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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "**Directors**") (the "**Board**") of Sany Heavy Equipment International Holdings Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2011. These interim results have been reviewed by the Company's Audit Committee, comprising solely the independent non-executive Directors, one of whom chairs the committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2011

	Notes	**Six months ended 30 June** **2011** ***RMB'000*** **(Unaudited)**	2010 *RMB'000* (Unaudited)
REVENUE	*4*	**1,781,846**	1,309,996
Cost of sales		**(972,073)**	(719,836)
Gross profit		**809,773**	590,160
Other income and gains	*4*	**60,356**	37,173
Selling and distribution costs		**(215,148)**	(151,621)
Administrative expenses		**(171,790)**	(95,060)
Other expenses		**(5,715)**	(16,103)
Finance costs	*6*	**(3,105)**	—
PROFIT BEFORE TAX	*5*	**474,371**	364,549
Income tax expense	*7*	**(58,791)**	(22,605)
PROFIT FOR THE PERIOD		**415,580**	341,944
Attributable to:			
Owners of the parent		**415,580**	341,944
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
			(Restated)
Basic and diluted (RMB Yuan)	*9*	**0.13**	0.11

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**415,580**	341,944
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(10,029)**	(7,767)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(10,029)**	(7,767)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**405,551**	334,177
Attributable to:		
Owners of the parent	**405,551**	334,177

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	**30 June 2011 RMB'000 (Unaudited)**	31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,141,964**	837,707
Prepaid land lease payments		**322,778**	326,158
Non-current prepayments		**357,906**	110,659
Deferred tax assets		**86,156**	82,435
Total non-current assets		**1,908,804**	1,356,959
CURRENT ASSETS			
Inventories	*10*	**645,101**	384,297
Trade receivables	*11*	**1,630,184**	874,417
Bills receivable	*11*	**368,052**	281,785
Prepayments, deposits and other receivables		**372,279**	227,708
Derivative financial instruments		—	12,233
Investment deposits		**100,000**	768,560
Time deposits		**783,000**	1,177,250
Pledged deposits		**26,350**	37,718
Cash and cash equivalents		**760,152**	762,534
Total current assets		**4,685,118**	4,526,502
CURRENT LIABILITIES			
Trade and bills payable	*12*	**629,868**	277,973
Other payables and accruals		**512,056**	446,906
Tax payable		**91,506**	86,934
Provision for warranties		**53,124**	31,934
Government grants		**6,844**	6,655
Total current liabilities		**1,293,398**	850,402
NET CURRENT ASSETS		**3,391,720**	3,676,100
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,300,524**	5,033,059

	Notes	**30 June 2011** *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**—**	1,835
Government grants		**275,939**	279,481
Total non-current liabilities		**275,939**	281,316
Net assets		**5,024,585**	4,751,743
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*13*	**270,110**	182,801
Reserves		**4,754,475**	4,436,233
Proposed final dividend	*8*	**—**	132,709
Total equity		**5,024,585**	4,751,743

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 31 Yansaihu Street, Economic and Technological Development Area, Shenyang City, Liaoning Province, the People's Republic of China (the "PRC"). The Group is principally engaged in the manufacture and sale of roadheaders, combined coal mining units ("CCMUs") and coal mine transportation vehicles in Mainland China.

In the opinion of the directors of the Company, as at the date of this interim condensed consolidated financial statments, the holding company and ultimate holding company of the Company are Sany Hongkong Group Limited ("Sany HK") and Sany Heavy Equipment Investments Company Limited ("Sany BVI"), respectively.

2. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34. 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 2010.

3. Operating Segment Information

For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment as follows:

The heavy equipment segment principally produces roadheaders, CCMUs and coal mine transportation vehicles.

No operating segments have been aggregated to form the above reportable operating segment.

Over 90% of the Group's revenue is derived from customers based in Mainland China and all the Group's identifiable assets and liabilities are located in Mainland China.

Information about a major customer

Revenue of approximately RMB395,900,000 (six months ended 30 June 2010: nil) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control by that customer.

4. **Revenue, Other Income And Gains**

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

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**1,757,568**	1,305,353
Rendering of services	**24,278**	4,643
	1,781,846	1,309,996
Other income		
Bank interest income	**16,430**	4,533
Profit from sale of scrap materials	**24,145**	22,584
Government grants	**3,503**	5,162
Others	**606**	1,181
	44,684	33,460
Gains		
Gains from investment deposits	**6,895**	—
Exchange gains	**8,777**	—
Fair value gains on derivative financial instruments	**—**	3,713
	15,672	3,713

5. Profit Before Tax

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**957,974**	717,566
Cost of services provided	**14,099**	2,270
Depreciation	**24,178**	15,248
Amortisation of land lease prepayments	**3,380**	3,464
Auditors' remuneration	**1,200**	1,000
Provision for warranties	**36,538**	41,008
Research and development costs	**79,917**	43,916
Minimum lease payments under operating leases:		
Dormitories for staff	**1,555**	1,060
Warehouses	**534**	881
	2,089	1,941
Employee benefit expenses:		
Wages and salaries	**126,972**	78,526
Pension scheme contributions	**19,017**	9,075
	145,989	87,601
Other expenses:		
Foreign exchange differences, net	**—**	5,014
Impairment of trade receivables	**3,129**	8,966
Provision against slow-moving and obsolete inventories	**2,557**	2,123
Loss on disposal of items of property, plant and equipment	**29**	—
	5,715	16,103

6. Finance Costs

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on discounted bills	**3,105**	—

7. Income Tax

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatment available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the period ended 30 June 2011.

The Group's principal operating company Sany Heavy Equipment Co., Ltd. (三一重型裝備有限公司) obtained the high technology enterprise accreditation and hence was subject to CIT at a rate of 15% in 2011.

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**60,677**	29,313
Deferred	**(1,886)**	(6,708)
Total tax charge for the period	**58,791**	22,605

8. Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

9. Earnings Per Share Attributable To Ordinary Equity Holders Of The Parent

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2011 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,112,500,000 in issue during the period, as adjusted to reflect the issue of bonus shares on 26 May 2011. The weighted average number of ordinary shares in issue during the six months ended 30 June 2010 has been retrospectively restated to 3,112,500,000 ordinary shares to reflect the issue of bonus shares.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. Inventories

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**321,093**	123,706
Work in progress	**180,235**	120,613
Finished goods	**155,518**	150,898
	656,846	395,217
Less: Provision	**(11,745)**	(10,920)
	645,101	384,297

11. Trade and Bills Receivable

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,664,760**	907,346
Less: Impairment	**(34,576)**	(32,929)
Trade receivables, net	**1,630,184**	874,417
Bills receivable	**368,052**	281,785

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. 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 for impairment, is as follows:

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Within 60 days	**711,649**	528,159
61 to 90 days	**264,722**	86,431
91 to 180 days	**317,239**	119,464
181 to 365 days	**233,191**	103,950
Over 1 year	**103,383**	36,413
	1,630,184	874,417

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

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
At 1 January 2011/1 January 2010	**32,929**	30,332
Impairment losses recognised	**3,129**	2,748
Write-off	**(1,482)**	(151)
At 30 June 2011/31 December 2010	**34,576**	32,929

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

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Neither past due nor impaired	**1,497,392**	801,700
Past due but not impaired:		
Within 180 days past due	**107,228**	53,654
181 to 365 days past due	**12,939**	14,384
Over 1 year past due	**12,625**	4,679
Total	**1,630,184**	874,417

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.

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

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

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 60 days	**361,063**	260,233
61 to 90 days	**1,244**	6,900
91 to 180 days	**5,745**	14,652
	368,052	281,785

12. Trade and Bills Payable

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

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**237,663**	88,470
31 to 90 days	**178,995**	109,358
91 to 180 days	**198,501**	60,289
181 days to 365 days	**14,709**	10,056
Over 1 year	**—**	9,800
	629,868	277,973

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. The carrying amounts of the trade and bills payable approximate to their fair values.

The bills payable are all due within 180 days.

13. Share Capital

	30 June 2011 *HK'000* **(Unaudited)**	31 December 2010 *HK'000* (Audited)
Authorised:		
5,000,000,000 ordinary shares (31 December 2010: 3,000,000,000 ordinary shares) of HK$0.10 each	**500,000**	300,000
Issued and fully paid:		
3,112,500,000 ordinary shares (31 December 2010: 2,075,000,000 ordinary shares) of HK$0.10 each	**311,250**	207,500
Equivalent to RMB'000 (See note 9 for details)	**270,110**	182,801

14. Commitments

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

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Contracted, but not provided for:		
Prepaid land lease payments	**10,814**	133,602
Buildings	**471,612**	195,245
Plant and machinery	**263,067**	171,853
	745,493	500,700

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2011, the Group recorded revenue of approximately RMB1,781.8 million, representing a significant growth of approximately 36.0% from approximately RMB1,310.0 million for the six months ended 30 June 2010; net profit was approximately RMB415.6 million, representing a significant growth of approximately 21.5% from approximately RMB341.9 million for the six months ended 30 June 2010.

Business Review and Prospects

Major products

The products of the Group may be broadly categorised into roadheaders, CCMUs, spare parts and services and other products. The roadheaders include all sorts of soft rock and hard rock roadheaders; CCMUs include coal mining machines (shearer), hydraulic support system (hydraulic support), scraper conveyors (Armored-Face Conveyers) and centralised control system; and other products include shuttle car, continuous mining machinery and coal mine concrete pumps which are not the three foregoing major products.

New products

On 30 May 2011, the production of the prototype horizontal shaft roadheader with 418KW cutting power was completed, which is specially researched and developed for drilling wide tunnels in coal mines. Currently, rock excavator for drilling wide tunnels is still at the beginning stage in China, and its demand will increase gradually. This roadheader with 418KW cutting power will contribute to the enhancement of the Group's profitability and competitiveness.

Research and development capability

The Group has continued to increase its investments in research and development in order to establish a competitive research and development team and offer our customers with products that are with higher quality but reasonable price. In addition to the existing head research institute and five other research institutes, the Group has also invested in the establishment of research and development centers for coal-related machines in the United States and Germany respectively. On 3 January 2011, top tier technical expert in the industry from Germany formally joined the coal mining machine institute, leading the group to a new level of technology development. The Group fully develops and utilizes state of the art international technological resources to in order to attain distinctive competitive advantages over both domestic and international competitors. As a pioneer in innovative technologies in the industry, the Group had 100 national patent applications, of which 43 were patented inventions in the first half of 2011.

As of 30 June 2011, the number of the Group's research and development personnel increased by approximately 38.8% to 740 personnel, representing approximately 17.3% of the Group's employees. As the Group made substantial investment in research and development, for the six months ended 30 June 2011, research and development expenses increased by approximately RMB36.0 million to approximately RMB79.9 million compared with the corresponding period of last year. The ratio of research and development expenses to revenue increased by approximately 1.1 points to approximately 4.5%.

Capacity expansion

In order to ensure the increase in capacity to be in line with the rapid business development, the Group will further invest in the construction of production sites to strengthen production ability and expedite the full utilization of capacity. In addition to the nearly completed new production facility in the Shenyang Economic and Technology Development Zone with a total area of approximately 630,000 square meters, which compares to approximately 215,000 square meters of existing sites, the Taiyuan industrial park of the Group has formally commenced construction on 11 August 2011 and is expected to be completed in two years. After the completion and operation of the industrial parks in Shenyang and Taiyuan, the Group's total production sales value is expected to exceed RMB10 billion.

As of 30 June 2011, 3 new buildings have been completed in the new production site. It is expected that the construction work of the new site will be fully completed by next year, and by then abundant capacity for CCMUs will be materialized. In addition to developing new sites, the Group also seeks to enhance the production capacity significantly in its existing sites through equipment upgrade and optimization of the production process. Currently, the productivity of the Group's various products has been increased significantly compared with the same period last year.

Distribution and service

The Group optimised its management system in accordance with the market condition in China to realise the strategic targets such as removing risks and reducing labor cost. A distributor model has been introduced since August 2010. During the period under review, the revenue derived from the main equipments sold by four distributors amounted to approximately RMB199.1 million, representing approximately 12.9% of the Group's sales revenue of main equipments.

The Group actively develops its international distribution, strengthens its global distribution channels and increase development effort on the base of its existing international distribution network. Currently, the Group has successfully entered into the Australia market, which represents the high-end standard of coal-mining machineries worldwide, signifying the advance to a new level in the establishment of the Group's international distribution network.

The Group will adhere to its service philosophy of "All for Customers" and strive for the objective of "the Quickest Arrival, the Quickest Supply of Spare Parts and the Quickest Problem-Solving Process" in order to deliver high quality services to its customers. For enhancing the satisfaction of our customers and providing even better services to them, the Group unremittingly innovates its services. During the period under review, the Group introduced the unique service concepts of "one stop service" and "one policy for one situation, and one policy for one district". Pursuant to such concepts, the point to point service model customised to suit particular districts and customers was introduced, ushering our after sale services in a new chapter. As of June 2011, the Group has 84 warehouses, 19 maintenance centers, 105 service offices and 66 mine-stationed service outlets, covering throughout the main coal production regions in 19 provinces of China and located in the neighbourhood of its customers, which effectively ensured our commitment of "dispatching spare parts within 1 hour and arranging them to reach the site within 8 hours".

Financial review

Revenue

For the six months ended 30 June 2011, the Group recorded revenue of approximately RMB1,781.8 million (six months ended 30 June 2010: approximately RMB1,310.0 million), representing a significant growth of approximately 36.0%. The main reasons for the growth were that: the Group's roadheaders stood firm in a leading position in the market, contributing to a strong revenue growth from approximately RMB929.6 million for the period ended 30 June 2010 to approximately RMB1,338.7 million, representing an increase of approximately 44.0% compared with the same period last year, with the rapid growth of its product sales and the aggregate products sold, the corresponding sale of spare parts and services also increased remarkably. Moreover, due to the limitation on the production capacity in the first half of the year, revenue from CCMUs was consistent with the same period of 2010. As the additional capacity from the new site in Shenyang materializes, it is expected that the revenue of CCMUs will increase significantly.

Other income and gains

For the six months ended 30 June 2011, the Group's other income was approximately RMB60.4 million (six months ended 30 June 2010: approximately RMB37.2 million), representing a growth of approximately 62.4%. The growth was mainly due to: (1) an increase of approximately 262.5% or RMB11.9 million in bank interest income due to its strong liquidity; and (2) gains of approximately RMB6.9 million from structured financial products.

Trade receivables and bills receivable

For the six months ended 30 June 2011, the Group's trade receivables and bills receivable was approximately RMB1,998.2 million, representing a significant increase of approximately 61.0% from approximately RMB1,241.2 million of the same period last year. This was mainly due to (1) the impact of the significant growth of sales in the first half of the year and the seasonal factors affecting the collection of receivables; (2) the proportion of financing sales decreased from approximately 18.8% to approximately 3.9% in the process of changing the independent third party since the connected transactions with China Kangfu International Leasing Co., Ltd. ("Kangfu International") were discontinued; (3) the proportion of sales to main customers increased.

Customer composition and regional analysis

The main revenue of the Group came from Shanxi, Anhui, Shaanxi, Hebei and Henan. The revenue of these five provinces represented approximately 70.9% of the Group's total revenue, which increased approximately 8.7 points compared to the same period last year. In particular, revenue from Shanxi represented approximately 38.8% of the Group's total revenue, mainly due to the consolidation of coal mines in Shanxi. For the six months ended 30 June 2011, the proportion of sales to large-size state-owned coal enterprises further increased.

Cost of sales

For the six months ended 30 June 2011, the Group's cost of sales were approximately RMB972.1 million (six months ended 30 June 2010: approximately RMB719.8 million), representing an increase of approximately 35.0%. The increase was mainly due to the significant increase in the Group's sales revenue while the ratio of cost of sales to the Group's total revenue was nearly the same as last year. The Group utilizes various measures to avoid risks caused by price fluctuations of raw materials and core components.

Gross profit and gross margin

For the six months ended 30 June 2011, the Group's gross profit was approximately RMB809.8 million (six months ended 30 June 2010: approximately RMB590.2 million), representing a growth of approximately 37.2%. The gross margin amounted to approximately 45.4% (six months ended 30 June 2010: approximately 45.1%), up by approximately 0.3 point compared to the same period last year. This was mainly due to the significant sales growth of the large and medium size roadhearders.

Profit margin before tax

For the six months ended 30 June 2011, profit margin before tax was approximately 26.6%, representing a decrease of approximately 1.2 points as compared to the corresponding period of 2010. This was mainly due to the increase in research and development as well as marketing expenses.

Selling and distribution costs

For the six months ended 30 June 2011, the Group's selling and distribution costs were approximately RMB215.1 million (six months ended 30 June 2010: approximately RMB151.6 million), representing a growth of approximately 41.9%. For the six months ended 30 June 2011, the ratio of the Group's selling and distribution costs to revenue increased to approximately 12.1%, representing an increase of approximately 0.5 point (six months ended 30 June 2010: approximately 11.6%), but decreased by approximately 0.4 point from approximately 12.5% in the whole year of 2010. The main reason for the increase was that the Group (1) put more efforts in promoting its new products; (2) introduced the service policy of "Three Quick and One Supply" to create higher value for our customers; (3) proactively developed overseas markets.

Research and development expenses

For the six months ended 30 June 2011, the ratio of research and development expenses to revenue was approximately 4.5%, representing an increase of approximately 1.1 points from approximately 3.4% for the period ended 30 June 2010.

Other administrative expenses

Other administrative expenses were approximately RMB91.9 million and its ratio to sales revenue was approximately 5.2%, representing an increase of approximately 1.3 points from approximately 3.9% of 2010. This increase was mainly due to the change in national tax law and foreign enterprises cease to enjoy reduction or relief of urban construction tax and education surcharge.

Finance costs

For the six months ended 30 June 2011, the Group's finance costs was approximately RMB3.1 million (for the six months ended 30 June 2010: nil), mainly represented bank charges for discounting bills receivable during the period.

Taxation

The effective tax rate for the six months ended 30 June 2011 was approximately 12.4% (six months ended 30 June 2010: effective tax rate was approximately 6.2%). The income tax increased from approximately RMB22.6 million for the six months ended 30 June 2010 to approximately RMB58.8 million for the six months ended 30 June 2011, of which enterprise income tax was approximately RMB60.7 million (six months ended 30 June 2010: approximately RMB29.3 million) and deferred income tax gain was approximately RMB1.9 million (six months ended 30 June 2010: approximately RMB6.7 million).

Profit attributable to equity holders of the parent

For the six months ended 30 June 2011, the Group's profit attributable to equity holders of the parent increased to approximately RMB405.6 million (six months ended 30 June 2010: approximately RMB334.2 million), representing an increase of approximately 21.4%.

Liquidity and financial resources

As of 30 June 2011, current assets of the Group were approximately RMB4,685.1 million. As of 30 June 2011, current liabilities of the Group were approximately RMB1,293.4 million.

As of 30 June 2011, total assets of the Group were approximately RMB6,593.9 million (as of 31 December 2010: approximately RMB5,883.5 million); total liabilities were approximately RMB1,569.3 million (as of 31 December 2010: approximately RMB1,131.7 million); and the asset to liability ratio was approximately 23.8% as of 30 June 2011.

As of 30 June 2011, the Group did not have any bank borrowing.

Cash flow

As compared with the beginning of this year, cash and cash equivalent of the Group decreased by approximately RMB2.3 million to approximately RMB760.2 million. The cash and cash equivalents of the Group and time deposits with maturity of three months or more were approximately RMB1,543.2 million.

The net cash from operating activities were approximately negative RMB364.4 million (for six months ended 30 June 2010, the net cash from operating activities were approximately negative RMB886.7 million). The improvement in the cash flow of operating activities was mainly due to the enhanced management of cash flow from operating activities by the Group.

For the six months ended 30 June 2011, the net cash from investing activities were approximately positive RMB498.9 million (for six months ended 30 June 2010, the net cash from investing activities were approximately negative RMB1,062.1 million). The increase in the cash flow of investing activities was mainly due to the investment deposits and time deposits acquired by the bank matured.

For the six months ended 30 June 2011, the net cash from financing activities were approximately negative RMB126.9 million (for six months ended 30 June 2010, the net cash from financing activities were approximately positive RMB3.8 million), and the fund was used for the payment of dividend in 2010.

Turnover days

During the period under review, the operation efficiency of the Group achieved apparent improvement, the turnover days decreased from approximately 212.0 days as of 30 June 2010 to approximately 179.0 days as of 30 June 2011.

During the period under review, the average turnover days of inventory decreased substantially from approximately 149.0 days as of 30 June 2010 to approximately 99.0 days as of 30 June 2011, mainly because the demand for major products outstripped the supply during the period under review.

Due to the stringent approval process of the customers' credit standings, the Group was able to maintain a near-zero level of bad debt loss. Turnover days of trade and bills receivable increased from approximately 148.7 days as of 30 June 2010 to approximately 165.5 days as of 30 June 2011 which was mainly due to (1) the impact of the significant growth of sales in the first half of the year and the seasonal factors affecting the collection of receivables; (2) the drop in the proportion of the changing the independent third party since the connected transactions with Kangfu International were discontinued; (3) the increased proportion of sales to main customers.

As of 30 June 2011, the Group had sufficient cash and a large amount of credit facility at banks that had not been utilized. Turnover days of trade and bills payable slightly decreased from approximately 85.7 days as of 30 June 2010 to approximately 85.5 days as of 30 June 2011.

Contingent liabilities

As of 30 June 2011, the Group had no significant contingent liabilities.

Capital commitment

As of 30 June 2011, the contracted capital commitments of the Group which are not provided in the financial statements were approximately RMB745.5 million (as of 31 December 2010: approximately RMB500.7 million), mainly used in the construction of new production regions.

Employees and remuneration policy

As of 30 June 2011, the Group had 4,278 employees (as of 30 June 2010: 3,408 employees).

	As of 30 June 2011		As of 30 June 2010		
	Number of employees	**Percentage to total employees**	Number of employees	Percentage to total employees	Change in percentage
Manufacturing	**2,183**	**51.0%**	1,508	44.3%	6.7%
Product Research and development	**740**	**17.3%**	533	15.6%	1.7%
Sales and services	**347**	**8.1%**	521	15.3%	-7.2%
Management	**1,008**	**23.6%**	846	24.8%	-1.2%
Total employees	**4,278**	**100%**	3,408	100%	

To match the expansion of capacity, the Group actively built up its pool of technical talents in manufacturing during the period under review. As an innovative enterprise, the Group emphasizes on the introduction of high-caliber research and development talents to expand its existing R&D team, ensuring the standard and innovation pace of core products and leading the industry's development. Meanwhile, the Group continually improves its management standard, adjusts distribution model and optimizes staff structure.

The Group persists in training and developing talents. Accordingly, it provides internal training, external training and correspondence courses for 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 stability and loyalty. 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.

Employees are the core of the society as well as the foundation of corporations, and the harmony in the society cannot be separated from the effort made by corporations. The Group strives to provide our staff an opportunity to experience the benefits brought by the rapid development of the Company, that is, to live a wealthy life with dignity, while consolidate our cohesion in the corporate. We pay a close attention to the growth of every individual staff by encouraging them to derive their self-fulfillment, in a bid to promote the development of the corporation through enhancing the quality of our staff.

Material acquisition and disposal

For the six months ended 30 June 2011, the Company's subsidiaries and associates had no material acquisitions or disposals.

Pledge of assets

As of 30 June 2011, pledged deposits amounted to approximately RMB26.4 million (as of 30 June 2010: approximately RMB59.8 million), which were for the purpose of obtaining the banking facility granted to the Group. During the period under review, no bills receivable of the Group was pledged to secure any banking facility.

Foreign exchange risk

As of 30 June 2011, the Group's foreign currencies were exchanged to RMB amounting to approximately RMB0.8 million. The Group has utilized forwards to mitigate its exchange fluctuation risk. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

Social responsibility

The Group never forget to take upon itself the corporate social responsibility. On 11 March 2011, an earthquake and tsunami rarely seen in history stroked Japan, and the subsequent nuclear crisis impounded people's nerve globally. The Group and its affiliate Sany Group Limited ("Sany Group") took action immediately and donated rescue equipment to the nuclear power plant at Fukushima and sent rescue personnel to assist the rescue work, which was generally recognized and praised by Japan and the international community. On 18 July 2011, the eastern section of Shengli Road, the north line of Nanshan tunnel in Dalian collapsed and trapped 12 construction workers. Once the Group received the phone call from the Dalian municipal government, the EBZ200H roadheader, which was participating in the construction of the subway tunnel in Dalian, was promptly mobilized to the spot to provide assistance to the rescue campaign. The Group's prompt action and our whole-hearted support to the campaign had been highly recognized and appreciated by the Dalian municipal government and a thanking letter was sent to the Group to express its faithful gratitude. The Group has involved in several rescue campaigns in both local and international disasters, displaying the spirit of humanitarianism in the capacity of a corporate. The Group will persist in dedicating all its effort to the society in the coming future.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 period under review, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they have complied with the Model Code for the six months ended 30 June 2011.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely Mr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung, all of whom are independent non-executive Directors. Mr. Ngai Wai Fung, who has appropriate professional qualifications and experiences in the field of accounting, and was appointed as the chairman of the Audit Committee. The Audit Committee has held meetings to discuss the auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2011.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company did not redeem any of its shares during the six months ended 30 June 2011. Neither the Company nor any of its subsidiaries purchased, sold or repurchased any of the shares of the Company during the six months ended 30 June 2011.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the period ended 30 June 2011.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended 30 June 2011 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 and the website of the Company at www.sanyhe.com in due course.

By the order of the Board of Directors
Sany Heavy Equipment International Holdings Company Limited
Mao Zhongwu
Chairman

Hong Kong, 29 August 2011

As at the date of this announcement, the executive Directors are Mr. Mao Zhongwu, Mr. Zhou Wanchun and Mr. Liang Jianyi, the non-executive Directors are Mr. Xiang Wenbo, Mr. Huang Jianlong and Mr. Wu Jialiang, and the independent non-executive Directors are Mr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung.