SANYI

SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED
三一重裝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 631)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors ("**Board**") of Sany Heavy Equipment International Holdings Company Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, referred to as the "**Group**") for the year ended 31 December 2016, together with comparative figures for the preceding financial year ended 31 December 2015. These annual results have been reviewed by the audit committee of the Company (the "**Audit Committee**"), comprising solely the independent non-executive Directors, one of whom chairs the Audit Committee.

FINANCIAL SUMMARY

- For the year ended 31 December 2016, the Group recorded revenue of approximately RMB1,841.8 million (the year ended 31 December 2015: approximately RMB2,201.8 million), representing a decrease of approximately 16.3% as compared with the year ended 31 December 2015. The decrease was mainly due to the continued adjustment of coal industry, which affected the sales of coal machinery products. Nevertheless, the increasing proportion of sales derived from marine engineering business to total sales of the Group, the gradual recovery of coal machinery market and the steady implementation of the Group's international strategy laid a solid foundation for the Group's long term development.
- As at 31 December 2016, the Group's trade receivables and bills receivable recorded a decrease by approximately 45.2% to approximately RMB1,852.2 million as compared to approximately RMB3,378.1 million as at 31 December 2015, among which trade receivables decreased by approximately 47.4% to approximately RMB1,638.9 million as compared to approximately RMB3,115.3 million as at 31 December 2015; and bills receivable decreased by approximately 18.8% to approximately RMB213.3 million as compared to approximately RMB262.8 million as at 31 December 2015. Such changes were mainly due to: (1) the Group factored certain trade receivables without recourse resulted in decrease in the balance of receivables by RMB1,001.2 million; (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 collectibility; and (3) the Group increased its provision for bad debts of trade receivables as at 31 December 2016 under the principle of prudence, which led to decrease in the balance by RMB462.1 million.
- For the year ended 31 December 2016, the net cash inflow of the Group from operating activities was approximately RMB1,327.0 million (the year ended 31 December 2015: net cash inflow of approximately RMB152.8 million). Such change was mainly due to: (1) the Group factored certain trade receivables without recourse; (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 collectability; and (3) the Group slowed down the settlement of trade payables for stricter control on working capital.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	4	**1,841,834**	2,201,801
Cost of sales		**(1,565,670)**	(1,572,465)
Gross profit		**276,164**	629,336
Other income and gains	4	**179,358**	222,019
Selling and distribution expenses		**(321,115)**	(276,149)
Administrative expenses		**(314,047)**	(371,669)
Other expenses		**(526,164)**	(157,264)
Finance costs	6	**(2,208)**	(10,498)
(LOSS)/PROFIT BEFORE TAX	5	**(708,012)**	35,775
Income tax expense	7	**49,732**	(17,218)
(LOSS)/PROFIT FOR THE YEAR		**(658,280)**	18,557
Attributable to:			
Owners of the parent		**(644,375)**	18,064
Non-controlling interests		**(13,905)**	493
		(658,280)	18,557
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB Yuan)	9	**(0.21)**	0.01
Diluted (RMB Yuan)	9	**(0.18)**	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	2016	2015
	RMB'000	RMB'000
(LOSS)/PROFIT FOR THE YEAR	**(658,280)**	18,557
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,108**	3,372
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**2,108**	3,372
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**2,108**	3,372
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(656,172)**	21,929
Attributable to:		
Owners of the parent	**(642,267)**	21,436
Non-controlling interests	**(13,905)**	493
	(656,172)	21,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,756,773**	2,732,946
Prepaid land lease payments		**679,438**	694,930
Goodwill		**1,129,520**	1,129,520
Intangible assets		**21,366**	44,218
Trade receivables	*11*	**81,996**	99,923
Available-for-sale investments		**10,636**	10,636
Non-current prepayments		**736,305**	736,722
Deferred tax assets		**476,692**	463,520
Total non-current assets		**5,892,726**	5,912,415
CURRENT ASSETS			
Inventories	*10*	**915,140**	1,179,787
Trade receivables	*11*	**1,556,871**	3,015,396
Bills receivable	*11*	**213,315**	262,822
Prepayments, deposits and other receivables		**310,665**	423,319
Available-for-sale financial investments		**390,000**	–
Pledged deposits		**27,200**	14,651
Cash and cash equivalents		**833,162**	522,796
Total current assets		**4,246,353**	5,418,771
CURRENT LIABILITIES			
Trade and bills payables	*12*	**955,559**	841,966
Other payables and accruals		**944,138**	1,665,123
Interest-bearing bank and other borrowings	*13*	**–**	14,920
Tax payable		**289,509**	341,776
Provision for warranties		**9,485**	14,148
Government grants		**69,800**	20,645
Total current liabilities		**2,268,491**	2,898,578

	Notes	2016 RMB'000	2015 RMB'000
NET CURRENT ASSETS		**1,977,862**	2,520,193
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,870,588**	8,432,608
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**20,160**	16,287
Interest-bearing bank and other borrowings	*13*	**161,422**	–
Government grants		**1,554,870**	1,627,353
Total non-current liabilities		**1,736,452**	1,643,640
Net assets		**6,134,136**	6,788,968
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*15*	**302,214**	302,214
Reserves		**5,774,965**	6,415,892
		6,077,179	6,718,106
Non-controlling interests		**56,957**	70,862
Total equity		**6,134,136**	6,788,968

1. CORPORATE AND GROUP INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*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	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Revenue from Contracts with Customers (Classifications to IFRS 15)*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IAS 40	*Transfers of Investment Property*[2]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[5]

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
4 No mandatory effective date yet determined but available for adoption
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018

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

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 roadheaders, CCMU, mining transport equipment (including underground and surface), spare parts and the provision of related services; and

(b) Port machinery segment

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

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

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

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

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

Year ended 31 December 2016

	Coal mining equipment *RMB'000*	Port machinery *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to customers	**727,772**	**1,114,062**	**1,841,834**
Other revenue	**66,053**	**101,595**	**167,648**
Revenue from operations	**793,825**	**1,215,657**	**2,009,482**
Segment results	**(886,853)**	**169,339**	**(717,514)**
Interest income			**11,710**
Finance costs			**(2,208)**
Loss before tax			**(708,012)**
Income tax expense			**49,732**
Loss for the year			**(658,280)**
Segment assets	**6,815,124**	**3,590,316**	**10,405,440**
Reconciliation:			
Elimination of intersegment receivables			**(1,603,415)**
Corporate and other unallocated assets			**1,337,054**
Total assets			**10,139,079**
Segment liabilities	**1,581,505**	**3,555,762**	**5,137,267**
Reconciliation:			
Elimination of intersegment payables			**(1,603,415)**
Corporate and other unallocated liabilities			**471,091**
Total liabilities			**4,004,943**
Other segment information:			
Gain/(loss) on disposal of items of property, plant and equipment	**1,815**	**(98)**	**1,717**
Impairment losses recognised in profit or loss	**803,730**	**38,294**	**842,024**
Depreciation and amortisation	**162,931**	**35,810**	**198,741**
Capital expenditure*	**18,404**	**204,289**	**222,693**

Year ended 31 December 2015

	Coal mining equipment *RMB'000*	Port machinery *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to customers	1,005,945	1,195,856	2,201,801
Other revenue	86,112	135,907	222,019
Revenue from operations	1,092,057	1,331,763	2,423,820
Segment results	(226,197)	268,035	41,838
Interest income			4,435
Finance costs			(10,498)
Profit before tax			35,775
Income tax expense			(17,218)
Profit for the year			18,557
Segment assets	7,594,153	3,748,220	11,342,373
Reconciliation:			
Elimination of intersegment receivables			(1,012,154)
Corporate and other unallocated assets			1,000,967
Total assets			11,331,186
Segment liabilities	1,619,562	3,561,827	5,181,389
Reconciliation:			
Elimination of intersegment payables			(1,012,154)
Corporate and other unallocated liabilities			372,983
Total liabilities			4,542,218
Other segment information:			
Gain/(loss) on disposal of items of property, plant and equipment	2,750	(42)	2,708
Impairment losses recognised in profit or loss	172,061	6,198	178,259
Depreciation and amortisation	163,469	26,319	189,788
Capital expenditure*	34,984	203,702	238,686

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

Geographical information

As over 94% of the Group's revenue is derived from customers based in Mainland China and most of the Group's identifiable assets and liabilities are located in Mainland China, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

Revenue of approximately RMB198,912,000 (2015: RMB242,058,000) 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 RMB740,345,000 (2015: RMB1,128,600,000) 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:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,821,948**	2,150,691
Rendering of services	**19,886**	51,110
	1,841,834	2,201,801
Other income		
Bank interest income	**5,237**	4,435
Other interest income	**6,473**	–
Gain on disposal of items of property, plant and equipment	**1,717**	2,708
Profit from sale of scrap materials	**–**	11,413
Government grants	**150,255**	177,035
Foreign exchange differences, net	**1,928**	12,955
Others	**13,748**	12,990
	179,358	221,536
Gains		
Gains from investment deposits	**–**	483
	179,358	222,019

5. (LOSS)/PROFIT BEFORE TAX

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

	Note	**2016** ***RMB'000***	2015 *RMB'000*
Cost of inventories sold		**1,234,224**	1,504,393
Cost of services provided		**11,055**	47,077
Depreciation		**160,397**	148,479
Amortisation of land lease prepayments**		**15,492**	15,492
Amortisation of intangible assets**		**22,852**	25,817
Auditors' remuneration		**2,910**	2,960
Reversal of warranties*		**(146)**	(8,866)
Research and development costs**		**106,685**	154,276
Minimum lease payments under operating leases		**4,831**	8,847
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		**208,771**	246,464
Equity-settled share option expense		**1,340**	5,243
Employee retirement benefits		**20,377**	28,840
Other staff welfare		**10,444**	15,328
		240,932	295,875
Foreign exchange differences, net***		**(1,928)**	(12,955)
Impairment of trade and other receivables***		**521,633**	149,426
Provision against slow-moving and obsolete inventories****	*10*	**320,391**	20,995
Impairment of available-for-sale investments***		**–**	1,900
Impairment of intangible assets***		**–**	5,938
Gain on disposal of items of property, plant and equipment***		**(1,717)**	(2,708)

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

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

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

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

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on interest-bearing bank and other borrowings	**1,422**	5,034
Interest on documentary bills	**496**	1,040
Interest on discounted bills	**290**	4,424
	2,208	10,498

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 year.

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 31 December 2016.

Three of the Group's principal operating companies, Sany Heavy Equipment Co., Ltd. (三一重型裝備有限公司), Hunan Sany Port Equipment Co., Ltd. (湖南三一港口設備有限公司) ("Hunan Sany Port Equipment") and Sany Marine Heavy Industry Co., Ltd. (三一海洋重工有限公司) ("Sany Marine Heavy Industry"), were recognised as High and New Technology Enterprise and were therefore subject to CIT at a rate of 15% in 2016.

	2016	2015
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**15,709**	15,031
Deferred	**(65,441)**	2,187
Total tax (credit)/charge for the year	**(49,732)**	17,218

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

	2016		2015	
	RMB'000	***%***	*RMB'000*	*%*
(Loss)/profit before tax	**(708,012)**		35,775	
Tax at the statutory tax rate	**(177,003)**	**25.0**	8,944	25.0
Entities subject to lower statutory income tax rates	**59,746**	**(8.4)**	7,139	19.9
Expenses not deductible for tax	**284**	**–**	1,683	4.7
Tax losses utilised from previous periods	**(3,509)**	**0.5**	–	–
Different tax rate when temporary difference is realised	**43,892**	**(6.2)**	9,608	26.9
Super-deduction of research and development costs	**(8,098)**	**1.1**	(13,703)	(38.3)
Adjustments in respect of current tax of previous periods	**(1,089)**	**0.2**	(2,781)	(7.8)
Income not subject to tax	**–**	**–**	(31,024)	(86.7)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**3,902**	**(0.6)**	7,018	19.6
Tax losses not recognised	**32,143**	**(4.5)**	30,334	84.8
Tax charge at the Group's effective tax rate	**(49,732)**	**7.1**	17,218	48.1

8. DIVIDEND

The board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the loss for the year ended 31 December 2016 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (2015: 3,041,025,000) in issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year ended 31 December 2016 attributable to ordinary equity holders of the parent, adjusted to reflect the preferred distribution on the convertible preference shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic 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.

	2016	2015
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/earnings attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(644,375)**	18,064
Preferred distribution to the convertible preference shares	**48**	48
(Loss)/earnings attributable to ordinary equity holders of the parent, used in the diluted (loss)/earnings per share calculation	**(644,327)**	18,112

	Number of shares	
	2016	**2015**
Shares		
Weighted average number of ordinary shares in issue during the year 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 had no dilution effect for the years ended 31 December 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.

10. INVENTORIES

	2016	**2015**
	RMB'000	*RMB'000*
Raw materials	**494,612**	431,148
Work in progress	**263,443**	336,917
Finished goods	**512,709**	446,955
	1,270,764	1,215,020
Less: Provision against slow-moving and obsolete inventories	**(355,624)**	(35,233)
	915,140	1,179,787

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

	Note	2016	2015
		RMB'000	*RMB'000*
At 1 January		**35,233**	14,238
Charge for the year	*5*	**320,391**	20,995
At 31 December		**355,624**	35,233

11. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**2,445,963**	3,559,206
Impairment	**(807,096)**	(443,887)
	1,638,867	3,115,319
Less: Trade receivables due after one year	**(81,996)**	(99,923)
	1,556,871	3,015,396
Bills receivable	**213,315**	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 a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentrations of credit risk as 34% (2015: 26%) of the Group's trade receivables were due from a single customer, including a group of entities which are known to be under common control with that customer. Included in the trade receivables was an amount due from fellow subsidiaries in aggregate of RMB515,503,000 as at 31 December 2016 (2015: RMB508,882,000) for sales of products by the Group, which accounted for 25% (2015: 16%) of the Group's trade receivables at the end of the reporting period. 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:

	2016	2015
	RMB'000	*RMB'000*
Within 180 days	**645,072**	677,181
181 to 365 days	**179,762**	555,562
1 to 2 years	**486,262**	1,383,503
2 to 3 years	**271,852**	261,367
Over 3 years	**55,919**	237,706
	1,638,867	3,115,319

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

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**443,887**	296,625
Impairment losses recognised	**462,113**	148,766
Amount written off as uncollectible	**(98,904)**	(1,504)
At 31 December	**807,096**	443,887

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB807,096,000 (2015: RMB443,887,000) with a carrying amount before provision of RMB1,003,679,000 (2015: RMB1,520,234,000). As at 31 December 2016, trade receivables with a gross amount of RMB331,751,000 were under litigation sued by the Group against customers and were fully impaired by the Group. The Directors of the Company consider that there is no adverse impact to the Group relating to these litigations.

The individually impaired trade receivables relate to customers that were in financial difficulties or in default in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

		Neither past due nor impaired	Past due but not impaired		
	Total	**Neither past due nor impaired**	**Within 1 year**	**1 to 2 years**	**Over 2 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016	1,638,867	934,373	382,731	243,511	78,252
31 December 2015	3,115,319	1,223,921	1,366,614	262,945	261,839

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The Directors are of the opinion that no provision for impairment is necessary in respect of these balances as they were subsequently settled before the date of these financial statement or there has not been a significant change in credit quality and the balances are still considered fully recoverable based on past experience. Included in the balances which were past due but not impaired, the Group holds collaterals over balances due from certain customers amounting to RMB60,824,000.

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

	2016	2015
	RMB'000	*RMB'000*
Within six months	**201,937**	242,567
Over six months	**11,378**	20,255
	213,315	262,822

Included in the bills receivable was an amount of RMB6,500,000 as at 31 December 2016 (2015: RMB5,038,000) which was endorsed to fellow subsidiaries for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB53,833,000 (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 RMB53,833,000 (2015: RMB31,706,000) as at 31 December 2016.

Transferred financial assets that are derecognised in their entirety

At 31 December 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 RMB266,041,000 (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.

12. 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:

	2016	2015
	RMB'000	*RMB'000*
Within 30 days	**257,432**	240,468
31 to 90 days	**349,348**	235,351
91 to 180 days	**235,606**	213,035
181 to 365 days	**40,883**	99,942
Over 1 year	**72,290**	53,170
	955,559	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 RMB108,989,000 as at 31 December 2016 (2015: RMB113,709,000) for purchasing raw materials by the Group.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – unsecured			**–**	2.8-3.4	2016	14,920
Non-current						
Other borrowings *(note 14)*	**1.18**	**2020-2026**	**161,422**			–

14. BORROWINGS FROM NATIONAL DEVELOPMENT FUND

On 8 March 2016, two subsidiaries of the Group, Sany Marine Heavy Industry and Sany Marine Industry International Holdings Co., Ltd., one fellow subsidiary of the Group, Sany Group Co., Ltd. and National Development Fund Co., Ltd. ("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, which bears interest at a fixed rate of 1.2% per annum. This agreement will expire in 2026. According to the Investment Agreement, National Development Fund does not appoint any director to Sany Marine Heavy Industry and has no right to influence the daily operation of Sany Marine Heavy Industry. 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 a 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. In the opinion of the Directors, the Investment was recorded as financial liability of the Group. As at 31 December 2016, the registration with the relevant authorities in the PRC for the change in shareholding of Sany Marine Heavy Industry was still in process.

The balance of borrowings from National Development Fund was as follows:

	31 December 2016 ***RMB'000***
Amounts repayable:	
In the third to fifth years, inclusive	**7,680**
Beyond five years	**168,640**
Total payables	**176,320**
Future finance charge	**(14,898)**
Net borrowing balance	**161,422**

15. SHARE CAPITAL

Shares

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

Movements of issued capital were as follows:

	Issued ordinary shares *RMB'000*	Issued convertible preference shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 31 December 2015 and 31 December 2016	264,366	37,848	2,239,502	2,541,716

16. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2016 *RMB'000*	2015 *RMB'000*
Contracted, but not provided for:		
Buildings	**200,084**	269,403
Plant and machinery	**3,741,689**	3,961,716
	3,941,773	4,231,119

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the past year of 2016, the growth of international import and export trading had slowed down with the continuous impact on the domestic industrial supply-side reform, and thus, the equipment manufacturing industry experienced severe challenges. In the face of complex and changeable external environment, the Company braved all difficulties and moved forward to continue promoting transformation, enhancement and management reform and improve operation quality during this tough but amazing year.

Major products

With the ongoing transformation, the Group divided its products into four categories, namely (1) the marine engineering business, which includes port machinery products (reach stacker, empty container handler and quayside gantry crane) and offshore heavy machineries; (2) the coal mining 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 centralized control system); (3) the non-coal related business, which includes mining transport equipment (mechanical drive off-highway dump truck, electric drive off-highway dump truck, articulated truck and underground coal mining vehicle) and excavation equipment (tunnel series, potash mine series and drilling series equipment); and (4) new energy equipment business, which 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. During the year under review, the Group achieved remarkable achievements in its R&D and successively launched new product models which led the development direction of the industry. The port machinery sector of the Group has completed the development including 7 front loaders, 6 container stacking machines and 7 heavy-duty forklift trucks as well as the H type machine change between front loaders and container stacking machines. The Group has achieved breakthroughs in three core techniques including mobile APP for the products, weighing and printing system for containers, weighing and printing system for uneven loading. Field bridge single machine automation project has made a significant progress and advanced technology verification of remote control, container scanning, automatic boxing and track optimization has been completed; the application of self-developed CMS technology has also begun application promotion. In respect of coal machinery sector, the first version of STR260 tunnel roadheaders has launched and achieved impressive sales. The improved version of STR260 tunnel roadheaders were also successfully used in mining industry. Design of STR200 tunnel roadheaders was finalized and put into operation. Inspection of a small batch of the 1202 coal-mining machinery project was completed. The testing for 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 initiation of the automatic comprehensive mining projects were completed. For the year ended 31 December 2016, the Group obtained 62 invention patents, 27 utility model patents and 4 exterior design patents and was granted 1 national outstanding patent award.

Production and Manufacturing

The Group has production and manufacturing bases in Shenyang, Zhuhai and Changsha, 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 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 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 Group focused on enhancement of processing and assembly techniques, and adopted various measures to cut production costs in order to establish cost reduction mechanism for systems including research and development and business.

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 of our customers. The Group's superior product quality, attentive after-sales service and efficient response have achieved a high recognition from our customers.

Financial Review

Revenue

For the year ended 31 December 2016, the Group recorded revenue of approximately RMB1,841.8 million (the year ended 31 December 2015: approximately RMB2,201.8 million), representing a decrease of approximately 16.3% as compared with the year ended 31 December 2015. The decrease was mainly due to the continued adjustment of coal industry, which affected the sales of coal machinery products. Nevertheless, the increasing proportion of sales attributable to marine engineering business to total sales of the Group, the gradual recovery of coal machinery market and the steady implementation of the Group's international strategy laid a solid foundation for the Group's long-term development.

Other income and gains

For the year ended 31 December 2016, the Group's other income and gains was approximately RMB179.4 million (the year ended 31 December 2015: approximately RMB222.0 million), representing a year-on-year decrease of approximately 19.2%. The decrease was mainly due to the reduction of government subsidies received by the Group.

Cost of sales

For the year ended 31 December 2016, the Group's cost of sales was approximately RMB1,565.7 million (the year ended 31 December 2015: approximately RMB1,572.5 million), representing a year-on-year decrease of approximately 0.4%. The decrease was mainly due to: (1) the increase of provision for inventory under the principle of prudence by RMB320.4 million; and (2) the decrease in sales during the year.

Gross profit and gross profit margin

For the year ended 31 December 2016, the gross profit of the Group was approximately RMB276.2 million (the year ended 31 December 2015: approximately RMB629.3 million). The gross profit excluding the provisions for inventory provided during the current year was approximately RMB596.6 million (the year ended 31 December 2015: approximately RMB650.3 million) and the gross profit margin excluding the provisions for inventory provided during the current year was approximately 32.4%, representing a year-on-year increase of approximately 2.9 percentage point (the year ended 31 December 2015: approximately 29.5%). Such changes were mainly due to: (1) the Group's strengthened cost control and various measures to reduce cost and increase profitability of the products; and (2) change of sales structure during the year.

Selling and distribution expenses

For the year ended 31 December 2016, the selling and distribution expenses of the Group were approximately RMB321.1 million (the year ended 31 December 2015: approximately RMB276.1 million), representing a year-on-year increase of approximately 16.3%. For the year ended 31 December 2016, the ratio of the Group's selling and distribution expenses to revenue was approximately 17.4%, representing a year-on-year increase of approximately 4.9 percentage points as compared to the year ended 31 December 2015 (the year ended 31 December 2015: approximately 12.5%). Such change was mainly due to the fact that the Group increased its marketing input to port machinery in overseas market.

Research and development expenses

For the year ended 31 December 2016, the research and development expenses of the Group were approximately RMB106.7 million (the year ended 31 December 2015: approximately RMB154.3 million), representing a year-on-year decrease of approximately 30.8%. For the year ended 31 December 2016, its ratio to revenue was approximately 5.8%, representing a year-on-year decrease of approximately 1.2 percentage points as compared to the year ended 31 December 2015 (the year ended 31 December 2015: approximately 7.0%). Such decrease was mainly due to: (1) the Group has strengthened its cost control and lowered its research and development input to nonprofit products; and (2) a significant decrease in the Group's R&D, design and technological transformation costs resulting from the continuous improvement of its product technology and the well-developed coal machinery products. In order to adapt to the Group's strategic transformation, the Group allocated research and development resources for port machinery products, excavation equipment, mining transport equipment and natural gas equipment, which laid a solid foundation for the Group's long-term development.

Administrative expenses

For the year ended 31 December 2016, administrative expenses of the Group were approximately RMB314.0 million (the year ended 31 December 2015: approximately RMB371.7 million). The administrative expenses excluding research and development expenses were approximately RMB207.4 million (the year ended 31 December 2015: approximately RMB217.4 million), representing a year-on-year increase in the proportion of sales revenue by approximately 1.4 percentage points to approximately 11.3% (year ended 31 December 2015: approximately 9.9%). Such changes were mainly due to a decrease in sales during the year but certain fixed costs remained the same with prior year.

Finance costs

For the year ended 31 December 2016, finance costs of the Group were approximately RMB2.2 million (the year ended 31 December 2015: approximately RMB10.5 million), and the decrease was mainly due to a decrease in bank loans of the Group and the other borrowings from National Development Fund which bears a lower interest rate.

(Loss)/profit before tax

For the year ended 31 December 2016, the Group's loss before tax ratio was approximately 38.4%, representing a year-on-year decrease of approximately 40.0 percentage points as compared to profit before tax ratio of approximately 1.6% for the year ended 31 December 2015. The change was mainly due to the bad debt provision for trade and other receivables of RMB521.6 million and the provision for inventory of RMB320.4 million under the principle of prudence.

Taxation

For the year ended 31 December 2016, the Group's effective tax rate was approximately 7.0% (the year ended 31 December 2015: approximately 48.1%). For details regarding income tax, please refer to note 7 on page 14 of this announcement.

(Loss)/profit attributable to owners of the parent

For the year ended 31 December 2016, loss attributable to owners of the parent recorded by the Group was approximately RMB644.4 million, as compared to the profit attributable to owners of the parent recorded by the Group of RMB18.1 million for the year ended 31 December 2015, which was mainly attributable to the increase of provision of trade receivables and inventories. For the main reasons of such change, please refer to the above paragraphs headed "Revenue", "Gross profit and gross profit margin" and "(Loss)/profit before tax".

Liquidity and financial resources

As at 31 December 2016, total current assets of the Group were approximately RMB4,246.4 million (31 December 2015: approximately RMB5,418.8 million). As at 31 December 2016, total current liabilities of the Group were approximately RMB2,268.5 million (31 December 2015: approximately RMB2,898.6 million).

As at 31 December 2016, total assets of the Group were approximately RMB10,139.1 million (31 December 2015: approximately RMB11,331.2 million), and total liabilities were approximately RMB4,004.9 million (31 December 2015: approximately RMB4,542.2 million). As at 31 December 2016, the gearing ratio (the asset to liability ratio) of the Group was approximately 39.5% (31 December 2015: approximately 40.1%).

Trade and bills receivables

As at 31 December 2016, the Group's trade receivables and bills receivable recorded a decrease of approximately 45.2% to approximately RMB1,852.2 million as compared to approximately RMB3,378.1 million as at 31 December 2015, among which trade receivables decreased by approximately 47.4% to approximately RMB1,638.9 million as compared to approximately RMB3,115.3 million as at 31 December 2015; and bills receivable decreased by approximately 18.8% to approximately RMB213.3 million as compared to approximately RMB262.8 million as at 31 December 2015. Such changes were mainly due to: (1) the Group factored certain trade receivables without recourse resulted in decrease in the balance by RMB1,001.2 million; (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 collectibility; and (3) the Group increased its provision for bad debts of trade receivables as at 31 December 2016 under the principle of prudence, which led to decrease in the balance by RMB462.1 million.

Other borrowings

As at 31 December 2016, other borrowings of the Group were approximately RMB161.4 million (31 December 2015: nil). Such change was due to the fact that the Group obtained an investment from National Development Fund. For further details, please refer to the circular of the Company dated 6 May 2016.

Cash flow

As at 31 December 2016, cash and cash equivalents of the Group, investment deposits and deposits with maturity of three months or more were approximately RMB833.2 million in total.

For the year ended 31 December 2016, the net cash inflow of the Group from operating activities was approximately RMB1,327.0 million (the year ended 31 December 2015: net cash inflow of approximately RMB152.8 million). Such change was mainly due to: (1) the Group factored certain trade receivables without recourse; (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 collectability; and (3) the Group slowed down the settlement of trade payables for stricter control on working capital.

For the year ended 31 December 2016, the net cash outflow from investing activities of the Group was approximately RMB532.0 million (the year ended 31 December 2015: net cash inflow of approximately RMB400.2 million). Such change was mainly due to an increase in external investment of the Group and a decrease in gain from matured investment and disposal of assets.

For the year ended 31 December 2016, the net cash outflow of the Group from financing activities was approximately RMB486.8 million (the year ended 31 December 2015: net cash outflow of approximately RMB311.8 million). Such change was mainly due to the repayment of affiliates borrowings.

Turnover days

The Group's average turnover days of inventory were approximately 289.8 days as at 31 December 2016, representing a decrease of approximately 29.7 days from 319.5 days as at 31 December 2015, mainly because the Group had strengthened its inventory control.

The turnover days of trade and bills receivables as at 31 December 2016 were approximately 595.0 days, representing an increase of approximately 16.4 days from approximately 578.6 days as at 31 December 2015. Please refer to the above paragraphs headed "Revenue" and "Trade and bills receivables" for the main reasons of such increase.

Turnover days of trade and bills payables decreased by approximately 52.1 days from approximately 261.6 days as at 31 December 2015 to approximately 209.5 days as at 31 December 2016, which was mainly due to the Group slowed down settlement for stricter control on working capital.

Contingent liabilities

As at 31 December 2016, the Group had contingent liability of RMB156.8 million, being the financial guarantee provided by Hunan Sany Port Equipment under financing lease arrangement (31 December 2015: RMB139.3 million).

Capital commitment

As at 31 December 2016, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB3,941.8 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 significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorized by the Board for other material investments or additions of capital assets at the date of this announcement.

Pledge on assets

As at 31 December 2016, the Group recorded pledged deposits with an aggregate value of approximately RMB27.2 million (31 December 2015: approximately RMB14.7 million), for the purpose of issuing bills payable. As at 31 December 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 31 December 2016, the Group's cash and bank balances denominated in HK$ and US$ were equivalent to approximately RMB28.3 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.

FUTURE DEVELOPMENT

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

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

DIVIDENDS

The Board does not recommend any final dividend for the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible enterprise 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. The Board focuses 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 the foundation for creating 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 provisions A.2.1 and A.5.1, the Company has complied with the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules from 1 January 2016 to 31 December 2016. In accordance with code provision A.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. Further, the division of responsibilities between the chairman and chief executive officer should be clearly established. Since 6 August 2015, Mr. Qi Jian had been appointed as both of the chairman of the Board and the chief executive officer. The Board considers that vesting the role of both chairman of the Board and the chief executive officer in Mr. Qi Jian providing the Company with consistent leadership, facilities effective and efficient planning and implementation of business decisions and strategies. Thus, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company.

In accordance with code provision A.5.1 of the CG Code, the nomination committee of a listed issuer must comprise a majority of the independent non-executive director. Following the resignation of Mr. Xu Yxiong on 12 September 2016, the number of the independent non-executive Directors falls below the majority of the nomination committee of the Company as required under paragraph A.5.1 of Appendix 14 to the Listing Rules. On 11 December 2016, Mr. Hu Jiquan was appointed as an independent non-executive Director and, amongst others, a member of the nomination, upon which the number of the independent non-executive Directors accounts for the majority of the nomination committee of the Company as required under Paragraph A.5.1 of Appendix 14 to the Listing Rules.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 15 June 2017. A notice convening the annual general meeting will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 June 2017 to Thursday, 15 June 2017, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to attend and vote at the annual general meeting is Thursday, 15 June 2017. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 15 June 2017, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 9 June 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company (2015: nil).

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the period under review, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they had complied with the Model Code for the year ended 31 December 2016.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in place in compliance with the Corporate Governance Code. The Audit Committee consists of three members, namely Mr. Ng Yuk Keung, Mr. Poon Chiu Kwok and Mr. Hu Jiquan, all of whom are independent non-executive Directors. Mr. Poon Chiu Kwok, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee. The Audit Committee has reviewed the consolidated annual results of the Group for the full year ended 31 December 2016, including the accounting principles and standard practices adopted by the Group and selection and appointment of the external auditors.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2016, but represents an extract from those accounts.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, the Company had maintained sufficient public float throughout the year ended 31 December 2016.

PUBLICATION OF INFORMATION ON THE WEBSITES

The annual report of the Company for the year ended 31 December 2016 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at http://www.sanyhe.com in due course.

By the Order of the Board
Sany Heavy Equipment International Holdings Company Limited
Qi Jian
Chairman

Hong Kong, 22 March 2017

As at the date of this announcement, the executive Directors are Mr. Qi Jian and Mr. Wu Likun, the non-executive Directors are Mr. Tang Xiuguo, Mr. Xiang Wenbo and Mr. Mao Zhongwu, and the independent non-executive Directors are Mr. Ng Yuk Keung,Mr. Poon Chiu Kwok and Mr. Hu Jiquan.