle of prudence.

Selling and distribution expenses

For the six months ended 30 June 2016, the selling and distribution expenses were approximately RMB107.0 million, representing a decrease of approximately 18.3% against approximately RMB131.0 million for the six months ended 30 June 2015. For the six months ended 30 June 2016, the ratio of the Group's selling and distribution expenses to sales revenue was approximately 12.5%, representing an increase of approximately 1.7 percentage points as compared to approximately 10.8% for the six months ended 30 June 2015. Such increase was due to the fact that the Group increased the distribution input in port machinery.

Research and development expenses

For the six months ended 30 June 2016, the research and development expenses were approximately RMB54.9 million, representing a decrease of approximately 42.7% as compared to approximately RMB95.9 million for the six months ended 30 June 2015. For the six months ended 30 June 2016, the ratio of research and development expenses of the Group to its sales revenue was approximately 6.4%, representing a decrease of approximately 1.5 percentage points as compared to approximately 7.9% for the six months ended 30 June 2015. Such changes were mainly due to a decrease in the Company's R&D, design and technological transformation costs resulting from the continuous improvement of its product technology and the well-developed coal machinery products. To ensure the continuous development, the Company will continue to put its R&D resources into the research such as energy-saving technology, ergonomics engineering and smart control technology for port machinery products and will also strengthen its research effort in excavation products, coal mining vehicle and natural gas equipment.

Administrative expenses

For the six months ended 30 June 2016, administrative expenses of the Group were approximately RMB160.3 million (for the six months ended 30 June 2015: approximately RMB196.9 million). The administrative expenses excluding research and development expenses were approximately RMB105.5 million (for the six months ended 30 June 2015: approximately RMB101.0 million), which accounted for approximately 12.3% of the proportion of sales revenue representing an increase of approximately 4.0 percentage points against the six months ended 30 June 2015 (for the six months ended 30 June 2015: approximately 8.3%). Such changes were mainly attributable to the depreciation of the coal machinery equipment industrial park and an increase in relevant taxes.

Finance costs

For the six months ended 30 June 2016, finance costs of the Group were approximately RMB1.0 million (for the six months ended 30 June 2015: approximately RMB4.6 million), mainly due to a decrease in bank loans of the Group; and a lower interest rate bore by the other borrowings from National Development Fund.

Taxation

For the six months ended 30 June 2016, the Group's effective tax rate was approximately 22.7% (for the six months ended 30 June 2015: the effective tax rate was approximately 35.0%). For details regarding income tax, please refer to note 7 on page 12 of this announcement.

Loss/profit attributable to owners of the parent

For the six months ended 30 June 2016, the Group's loss attributable to owners of the parent was approximately RMB37.4 million, as compared to the Group's profit attributable to owners of the parent of approximately RMB48.8 million for the same period of last year. Such loss attributable to owners of the parent was mainly due to under the principle of prudence, approximately RMB125.7 million in the provision for bad debts of trade receivables was further provided for the six months ended 30 June 2016.

Such loss attributable to owners of the parent was also affected by:

(1) the continued adjustment of coal industry in the PRC, which affected the overall sales of the coal machinery products. For the six months ended 30 June 2016, sales of the coal machinery products amounted to RMB386.2 million, representing a decrease of 34.1% as compared to approximately RMB586.5 million for the same period of last year;

(2) the long lead-time of large port machinery products, which affected the overall sales of the port machinery products. For the six months ended 30 June 2016, sales of the port machinery products amounted to approximately RMB473.2 million, representing a decrease of 24.4% as compared to approximately RMB625.7 million for the same period of last year; and

(3) the decrease in the government grants obtained, which led to a decrease in other income and gains. For the six months ended 30 June 2016, the government grants obtained amounted to approximately RMB75.3 million, representing a decrease of 50.5% as compared to approximately RMB152.3 million for the same period of last year,

which were, however, partly offset by the decrease in cost of sales, selling and distribution expenses and administrative expenses.

Liquidity and financial resources

As at 30 June 2016, current assets of the Group were approximately RMB4,682.2 million (31 December 2015: RMB5,418.8 million). As at 30 June 2016, current liabilities of the Group were approximately RMB2,048.7 million (31 December 2015: RMB2,898.6 million).

As at 30 June 2016, total assets of the Group were approximately RMB10,553.2 million (31 December 2015: approximately RMB11,331.2 million), and total liabilities were approximately RMB3,802.0 million (31 December 2015: approximately RMB4,542.2 million). As at 30 June 2016, the gearing ratio (the asset to liability ratio) was approximately 36.0% (31 December 2015: 40.1%).

Trade and bills receivables

As of 30 June 2016, the Group's trade receivables and bills receivable recorded a decrease of approximately 35.9% to approximately RMB2,164.8 million as compared to approximately RMB3,378.1 million as of 31 December 2015, in which trade receivables decreased by approximately 38.9% to approximately RMB1,903.1 million as compared to approximately RMB3,115.3 million as of 31 December 2015; and bills receivable decreased by approximately 0.4% to approximately RMB261.7 million as compared to approximately RMB262.8 million as of 31 December 2015. Such change was mainly due to (1) the Group commenced the receivables non-recourse factoring business in the first half of 2016; (2) the management of the Group strengthened its risk management and control of receivables and implemented the "one policy for one client" policy to improve its recovery situation; and (3) the Group increased its provision for bad debts of trade receivables for the six months ended 30 June 2016 under the principle of prudence.

Other borrowings

As at 30 June 2016, other borrowings of the Group were approximately RMB160.5 million (as at 31 December 2015: nil). Such change was due to the fact that the Group obtained an investment from National Development Fund Co., Ltd. For further details, please refer to the circular of the Company dated 6 May 2016.

Cash flow

As at 30 June 2016, cash and cash equivalents of the Group and deposits with maturity of three months or more were approximately RMB985.9 million in total. For the six months ended 30 June 2016, the net cash inflow of the Group from operating activities was approximately RMB1,010.7 million (for the six months ended 30 June 2015: net cash outflow of approximately RMB498.6 million). Such change was mainly driven by the same reasons as stated in the paragraph headed "Trade and bills receivables" above.

For the six months ended 30 June 2016, the net cash outflow from investing activities was approximately RMB134.4 million (for the six months ended 30 June 2015: net cash inflow of approximately RMB467.6 million). Such change was mainly due to the recovery of investment deposits incurred in the same period of last year.

For the six months ended 30 June 2016, the net cash outflow of the Group from financing activities was approximately RMB415.4 million (for the six months ended 30 June 2015: net cash outflow of approximately RMB145.4 million) mainly due to repayment of affiliates borrowings.

Turnover days

The Group's average turnover days of inventory were approximately 362.4 days as at 30 June 2016, representing an increase of approximately 32.0 days from 330.4 days as at 30 June 2015, mainly due to the continuous adjustment of coal machinery industry, 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 as at 30 June 2016 were approximately 685.6 days, representing an increase of approximately 85.3 days from approximately 600.3 days as at 30 June 2015. Such increase was mainly due to a decrease in sales during the current period.

Turnover days of trade and bills payables decreased by approximately 20.1 days from approximately 278.0 days as at 30 June 2015 to approximately 257.9 days as at 30 June 2016, which was due to the fact that the bills payables became due during the current period.

Contingent liabilities

As at 30 June 2016, the Group had contingent liability of RMB102.4 million, being the financial guarantee under equipment mortgage loan agreements and financing lease arrangements provided by Hunan Sany Port Equipment (31 December 2015: RMB139.3 million).

Capital commitment

As at 30 June 2016, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB4,032.4 million (31 December 2015: approximately RMB4,231.1 million).

Employees and remuneration policy

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

Material Acquisition and Disposal

There were no material acquisitions or disposals of the Group for the six months ended 30 June 2016.

Pledge on assets

As at 30 June 2016, the Group recorded pledged deposits and pledged bills with an aggregate value of approximately RMB11.8 million (31 December 2015: approximately RMB14.7 million), for the purpose of issuing bills payable and banking facilities. As at 30 June 2016, none of the Group's bank loans were secured by property, plant and equipment and prepaid land lease payments (31 December 2015: nil).

Foreign exchange risk

As at 30 June 2016, the Group's cash and bank balances denominated in HK$ and US$ were equivalent to approximately RMB29.7 million. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

Social responsibility

The Group promotes good values of fraternity, mutual assistance and selfless contribution, and 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 organised staff health check. The Group also raised funds for staff requiring assistance and spread love and care to staff who were in need of support.

Disclosure of Interests

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

As at 30 June 2016, the interests or short positions of each director of the Company 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 Position 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	222,200	0.007%

Note: Mr. Mao Zhongwu is deemed to be interest in 222,000 shares which may be issued to him upon the exercise of the share options granted to him on 23 February 2013. For the details of the movement of share options granted under the Share Option Scheme, please refer to the paragraph headed "Share Option Scheme".

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executive of the Company or any of their spouses or children under the age of eighteen were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its holding company, subsidiaries or other associated corporation (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries been participated in any arrangements to enable the directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of shares or underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

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

As at 30 June 2016, so far as the Directors and chief executive of the Company were aware, the following persons and corporations (excluding the directors and chief executives of the Company) had interests or short positions in any of the shares or underlying shares of the Company which were required to be notified to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who, directly or indirectly, is interested in 10% or more of the nominal value of any class of share capital to vote in all circumstances at general meetings of any other member of the Group:

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

Notes:

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

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

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

Disclosure of Interests

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report, the Company has maintained sufficient public float required under the Listing Rules for the six months ended 30 June 2016 and up to as at the date of this interim report.

Share Option Scheme

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

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

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 ten 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 ten years from the adoption date, after which no further options will be granted or offered.

Details of the movement of share options granted under the Share Option Scheme as at 30 June 2016 are as follows:

Name or class of participant(s)	Date of Grant (1)	Exercise price per Share	Exercise period	As at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2016
Mao Zhongwu	26 February 2013	HK$4.18	26 February 2013 – 25 February 2023	222,200	–	–	–	222,200
Other staff	26 February 2013	HK$4.81	26 February 2013 – 25 February 2023	11,438,350	–	–	–	11,438,350
Total				11,660,550	–	–	–	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 5 business days immediately preceding the date of grant was HK$3.39.

(2) For details, please refer to the vesting schedule on page 18 of this report.

The vesting schedule is as follows:

Vesting date	Percentage of the share option to vest
If the audited net profit for the year ended 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 ended 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 ended 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 30 June 2016, the total number of shares which may be issued upon the exercise of the all the share options granted under the Share Option Scheme is 21,476,000, representing 0.71% of the issued shares of the Company as at the report date and the total number of shares which may be issued upon the exercise of all the share options granted but not yet exercised under the Share Option Scheme is 14,399,000, representing 0.42% of the issued shares of the Company as at the report date.

Corporate Governance and General Information

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 for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency 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 code provisions under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") from 1 January 2016 to 30 June 2016.

In accordance with code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Further, the division of responsibilities between the chairman and chief executive officer should be clearly established. Since 6 August 2016, Mr. Qi Jian has been appointed as the chairman of the Board and the chief executive officer of the Company. The Board considers vesting the role of both the chairman of the Board and the chief executive officer of the Company in Mr. Qi Jian because Mr. Qi Jian has in-depth knowledge in the business of the Company and can make appropriate decisions promptly and efficiently and this arrangement provides the Company with consistent leadership and facilitates effective and efficient planning and implementation of business decisions and strategies. The Board believes 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 qualified calibre (including sufficient number of independent non-executive Directors), balance between duty and right can be assured. The Board will continue to review the effectiveness of the Company's corporate governance structure to assess whether the separation of the positions of chairman of the Board and chief executive officer of the Company is necessary.

Compliance with the Model Code for Directors' Securities Transactions

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

Review of Interim Financial Statements

The interim financial results for the six months ended 30 June 2016 have not been audited or reviewed by the Company's external auditor.

The Board

The Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Qi Jian, Mr. Fu Weizhong and Mr. Xiao Huishu. 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.

Audit Committee

The audit committee (the "Audit Committee") of the Company 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, internal control and risk management procedures and ensure that management has discharged its duty to have effective internal control and risk management systems. The audit committee consists of three members, namely Mr. Xu Yaxiong, Mr. Ng Yuk Keung and Mr. Poon Chiu Kwok, all of them are independent non-executive Directors. Mr. Poon Chiu Kwok, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the audit committee.

The audit committee has held meetings to discuss the internal controls, risk management, and financial reporting matters including the review of the unaudited interim condensed financial statements of the Group for the six months ended 30 June 2016.

Remuneration Committee

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

Nomination Committee

The nomination committee (the "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 is the chairman of the Nomination Committee.

Strategic Investment Committee

The strategic investment committee (the "Strategic Investment Committee") of the Company was established on 4 October 2012. The Strategic Investment Committee is responsible for the recommendation and analysis to the Board on the development of the businesses and the investments of the Company. The chairman is Mr. Qi Jian and the other five members are Mr. Mao Zhongwu, Mr. Fu Weizhong, Mr. Xu Yaxiong, Mr. Ng Yuk Keung and Mr. Poon Chiu Kwok.

Corporate Governance Function

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

Corporate Governance and General Information

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. ("Sany Heavy Industry"), a subsidiary of Sany Group and a company listed on the Shanghai Stock Exchange (stock code: 600031), 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 as 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, 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 the non-executive Director of the Company on 28 September 2014. Mr. Tang was one of the four founders of Sany Group, 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 Spaeial Welding Materials Factory (湖南漣源特種焊接材料廠) and from 1986 to 1988, he specialised in the development and manufacture of special welding materials.

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

Mr. Tang graduated with a bachelor degree in metallic materials from Central South University (中南大學) in July 1983. He is currently 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 redesigned from an executive Director to a non-executive Director of the Company from 28 September 2014. He was the executive Director of the Company from 12 October 2012 to 28 September 2014 and the chairman of the Board from 23 July 2009 to 12 October 2012. From July 2009 to April 2010, he was also the chief executive officer of the Company. Mr. Mao has been the managing director and general manager of Sany Heavy Equipment since July 2006, and has been an executive director of Sany Heavy Integrated Coal Mining Equipment Co., Ltd. ("Sany Integrated Mining") 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 70, 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 and the director of experts committee.

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 the 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 (潘昭國先生), 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), Global Intelligence Network (formerly known as Jinheng Automotive Safety Technology Holdings Limited) (stock code: 872) and Greentown Service Group Co., Ltd (stock code: 02869, which becomes effective on 12 July 2016. 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 and holds a bachelor's degree in laws, a bachelor's degree in commerce and a master's degree in international accounting by the University of London.

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.

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

Purchase, Sale or Redemption of the Company's Shares

For the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company (for the six months ended 30 June 2015: Nil).

Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 30 June 2016

	Notes	**Six months ended 30 June** **2016** **RMB'000** **(Unaudited)**	2015 RMB'000 (Unaudited)
REVENUE	*4*	**859,455**	1,212,195
Cost of sales		**(586,727)**	(823,593)
Gross profit		**272,728**	388,602
Other income and gains	*4*	**81,761**	168,787
Selling and distribution expenses		**(107,035)**	(130,958)
Administrative expenses		**(160,338)**	(196,877)
Other expenses		**(138,979)**	(149,334)
Operating (loss)/profit		**(51,863)**	80,220
Finance costs	*6*	**(960)**	(4,644)
(Loss)/profit before tax	*5*	**(52,823)**	75,576
Income tax expense	*7*	**11,977**	(26,463)
(LOSS)/PROFIT FOR THE PERIOD		**(40,846)**	49,113
Attributable to:			
Owners of the parent		**(36,027)**	48,758
Non-controlling interests		**(4,819)**	355
		(40,846)	49,113
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*8*	**(0.01)**	0.02
Diluted (RMB)	*8*	**(0.01)**	0.01

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(40,846)**	49,113
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,256**	(255)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**2,256**	(255)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**2,256**	(255)
TOTAL COMPREHENSIVE (LOSS)/INCOME, NET OF TAX	**(38,590)**	48,858
Attributable to:		
Owners of the parent	**(33,771)**	48,503
Non-controlling interests	**(4,819)**	355
	(38,590)	48,858

Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**2,726,086**	2,732,946
Prepaid land lease payments	*10*	**687,384**	694,930
Goodwill	*11*	**1,129,520**	1,129,520
Intangible assets	*12*	**32,794**	44,218
Trade receivables	*15*	**115,308**	99,923
Available-for-sale investment	*13*	**10,636**	10,636
Non-current prepayments	*16*	**736,501**	736,722
Deferred tax assets	*17*	**432,739**	463,520
Total non-current assets		**5,870,968**	5,912,415
CURRENT ASSETS			
Inventories	*14*	**1,150,637**	1,179,787
Trade receivables	*15*	**1,787,769**	3,015,396
Bills receivable	*15*	**261,718**	262,822
Prepayments, deposits and other receivables	*16*	**484,322**	423,319
Pledged deposits	*18*	**11,812**	14,651
Cash and cash equivalents	*18*	**985,937**	522,796
Total current assets		**4,682,195**	5,418,771
CURRENT LIABILITIES			
Trade and bills payables	*19*	**816,560**	841,966
Other payables and accruals	*20*	**846,984**	1,665,123
Interest-bearing bank and other borrowings	*21*	**45,145**	14,920
Tax payable		**293,209**	341,776
Provision for warranties	*22*	**10,860**	14,148
Government grants	*23*	**35,953**	20,645
Total current liabilities		**2,048,711**	2,898,578
NET CURRENT ASSETS		**2,633,484**	2,520,193
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,504,452**	8,432,608
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*17*	**19,507**	16,287
Interest-bearing bank and other borrowings	*21*	**160,474**	–
Government grants	*23*	**1,573,310**	1,627,353
Total non-current liabilities		**1,753,291**	1,643,640
Net assets		**6,751,161**	6,788,968

	Note	**30 June 2016 RMB'000 (Unaudited)**	31 December 2015 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*25*	**302,214**	302,214
Reserves		**6,382,904**	6,415,892
		6,685,118	6,718,106
Non-controlling interests		**66,043**	70,862
Total equity		**6,751,161**	6,788,968

Director: Qi Jian

Director: Xiang Wenbo

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2016

	Attributable to owners of the parent											
	Issued capital											
	Ordinary shares RMB'000 (note 25)	Convertible preference shares RMB'000 (note 25)	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000 (note 26)	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016 (Audited)	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
Loss for the period	–	–	–	–	–	–	–	–	(36,027)	(36,027)	(4,819)	(40,846)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	2,256	–	–	2,256	–	2,256
Total comprehensive loss for the period	–	–	–	–	–	–	2,256	–	(36,027)	(33,771)	(4,819)	(38,590)
Share-based payments (note 26)	–	–	–	–	783	–	–	–	–	783	–	783
Transfer from retained profits	–	–	–	–	–	5,721	–	–	(5,721)	–	–	–
At 30 June 2016 (Unaudited)	264,366	37,848	2,239,502#	1,332,316#	13,293#	378,578#	(35,083)#	5,744#	2,448,554#	6,685,118	66,043	6,751,161

These reserve accounts comprise the consolidated reserves of RMB6,382,904,000 (31 December 2015: RMB6,415,892,000) in the interim condensed consolidated statement of financial position.

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

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2016

	Attributable to owners of the parent											
	Issued capital											
	Ordinary shares RMB'000 (note 25)	Convertible preference shares RMB'000 (note 25)	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000 (note 26)	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Capital redemption reserve* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015 (Audited)	264,366	37,848	2,239,502	1,332,316	7,267	348,284	(40,711)	5,744	2,496,811	6,691,427	70,369	6,761,796
Profit for the period	–	–	–	–	–	–	–	–	48,758	48,758	355	49,113
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(255)	–	–	(255)	–	(255)
Total comprehensive income for the period	–	–	–	–	–	–	(255)	–	48,758	48,503	355	48,858
Share-based payments (note 26)	–	–	–	–	1,940	–	–	–	–	1,940	–	1,940
Transfer from retained profits	–	–	–	–	–	343	–	–	(343)	–	–	–
At 30 June 2015 (Unaudited)	264,366	37,848	2,239,502	1,332,316	9,207	348,627	(40,966)	5,744	2,545,226	6,741,870	70,724	6,812,594

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2016

	Note	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net cash flows from/(used in) operating activities		**1,010,653**	(498,631)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,786**	1,756
Purchases of items of property, plant and equipment		**(79,454)**	(127,795)
Payment for consideration of acquired subsidiaries		**(114,834)**	–
Proceeds from disposal of items of property, plant and equipment		**32,148**	9,617
Proceeds of disposal of non-current assets classified as held for sale		**20,000**	76,603
Collection of investments deposits		**–**	400,000
Gain from investment deposits		**–**	2,078
Collection of non-pledged deposits with original maturity of three months or more when acquired		**–**	105,360
Receipt of government grants		**5,000**	–
Net cash flows (used in)/from investing activities		**(134,354)**	467,619
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings from National Development Fund		**160,000**	–
Repayment of borrowings from a fellow subsidiary		**(607,992)**	–
New bank loans		**77,184**	206,989
Repayment of bank loans		**(46,959)**	(373,706)
Decrease of pledged deposits		**2,839**	26,522
Interest paid		**(486)**	(5,212)
Net cash flows used in financing activities		**(415,414)**	(145,407)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**460,885**	(176,419)
Effect of foreign exchange rate changes, net		**2,256**	(255)
Cash and cash equivalents at beginning of period		**522,796**	278,241
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**985,937**	101,567
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*18*	**985,937**	101,567
		985,937	101,567

1. Corporate Information

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

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

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the revised International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations that the Group has adopted for the first time for the current period as disclosed below.

IFRS 14	*Regulatory Deferral Accounts*
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

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

2.3 Issued but not yet Effective IFRSs

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

IFRS 9	*Financial Instruments*[2]
IFRS 15	*Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not in a position to state whether these new and revised IFRSs will have a significant impact on the Group's results of operations and financial position.

3. Operating Segment Information

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

(a) Coal mining equipment segment

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

(b) Port machinery segment

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

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

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

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

3. Operating Segment Information (continued)

	Coal mining equipment RMB'000	Port machinery RMB'000	Total RMB'000
Period ended 30 June 2016 (Unaudited)			
Segment revenue			
Sales to customers	386,221	473,234	859,455
Other revenue	9,669	72,092	81,761
Revenue from operations	395,890	545,326	941,216
Segment results	(186,850)	132,201	(54,649)
Interest income			2,786
Finance costs			(960)
Loss before tax			(52,823)
Income tax expense			11,977
Loss for the period			(40,846)
Segment assets	7,243,512	3,540,262	10,783,774
Reconciliation:			
Elimination of intersegment receivables			(1,661,099)
Corporate and other unallocated assets			1,430,488
Total assets			10,553,163
Segment liabilities	1,523,130	3,421,636	4,944,766
Reconciliation:			
Elimination of intersegment payables			(1,661,099)
Corporate and other unallocated liabilities			518,335
Total liabilities			3,802,002
Other segment information:			
Depreciation and amortisation	80,466	14,766	95,232
Capital expenditure*	4,302	98,787	103,089
Loss on disposal of items of property, plant and equipment	1,522	17	1,539
Impairment losses recognised in profit or loss	133,743	1,377	135,120

* Capital expenditure consists of additions to property, plant and equipment.

3. Operating Segment Information (continued)

	Coal mining equipment RMB'000	Port machinery RMB'000	Total RMB'000
Period ended 30 June 2015 (Unaudited)			
Segment revenue			
Sales to customers	586,488	625,707	1,212,195
Other revenue	47,116	121,671	168,787
Revenue from operations	633,604	747,378	1,380,982
Segment results	(90,849)	167,235	76,386
Interest income			3,834
Finance costs			(4,644)
Profit before tax			75,576
Income tax expense			(26,463)
Profit for the period			49,113
Segment assets	8,820,052	3,654,175	12,474,227
Reconciliation:			
Elimination of intersegment receivables			(830,873)
Corporate and other unallocated assets			613,199
Total assets			12,256,553
Segment liabilities	2,236,522	3,455,351	5,691,873
Reconciliation:			
Elimination of intersegment payables			(830,873)
Corporate and other unallocated liabilities			582,959
Total liabilities			5,443,959
Other segment information:			
Depreciation and amortisation	78,086	12,257	90,343
Capital expenditure*	91,129	290,746	381,875
Loss on disposal of items of property, plant and equipment	552	–	552
Impairment losses recognised in profit or loss	144,962	3,820	148,782

Geographical information

Except that over 86% of the Group's revenue is derived from customers based in Mainland China, the revenue from individual foreign country did not exceed 10% of the Group's revenue, 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*.

3. Operating Segment Information (continued)

Information about major customers

Revenue of approximately RMB47,717,000 (for the six months ended 30 June 2015: RMB174,552,000) 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 RMB394,022,000 (for the six months ended 30 June 2015: RMB625,707,000) 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.

4. 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:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**850,770**	1,188,092
Rendering of services	**8,685**	24,103
	859,455	1,212,195
Other income and gains		
Interest income	**2,786**	3,834
Profit from sale of scrap materials	**–**	5,983
Government grants	**75,346**	152,327
Foreign exchange differences, net	**–**	3,316
Others	**3,629**	3,327
	81,761	168,787

5. (Loss)/Profit before Tax

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

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cost of inventories sold		**450,687**	805,158
Cost of services provided		**126,853**	18,435
Depreciation	*9*	**76,262**	69,688
Amortisation of land lease prepayments**	*10*	**7,546**	7,746
Amortisation of intangible assets**	*12*	**11,424**	12,909
Auditors' remuneration		**430**	480
Reversal of warranties, net*	*22*	**(919)**	(10,193)
Research and development costs**		**54,880**	95,860
Minimum lease payments under operating leases:			
Dormitories for staff		**501**	230
Warehouses		**2,454**	3,239
Office equipment		**7**	–
		2,962	3,469
Employee benefit expenses:			
Wages and salaries		**98,533**	184,746
Share-based payment		**783**	1,940
Pension scheme contributions		**5,006**	15,651
Other staff welfare		**2,378**	8,485
		106,700	210,822
Foreign exchange differences, net***		**233**	(3,316)
Impairment of trade receivables***	*15*	**125,676**	147,865
Impairment of other receivables***		**257**	917
Write-down of inventories to net realisable value#		**9,187**	2,354
Loss on disposal of items of property, plant and equipment***		**1,539**	552

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

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

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

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

6. Finance Costs

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on discounted bills	**–**	1,462
Interest on interest-bearing bank and other borrowings	**715**	3,053
Interest on documentary bills	**245**	129
	960	4,644

7. Income Tax

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to certain subsidiaries 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 30 June 2016.

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% for the six months ended 30 June 2016.

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**(45,978)**	46,792
Deferred	**34,001**	(20,329)
Total tax charge for the period	**(11,977)**	26,463

8. (Loss)/Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic loss/earnings per share is based on the loss/profit for the six months ended 30 June 2016 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (for the six months ended 30 June 2015: 3,041,025,000) in issue during the period.

The calculation of the diluted loss/earnings per share amount is based on the loss/profit for the six months ended 30 June 2016 attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible preference shares, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss/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.

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
(Loss)/earnings		
(Loss)/earnings attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(36,027)**	48,758
Preferred distribution to the convertible preference shares	**24**	–
(Loss)/earnings attributable to ordinary equity holders of the parent, used in the diluted (loss)/earnings per share calculation	**(36,003)**	48,758

	Number of shares	
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	**3,041,025,000**	3,041,025,000
Effect of dilution – convertible preference shares	**479,781,034**	479,781,034
Weighted average number of ordinary shares used in the diluted (loss)/earnings per share calculation	**3,520,806,034**	3,520,806,034

The Company's share options have no dilution effect for the six months ended 30 June 2016 and 2015 as the impact of the share options outstanding had an anti-dilutive effect on the basic loss/earnings per share amounts presented.

9. Property, Plant and Equipment

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Carrying amount at 1 January	**2,732,946**	2,685,917
Additions	**103,089**	238,686
Disposals	**(33,687)**	(43,178)
Depreciation charged for the period/year	**(76,262)**	(148,479)
Carrying amount at 30 June/31 December	**2,726,086**	2,732,946

Assets with a net book value of RMB33,687,000 were disposed of by the Group during the six months ended 30 June 2016 (for the six months ended 30 June 2015: RMB10,169,000), resulting in a net loss on disposal of RMB1,539,000 (for the six months ended 30 June 2015: RMB552,000).

The Group's buildings are located in Mainland China.

Certificates of ownership in respect of newly-built buildings of the Group located in Shenyang with a net carrying amount of approximately RMB218,763,000 as at 30 June 2016 (31 December 2015: RMB191,056,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

10. Prepaid Land Lease Payments

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Carrying amount at 1 January	**710,422**	725,914
Recognised during the period/year	**(7,546)**	(15,492)
Carrying amount at 30 June/31 December	**702,876**	710,422
Current portion included in prepayments, deposits and other receivables	**(15,492)**	(15,492)
Non-current portion	**687,384**	694,930

10. Prepaid Land Lease Payments (continued)

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

As at 30 June 2016, Sany Marine Heavy Industry has received one parcel of land with a carrying amount of approximately RMB248,987,000 and acquired the land use right certificate. Another parcel of land, acquired at a consideration of RMB544,665,000, has not yet been provided to Sany Marine Heavy Industry by China Zhuhai Government up to the date of this report.

According to the Agreement, the total investment in these two pieces of land shall be no less than RMB5.1 billion in 2 years after the land are provided. As at 30 June 2016, the Group has invested RMB1,320,153,000 and the remaining investment of RMB3,801,148,000 was disclosed in capital commitment (note 29). 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.

11. Goodwill

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Carrying amount at 30 June/31 December	1,129,520	1,129,520

12. Intangible Assets

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Carrying amount at 1 January	44,218	75,973
Amortised during the period/year	(11,424)	(25,817)
Impairment during the period/year	–	(5,938)
Carrying amount at 30 June/31 December	32,794	44,218

13. Available-for-sale Investment

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Unlisted equity investment, at cost less impairment	**10,636**	10,636

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

14. Inventories

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Raw materials	**441,851**	431,148
Work in progress	**278,667**	336,917
Finished goods	**474,538**	446,955
	1,195,056	1,215,020
Provision against slow-moving and obsolete inventories	**(44,419)**	(35,233)
	1,150,637	1,179,787

15. Trade and Bills Receivables

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	**2,373,736**	3,559,206
Impairment	**(470,659)**	(443,887)
	1,903,077	3,115,319
Less: Trade receivables due after one year	**(115,308)**	(99,923)
	1,787,769	3,015,396
Bills receivable	**261,718**	262,822

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At 30 June 2016, the Group had certain concentrations of credit risk as 34% (31 December 2015: 26%) 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. Included in the trade receivables was an amount due from fellow subsidiaries in aggregate of RMB475,439,000 as at 30 June 2016 (31 December 2015: RMB508,882,000) 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:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 180 days	**473,442**	677,181
181 to 365 days	**401,566**	555,562
1 to 2 years	**967,992**	1,383,503
2 to 3 years	**53,165**	261,367
Over 3 years	**6,912**	237,706
	1,903,077	3,115,319

15. Trade and Bills Receivables (continued)

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At 1 January	443,887	296,625
Impairment losses recognised	126,006	148,766
Reverse for the period/year	(330)	–
Amount written off as uncollectible	(98,904)	(1,504)
At 30 June/31 December	470,659	443,887

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Neither past due nor impaired	875,008	1,223,921
Past due but not impaired:		
Within 1 year past due	967,992	1,366,614
1 to 2 years past due	53,165	262,945
Over 2 years past due	6,912	261,839
Total	1,903,077	3,115,319

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

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

15. 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:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 6 months	251,998	242,567
Over 6 months	9,720	20,255
	261,718	262,822

Included in the bills receivable was an amount of RMB2,100,000 as at 30 June 2016 (31 December 2015: RMB5,038,000) which was endorsed to a fellow subsidiary for purchasing raw materials by the Group.

Transfer of financial assets that are not derecognised in their entirety

At 30 June 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB25,530,000 (31 December 2015: RMB31,706,000) 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 RMB25,530,000 (31 December 2015: RMB31,706,000) as at 30 June 2016.

Transfer of financial assets that are derecognised in their entirety

At 30 June 2016, 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 RMB72,064,000 (31 December 2015: RMB224,704,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

16. Prepayments, Deposits and Other Receivables

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current prepayments	736,501	736,722
Current assets:		
Prepayments	164,342	145,647
Deposits and other receivables	141,963	128,305
Loans to third parties	178,017	149,367
	484,322	423,319

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

Included in the current prepayments was an amount of RMB4,699,000 as at 30 June 2016 (31 December 2015: RMB1,144,000) paid to a fellow subsidiary for purchasing raw materials by the Group. Included in other receivables was an amount of RMB56,183,000 as at 30 June 2016 (31 December 2015: RMB56,735,000) due from a fellow subsidiary, which is non-interest-bearing and has no fixed terms of repayment.

Loans to third parties of RMB178,017,000 as at 30 June 2016 (31 December 2015: RMB149,367,000) are unsecured, repayable within one year and bearing interest at the prevailing market rate.

17. 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 2015 (Audited)	421,147	37,572	458,719
Credited/(charged) to the consolidated statement of profit or loss	(20,607)	25,408	4,801
At 31 December 2015 and 1 January 2016 (Audited)	400,540	62,980	463,520
Charged to the interim condensed consolidated statement of profit or loss (note 7)	(17,774)	(13,007)	(30,781)
At 30 June 2016 (Unaudited)	382,766	49,973	432,739

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 2015 (Audited)	7,833	1,466	9,299
Charged/(credited) to the consolidated statement of profit or loss	7,018	(30)	6,988
At 31 December 2015 and 1 January 2016 (Audited)	14,851	1,436	16,287
Charged/(credited) to the interim condensed consolidated statement of profit or loss (note 7)	3,235	(15)	3,220
At 30 June 2016 (Unaudited)	18,086	1,421	19,507

17. Deferred Tax (continued)

Deferred tax liabilities (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. According to the approval obtained from the local tax bureau on 24 May 2013, the applicable rate to the Group was 5% from 1 January 2013 to 31 December 2015. The Group was in the process of reapplying the lower withholding rate approval as at 30 June 2016. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 30 June 2016, the Group has not recognised deferred tax liabilities of RMB59,852,000 (31 December 2015: RMB52,304,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to RMB944,668,000 (31 December 2015: RMB869,186,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Cash and cash equivalents	985,937	522,796
Time deposits	11,812	14,651
	997,749	537,447
Less: Pledged time deposits for issuing bills payable and banking facilities	(11,812)	(14,651)
Cash and cash equivalents	985,937	522,796
Cash and cash equivalents, time deposits and pledged deposits denominated in		
– RMB	968,042	522,264
– Hong Kong dollars ("HK$")	28,726	2,083
– United States dollars ("US$")	981	13,100
	997,749	537,447

18. Cash and Cash Equivalents, Time Deposits and Pledged Deposits (continued)

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 banking facilities.

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.

19. Trade and Bills Payables

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 30 days	**292,098**	240,468
31 to 90 days	**215,536**	235,351
91 to 180 days	**162,270**	213,035
181 to 365 days	**91,049**	99,942
Over 1 year	**55,607**	53,170
	816,560	841,966

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 RMB80,226,000 as at 30 June 2016 (31 December 2015: RMB113,709,000) for purchasing raw materials by the Group.

20. Other Payables and Accruals

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Deposits received from customers	313,639	312,256
Other payables	471,102	1,289,078
Accruals	62,243	63,789
	846,984	1,665,123

Included in the other payables was an amount due to fellow subsidiaries in aggregate of RMB34,206,000 as at 30 June 2016 (31 December 2015: RMB782,637,000), which were non-interest-bearing and had no fixed terms of repayment. Include in the deposits received from customers was an amount of RMB146,944,000 as at 30 June 2016 (31 December 2015: RMB155,513,000) payable to a fellow subsidiary for sales of products.

21. Interest-Bearing Bank and Other Borrowings

	30 June 2016 (Unaudited)			31 December 2015 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	2.80-4.35	2016-2017	45,145	2.8-3.4	2016	14,920
Non-current						
Other borrowings (note 24)	1.18	2020-2026	160,474			–

A fellow subsidiary of the Group has guaranteed certain of the Group's bank loans up to RMB20,000,000 as at 30 June 2016.

22. Provision for Warranties

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At 1 January	**14,148**	33,966
Reversal of provision	**(919)**	(8,866)
Amounts utilised during the period/year	**(2,369)**	(10,952)
At 30 June/31 December	**10,860**	14,148

The Group provides warranties (one-year for coal mining machinery, and two-year or 4,000 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.

23. Government Grants

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At 1 January	**1,647,998**	1,415,527
Grants received during the period/year	**36,611**	409,506
Recognised as income during the period/year	**(75,346)**	(177,035)
At 30 June/31 December	**1,609,263**	1,647,998
Current portion	**(35,953)**	(20,645)
Non-current portion	**1,573,310**	1,627,353

24. Borrowings from National Development Fund

On 8 March 2016, two subsidiaries of the Group, Sany Marine Heavy Industry Co., Ltd., Sany Marine Industry International Holdings Co., Ltd., one fellow subsidiary of the Group, Sany Group Co., Ltd. and National Development Fund entered into an Investment Agreement, pursuant to which National Development Fund agreed to invest an amount of RMB160 million (the "Investment") in Sany Marine Heavy Industry Co., Ltd., which bears fixed interest at a fixed rate of 1.2% per annum and will be expired in 2026. According to the Investment Agreement, National Development Fund does not appoint any director to Sany Marine Heavy Industry Co., Ltd. and had no right to influence the daily operation of Sany Marine Heavy Industry Co., Ltd.. National Development Fund has the right to adopt any of three different approaches of exit upon and after 13 March 2019. Further details of the Investment have been set out in the announcements of the Company dated 8 March 2016 and 21 March 2016 and the circular of the Company dated 6 May 2016.

On 14 March 2016, the Group received the amount of RMB160 million in cash from National Development Fund. According to the valuation report issued by an independent third party valuer on 18 March 2016, the Investment subscribed for 14.56% of the enlarged registered capital of Sany Marine Heavy Industry Co., Ltd.. In the opinion of the Directors, the Investment was recognised as a loan from National Development Fund and subsequently measured at amortised cost, using the effective interest rate method.

The balance of borrowings from national development fund was as follows:

	30 June 2016 RMB'000 (Unaudited)
Amounts repayable:	
In the third to fifth years, inclusive	7,680
Beyond five years	168,640
Total payables	176,320
Future finance charge	(15,846)
Net borrowing balance	160,474

25. Share Capital

	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Authorised:		
4,461,067,880 (31 December 2015: 4,461,067,880) ordinary shares of HK$0.10 each	446,107	446,107
538,932,120 (31 December 2015: 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 (31 December 2015: 3,041,025,000) ordinary shares of HK$0.10 each	304,103	304,103
479,781,034 (31 December 2015: 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

26. Share Option Scheme

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

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

	Six months ended 30 June 2016		Year ended 31 December 2015	
	Price HK$	Number of options (Unaudited)	Price HK$	Number of options (Audited)
At 1 January	4.18	11,660,550	4.18	23,562,000
Forfeited during the period/year	4.18	–	4.18	(2,738,450)
Expired during the period/year	4.18	–	4.18	(9,163,000)
At 30 June/31 December	4.18	11,660,550	4.18	11,660,550

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$917,000 (equivalent to RMB783,000) for the six months ended 30 June 2016 (30 June 2015: RMB1,940,000).

26. 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.

27. Contingent Liabilities

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Guarantees given to banks in connection with loans granted to customers	**15,246**	28,275

(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").

27. Contingent Liabilities (continued)

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

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Guarantees given to Leasing Companies in connection with the unsettled lease amounts due from customers	**87,140**	111,017

In the opinion of the Directors, the fair values of the financial guarantee contracts above are insignificant at initial recognition and the Directors consider that the probability of defaults by most of the parties involved is remote, accordingly, no provision has been made at the inception of the guarantee contracts and as at 30 June 2016 and 31 December 2015.

28. Operating Lease Arrangements

(a) As lessor

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	**3,582**	3,524
In the second to third years, inclusive	**7,519**	3,639
Above three years	**8,135**	13,836
	19,236	20,999

28. Operating Lease Arrangements (continued)

(b) As lessee

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	79	651

29. Commitments

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	147,067	269,403
Plant and machinery	3,885,289	3,961,716
	4,032,356	4,231,119

30. Related Party Transactions and Balances

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

(1) Recurring transactions

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of products to:			
Sany Group Co., Ltd. (三一集團有限公司)	*(i)&(v)*	**290,973**	625,707
Sany International Development Limited. (三一國際發展有限公司)	*(i)&(v)*	**86,192**	–
Beijing Sany Shengneng Investment Co., Ltd. (北京三一盛能投資有限公司)	*(i)&(v)*	**10,209**	–
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	*(i)&(v)*	**6,648**	–
		394,022	625,707
Sales of raw materials to:			
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	*(i)&(v)*	**4,858**	482
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	*(i)&(v)*	**4,856**	–
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	*(i)&(v)*	**4,590**	–
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	*(i)&(v)*	**4,409**	–
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	*(i)&(v)*	**3,994**	4,698
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	*(i)&(v)*	**1,377**	359
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	*(i)&(v)*	**1,234**	771
Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司)	*(i)&(v)*	**562**	–
Beijing Sany Shengneng Investment Co., Ltd. (北京三一盛能投資有限公司)	*(i)&(v)*	**481**	–
Changde Sany Machinery Co., Ltd. (常德市三一機械有限公司)	*(i)&(v)*	**178**	–
Sany Group Co., Ltd. (三一集團有限公司)	*(i)&(v)*	**–**	7,716
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	*(i)&(v)*	**–**	2,293
Hunan Sany Road Machinery Co., Ltd. (湖南三一路面機械有限公司)	*(i)&(v)*	**–**	103
Others	*(i)&(v)*	**290**	275
		26,829	16,697

30. Related Party Transactions and Balances (continued)

(1) Recurring transactions (continued)

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Purchases of raw materials from:			
Suote Transmission Equipment Co., Ltd. (索特傳動設備有限公司)	(ii)&(v)	25,244	11,505
Loudi Zhongxing Hydraulic Parts Co., Ltd. (婁底市中興液壓件有限公司)	(ii)&(v)	19,975	15,103
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(ii)&(v)	8,845	9,169
Loudi Zhongyuan New Material Co., Ltd. (婁底市中源新材料有限公司)	(ii)&(v)	5,976	5,702
Hunan Zhongcheng Machinery Co., Ltd. (湖南中成機械有限公司)	(ii)&(v)	3,313	3,463
Sany Electric Co., Ltd. (三一電汽有限責任公司)	(ii)&(v)	2,788	621
Sany Intelligent Control Equipment Co., Ltd. (三一智能控制設備有限公司)	(ii)&(v)	1,485	2,362
Hong Kong Winternity International Trade Co., Ltd. (香港中興恒遠國際貿易有限公司)	(ii)&(v)	920	14,665
Sany Automobile Lifting Machinery Co., Ltd. (三一汽車起重機械有限公司)	(ii)&(v)	657	338
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(ii)&(v)	615	395
Beijing Sany Heavy Machinery Co., Ltd. (北京市三一重機有限公司)	(ii)&(v)	274	–
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	(ii)&(v)	186	261
Kunshan Sany Machinery Co., Ltd. (昆山三一機械有限公司)	(ii)&(v)	39	426
Sany Group Co., Ltd. (三一集團有限公司)	(ii)&(v)	37	38,037
Zhejiang Sany Foundry Co., Ltd. (浙江三一鑄造有限公司)	(ii)&(v)	2	342
Others	(ii)&(v)	196	131
		70,552	102,520
Operating rental fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iii)&(v)	2,222	2,285
Sany Group Co., Ltd. (三一集團有限公司)	(iii)&(v)	–	1,183
		2,222	3,468

30. Related Party Transactions and Balances (continued)

(1) Recurring transactions (continued)

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Service fee paid to:			
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	(iv)&(v)	2,822	3,314
Sany America Inc. (三一美國有限公司)	(iv)&(v)	1,430	–
Sany Germany GmbH (三一德國有限公司)	(iv)&(v)	129	–
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	(iv)&(v)	17	–
Hunan Xinxiang Construction Consultation Co., Ltd. (湖南興湘建設監理諮詢有限公司)	(iv)&(v)	–	794
		4,398	4,108
Purchases of logistics service from:			
Hunan Sany Logistics Co., Ltd. (湖南三一物流有限責任公司)	(iv)&(v)	14,548	10,323
Agency fee paid to:			
Sany International Development Limited. (三一國際發展有限公司)	(iv)&(v)	–	1,362

Notes:

(i) The sales to companies owned and controlled by the controlling shareholder* were made at prices and conditions as mutually agreed.

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

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

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

(v) The above companies are owned and controlled by the Controlling Shareholder*.

* The Controlling Shareholders refer to the 15 individual shareholders: Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Zhao Xiangzhang, Duan Dawei, Wang Zuochun, Zhai Xian, Liang Linhe, Zhai Chun and Huang Jianlong, who hold 56.42%, 8.75%, 8.00%, 8.00%, 4.75%, 3.50%, 3.00%, 3.00%, 1.00%, 1.00%, 1.00%, 0.60%, 0.50%, 0.40% and 0.08% of the equity interests in Sany BVI, respectively.

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

30. Related Party Transactions and Balances (continued)

(2) Non-recurring transactions

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Relocation service fee paid to:		
Shanghai Sany Precision Machinery Co., Ltd. (上海三一精機有限公司)	**–**	4,671
Acquired equipment from:		
Sany Automobile Manufacturing Co., Ltd. (三一汽車製造有限公司)	**630**	–
Beijing Sany Heavy Machinery Co., Ltd. (北京市三一重機有限公司)	**491**	–
Sany Heavy Industry Co., Ltd. (三一重工股份有限公司)	**21**	–
Zhejiang Sany Equipment Co., Ltd. (浙江三一裝備有限公司)	**–**	1,009
Hunan Automobile Manufacturing Co., Ltd. (湖南汽車製造有限責任公司)	**–**	615
Sany Group Co., Ltd. (三一集團有限公司)	**–**	315
Shanghai Sany Heavy Machinery Co., Ltd. (上海三一重機有限公司)	**–**	254
Others	**–**	123
	1,142	2,316
Sales of equipment to:		
Sany Heavy Machinery Co., Ltd. (三一重機有限公司)	**82**	–

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

30. Related Party Transactions and Balances (continued)

(3) Other transaction

A fellow subsidiary of the Group has guaranteed certain bank loans made to the Group of up to RMB20,000,000 as at 30 June 2016.

(4) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, allowances, bonus and benefits in kind	**1,975**	2,969
Pension scheme contributions and other staff welfare	**103**	136
Total compensation paid to key management personnel	**2,078**	3,105

31. Fair Value Measurement

Management has assessed that the carrying amounts of the Group's financial instruments including cash and cash equivalents, pledged 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 to their fair as at the end of the reporting period values due to the short term maturities of these instruments.

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

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

The fair values of interest-bearing bank and other borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2016 was assessed to be insignificant.

Fair value hierarchy

As at 30 June 2016, no financial asset was measured at fair value (31 December 2015: Nil).

32. Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 24 August 2016.