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 2012

The board of directors (the "Directors") 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 (collectively the "Group") for the six months ended 30 June 2012. These interim 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 OVERVIEW

	For the half-year ended 30 June		
	2012	2011	**Changes**
	RMB million	*RMB million*	*(%)*
Revenue	2,345.1	1,781.8	+31.6
Gross profit	951.8	809.8	+17.5
Net profit, as reported	485.0	415.6	+16.7
Net profit before withholding tax on dividend	493.7*	415.6/387.2**	+18.8/+27.5
Earnings per share (RMB)	0.16	0.13	+23.1

* The basis is the same as that adopted in 2011 for the calculation of net profit, net of the withholding tax on dividend.

** Average net profit for the half-year of 2011.

As compared to the six months ended 30 June 2011, the sales revenue for the six months ended 30 June 2012 increased approximately 31.6% to approximately RMB2,345.1 million. Net profit amounted to approximately RMB493.7 million, representing an increase of approximately 27.5% as compared with the average net profit of the half of 2011 (same basis as that adopted in 2011 for the calculation of net profit, net of the withholding tax on dividend).

Gross profit of roadheader and spare parts maintained at a high level and the gross profit margin of combined coal mining unit ("CCMU") also increased. The overall profit margin for the six months ended 30 June 2012 increased approximately 0.2 percent point as compared to that for the whole year of 2011 to approximately 40.6%.

Management cost and financing cost for the six months ended 30 June 2012 decreased as compared to the same period of 2011. The proportion of management cost and financing cost to sales revenue also decreased significantly due to efficient cost control measures.

The sales volume of off-highway mining truck for the six months ended 30 June 2012 amounted to 30 units, resulting in sales revenue of approximately RMB118.6 million and offering a new profit driving force.

With a gearing ratio of approximately 28.5%, the capital structure of the Group remained healthy as compared to other competitors in the industry. The Group did not have any bank borrowings and had a great amount of credit facilities that had not been utilized.

Operational cash flow showed a significant improvement with a material drop in cash outflow. Financing cash outflow remained at a low level.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**2,345,145**	1,781,846
Cost of sales		**(1,393,325)**	(972,073)
Gross profit		**951,820**	809,773
Other income and gains	*4*	**115,523**	60,356
Selling and distribution costs		**(307,486)**	(215,148)
Administrative expenses		**(167,153)**	(171,790)
Other expenses		**(23,924)**	(5,715)
Finance costs	*6*	**(663)**	(3,105)
PROFIT BEFORE TAX	*5*	**568,117**	474,371
Income tax expense	*7*	**(83,078)**	(58,791)
PROFIT FOR THE PERIOD		**485,039**	415,580
Attributable to:			
Owners of the parent		**484,121**	415,580
Non-controlling interests		**918**	—
		485,039	415,580
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB Yuan)	*9*	**0.16**	0.13

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**485,039**	415,580
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	**(90,492)**	—
Income tax effect	**14,931**	—
	(75,561)	—
Exchange differences on translation of foreign operations	**916**	(10,029)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(74,645)**	(10,029)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**410,394**	405,551
Attributable to:		
Owners of the parent	**409,476**	405,551
Non-controlling interests	**918**	—
	410,394	405,551

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	**30 June 2012**	31 December 2011
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,935,958**	1,656,800
Prepaid land lease payments		**507,046**	434,913
Intangible assets		**115,973**	42,774
Available-for-sale investments		**111,590**	—
Non-current prepayments		**253,782**	392,665
Deferred tax assets		**173,991**	113,458
Total non-current assets		**3,098,340**	2,640,610
CURRENT ASSETS			
Inventories	*10*	**994,193**	719,049
Trade receivables	*11*	**2,293,749**	1,526,352
Bills receivable	*11*	**493,599**	771,738
Prepayments, deposits and other receivables		**450,033**	402,999
Financial assets at fair value through profit or loss		—	12,490
Investment deposits		—	535,670
Time deposits		**100,000**	324,296
Pledged deposits		**69,626**	55,431
Cash and cash equivalents		**419,814**	477,516
Total current assets		**4,821,014**	4,825,541

	Note	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payable	*12*	**957,860**	737,992
Other payables and accruals		**611,252**	725,614
Due to a fellow subsidiary		—	134,405
Tax payable		**159,583**	99,944
Provision for warranties		**58,108**	47,583
Government grants		**43,143**	17,308
Total current liabilities		**1,829,946**	1,762,846
NET CURRENT ASSETS		**2,991,068**	3,062,695
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,089,408**	5,703,305
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**8,654**	—
Government grants		**421,486**	329,547
Total non-current liabilities		**430,140**	329,547
Net assets		**5,659,268**	5,373,758

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	**270,110**	270,110
Reserves		**5,371,960**	4,962,484
Proposed final dividend	8	**—**	141,164
		5,642,070	5,373,758
Non-controlling interests		**17,198**	—
Total equity		**5,659,268**	5,373,758

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 Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of roadheader, combined coal mining unit ("CCMU") and mining transport equipment (including underground and surface) in Mainland China.

In the opinion of the directors of the Company (the "Directors"), as at the date of these interim condensed consolidated financial statements, the holding company and 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 British Virgin Islands, respectively.

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

2.2 Impact of New and Revised International Financial Reporting Standards

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations that the Group has adopted for the first time for the current period as disclosed below.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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

2.3 Issued but not yet Effective International Financial Reporting Standards

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

IFRS 1 Amendments	Amendments to IFRS1 *Government Loans* [2]
IFRS 7 Amendments	Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* [2]
IFRS 9	*Financial Instruments* [4]
IFRS 10	*Consolidated Financial Statements* [2]
IFRS 11	*Joint Arrangements* [2]
IFRS 12	*Disclosure of Interests in Other Entities* [2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in Other Entities: Transition Guidance* [2]
IFRS 13	*Fair Value Measurement* [2]
IAS 1 Amendments	Amendments to IAS 1 – *Presentation of Items of Other Comprehensive Income* [1]
IAS 19 Amendments	*Employee Benefits* [2]
IAS 27 (Revised)	*Separate Financial Statements* [2]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures* [2]
IAS 32 Amendments	Amendments to IAS32 *Presentation – Offsetting Financial Assets and Financial Liabilities* [3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Annual Improvements Project	*Annual Improvements 2009 – 2011 Cycle* [2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

3. Operating Segment Information

During the six months ended 30 June 2012, the Group is principally engaged in the manufacture and sale of the heavy equipment including roadheader, CCMU and mining transport equipment (including underground and surface). For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment.

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

As over 90% 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 the PRC, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

Information about a major customer

Revenue of approximately RMB553,651,000 (six months ended 30 June 2011: RMB395,900,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. **Revenue, other Income and Gains**

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

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**2,329,454**	1,757,568
Rendering of services	**15,691**	24,278
	2,345,145	1,781,846
Other income		
Bank interest income	**3,735**	16,430
Profit from sale of scrap materials	**45,657**	24,145
Government grants	**59,636**	3,503
Others	**2,763**	606
	111,791	44,684
Gains		
Gains from investment deposits	**3,732**	6,895
Exchange gains	**—**	8,777
	3,732	15,672

5. Profit before Tax

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**1,384,148**	957,974
Cost of services provided	**9,177**	14,099
Depreciation	**53,120**	24,178
Amortisation of land lease prepayments	**5,455**	3,380
Auditors' remuneration	**1,200**	1,200
Provision for warranties	**26,388**	36,538
Research and development costs	**52,195**	79,917
Minimum lease payments under operating leases:		
Dormitories for staff	**239**	1,555
Warehouses	**2,740**	534
	2,979	2,089
Employee benefit expenses:		
Wages and salaries	**145,821**	126,972
Pension scheme contributions	**17,145**	13,305
Other staff welfare	**11,907**	5,712
	174,873	145,989
Foreign exchange differences, net*	**7,239**	—
Impairment of trade receivables*	**14,941**	3,129
Provision against slow-moving and obsolete inventories#	**21,544**	2,557
Loss on disposal of items of property, plant and equipment*	**1,744**	29

* *Included in "Other expenses" in the interim condensed consolidated income statement.*

\# *Included in "Cost of sales" in the interim condensed consolidated income statement.*

6. Finance Costs

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on documentary bills	**663**	—
Interest on discounted bills	**—**	3,105
	663	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 2012.

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 2012.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**119,973**	60,677
Deferred	**(36,895)**	(1,886)
Total tax charge for the period	**83,078**	58,791

8. Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: 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 2012 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.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. Inventories

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Raw materials	**394,254**	247,018
Work in progress	**281,770**	235,589
Finished goods	**353,098**	249,827
	1,029,122	732,434
Less: Provision	**(34,929)**	(13,385)
	994,193	719,049

11. Trade and Bills Receivable

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade receivables	**2,340,147**	1,560,473
Less: Impairment	**(46,398)**	(34,121)
Trade receivables, net	**2,293,749**	1,526,352
Bills receivable	**493,599**	771,738

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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. 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 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Within 60 days	**900,043**	597,244
61 to 90 days	**209,222**	388,913
91 to 180 days	**595,073**	202,559
181 to 365 days	**414,515**	202,240
Over 1 year	**174,896**	135,396
	2,293,749	1,526,352

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

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
At 1 January 2012/1 January 2011	**34,121**	32,929
Impairment losses recognised	**14,941**	6,121
Write-off	**(2,664)**	(4,929)
At 30 June 2012/31 December 2011	**46,398**	34,121

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

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Neither past due nor impaired	**1,970,217**	1,416,170
Past due but not impaired:		
Within 180 days past due	**288,570**	100,985
181 to 365 days past due	**27,150**	6,135
Over 1 year past due	**7,812**	3,062
Total	**2,293,749**	1,526,352

The trade receivables that were neither past due nor impaired relate to a number of diversified customers for whom there were 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 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**493,599**	771,738

Included in the balances of bills receivable are amounts of approximately RMB28,100,000 (31 December 2011: RMB41,000,000) which were pledged to secure the issuance of bills payable.

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 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**230,913**	247,812
31 to 90 days	**425,321**	236,512
91 to 180 days	**281,330**	225,104
181 days to 365 days	**9,448**	17,326
Over 1 year	**10,848**	11,238
	957,860	737,992

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 2012 *HK$'000* **(Unaudited)**	31 December 2011 *HK$'000* (Audited)
Authorised:		
5,000,000,000 ordinary shares (31 December 2011: 5,000,000,000 ordinary shares) of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
3,112,500,000 ordinary shares (31 December 2011: 3,112,500,000 ordinary shares) of HK$0.10 each	**311,250**	311,250
Equivalent to RMB'000	**270,110**	270,110

14. Commitments

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

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Contracted, but not provided for:		
Prepaid land lease payments	**—**	27,190
Buildings	**302,833**	389,763
Plant and machinery	**205,221**	209,302
	508,054	626,255
Authorised, but not contracted for:		
Capital contributions payable to an available for sale investment	**3,700**	—
	511,754	626,255

MANAGEMENT DISCUSSION AND ANALYSIS

As compared to the six months ended 30 June 2011, the sales revenue for the six months ended 30 June 2012 increased approximately 31.6% to approximately RMB2,345.1 million. Net profit amounted to approximately RMB493.7 million, representing an increase of approximately 27.5% as compared with the average net profit of the half of 2011 (same basis as that adopted in 2011 for the calculation of net profit, net of the withholding tax on dividend).

BUSINESS REVIEW AND PROSPECTS

Major products

The products of the Group are majorly categorized into roadheader, CCMU, mining transport equipment (including underground and surface), spare parts and services and other new products. The roadheader includes all sorts of soft rock, hard rock roadheader and drilling machinery; CCMU includes coal mining machine (shearer), hydraulic support system (hydraulic support), scraper conveyor (Armored-Face Conveyer) and centralised control system; mining transport equipment includes mechanical drive off-highway dump truck, electric drive off-highway dump truck, articulated truck and underground coal mining vehicle; and other new products include continuous mining machinery and washing equipment.

Research and development capability

The Group considered research and development as one of its most important strength and it is committed to establish a competitive research and development team so as to offer customers with products that are of higher quality at a reasonable price. While the Group continuously improves its research and development capability, it has also invested in the establishment of research and development centers in the United States and Germany. The Group has employed experienced foreign experts to establish a research and development team with members from China and other countries and to fully develop and utilize the top-tier technical resources so as to attain distinctive competitive advantages over both domestic and international competitors.

During the first half of 2012, the Group applied for 141 national patents (increased by approximately 41.0% compared to the same period of 2011), of which 58 items were patented inventions (increased by approximately 34.9% compared to the same period of 2011).

New business – Surface mining equipment

After the successful acquisition of all the assets related to the off-highway mining truck business at the end of 2011, the Group achieved sales of 30 units of off-highway mining trucks during the first half of 2012. The revenue reached approximately RMB118.6 million, offering the Group a new profit driving force. The Group has been equipped with the capabilities to manufacture surface mining equipment, which are complementary to and create synergy with our existing underground mining equipment business and help promoting the business of the Company to a broader platform.

Capacity expansion

The substantial capital raised through listing of the Group on 25 November 2009 was mainly used for improving the business environment and expanding the production scale. Currently, the construction of the new industrial parks in Shenyang Economic and Technology Development Zone is in progress, and expected to be fully completed and will commence operation by the end of October 2012. The production capacity for CCMU will be enhanced. The Group will gradually benefit from the economies of scale and the gross profit margin for CCMU will be significantly improved.

Distribution and service in China

The Group forms an important strategic partnership with a number of large coal mine enterprises and enhances the communication and understanding with clients through field visits; which played a positive role in promoting the Group's cooperation with other corporations.

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, to free customers away from worries. The Group believes that excellent product quality, attentive after-sales service and efficient response differentiate the Group from the rest in the fierce market competition.

Overseas Sale

After development in recent years, the fine quality of the Group's products has now been widely recognized by the global market and the influence of the Company's brand in the world has grown significantly. Our products were successfully sold to Ukraine, Australia, Russia, Vietnam and South Africa etc. Sales income generated from overseas in the first half of 2012 amounted to approximately RMB100.6 million, which marked the milestone for the Group's recognition in the international market. The Group has partnered with DTEK group, the largest private coal energy company in Ukraine.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2012, the Group recorded revenue of approximately RMB2,345.1 million (six months ended 30 June 2011: approximately RMB1,781.8 million), representing a growth of approximately 31.6% over the same period in 2011. The main reasons for the growth were that: (1) the revenue of the Group's roadheader maintained a steady growth and leading position in the industry; (2) the CCMU was widely recognized in the market with a strong revenue growth of approximately 78.6%; (3) the revenue performance of the Group's off-highway mining truck was outstanding and the sales of off-highway mining truck in the first half of 2012 reached 30 units and the revenue reached approximately RMB118.6 million, which offered the new profit driving force to the Group; and (4) the Group's customer base gradually expanded with a significant growth in the revenue generated from the sales of spare parts and after sales service of approximately 48.8%.

Other income and gains

For the six months ended 30 June 2012, the Group's other income and gains was approximately RMB115.5 million (six months ended 30 June 2011: approximately RMB60.4 million), representing a growth of approximately 91.4%, mainly comprising of the government subsidy obtained for R&D and the gain from sales of scrap materials.

Trade and bills receivables

The Group's trade receivables and bills receivable for the six months ended 30 June 2012 recorded an increase compared to the same period of 2011. As of 30 June 2012, the amount of the Group's trade receivables and bills receivable was approximately RMB2,787.3 million, representing an increase of approximately 39.5% from approximately RMB1,998.2 million as of 30 June 2011. This was mainly due to (1) the scale of the sales of the Group achieved a substantial growth; and (2) the proportion of the sales to large coal customers further increased.

Customer composition and regional analysis

The main revenue of the Group came from the sales in Shanxi, Shaanxi, Anhui, Guizhou and Henan. The revenue from the sales of these five provinces represented approximately 71.0% of the Group's total revenue. In particular, revenue from the sales in Shanxi represented approximately 31.1% of the Group's total revenue. For the six months ended 30 June 2012, the proportion of sales from large state-owned coal enterprises further increased.

Cost of sales

The Group implemented significant cost control measures. The costs of most of the raw materials were controlled at the same level as last year. For the six months ended 30 June 2012, the Group's cost of sales increased to approximately RMB1,393.3 million (six months ended 30 June 2011: approximately RMB972.1 million) representing a growth of approximately 43.3% over the same period in 2011.

Gross profit and gross margin

The Group's gross margin improved in the first half year of 2012. For the six months ended 30 June 2012, the Group's gross margin amounted to approximately 40.6%, up by approximately 0.2 percent point compared to the full year of 2011. This was mainly due to (1) the improvement of gross margin of the Group's CCMU; and (2) the high gross margin of roadheader and spare parts.

Profit margin before tax

The Group's profit margin before tax improved significantly in the first half of 2012. For the six months ended 30 June 2012, the Group's profit margin before tax was approximately 24.2% which increased approximately 0.9 percent point as compared to the full year of 2011.

Selling and distribution costs

For the six months ended 30 June 2012, the selling and distribution costs were approximately RMB307.5 million (six months ended 30 June 2011: approximately RMB215.1 million), representing an increase of approximately 42.9% over the same period in 2011. For the six months ended 30 June 2012, the ratio of the Group's selling and distribution costs to revenue increased by approximately 1 percent point to approximately 13.1% as compared to the same period 2011 (six months ended 30 June 2011: approximately 12.1%). The increase was mainly due to the increase in the Group's investment to provide higher quality services to clients.

Other administrative expenses

For the six months ended 30 June 2012, the Group's administrative expenses reached approximately RMB167.2 million. The ratio of administrative expenses excluding research and development expenses to revenue decreased approximately 0.3 percent point to approximately 4.9% from approximately 5.2% in the first half of 2011.

Finance costs

The Group still maintained a low indebtedness level. For the six months ended 30 June 2012, the Group's finance costs was approximately RMB0.7 million (for the six months ended 30 June 2011: approximately RMB3.1 million).

Taxation

For the six months ended 30 June 2012, the Group's effective tax rate was approximately 14.6% (six months ended 30 June 2011: effective tax rate was approximately 12.4%). The income tax increased from approximately RMB58.8 million for the six months ended 30 June 2011 to approximately RMB83.1 million for the six months ended 30 June 2012, of which enterprise income tax was approximately RMB120.0 million (six months ended 30 June 2011: approximately RMB60.7 million) and deferred income tax gain was approximately RMB36.9 million (six months ended 30 June 2011: approximately RMB1.9 million).

Withholding tax on dividend

The domestic entities of the Group in the PRC will distribute dividends to the Company in 2012 which resulted in a withholding tax on dividend of approximately RMB8.65 million in the first half of 2012. There was no such costs for the same period of 2011.

Profit attributable to equity holders of the parent

For the six months ended 30 June 2012, the Group's profit attributable to equity holders of the parent increased to approximately RMB484.1 million (six months ended 30 June 2011: approximately RMB415.6 million), representing an increase of approximately 16.5%.

Liquidity and financial resources

The capital structure of the Group has been healthy compared to other competitors in the industry. As of 30 June 2012, current assets of the Group were approximately RMB4,821.0 million. As of 30 June 2012, current liabilities of the Group were approximately RMB1,830.0 million.

As of 30 June 2012, total assets of the Group were approximately RMB7,919.4 million (as of 31 December 2011: approximately RMB7,466.2 million); total liabilities were approximately RMB2,260.1 million (as of 31 December 2011: approximately RMB2,092.4 million); and the gearing ratio was approximately 28.5% as of 30 June 2012.

As of 30 June 2012, the Group did not have any bank borrowings and had a large amount of credit facility at banks that had not been utilized.

Cash flow

The cash position of the Group has always been strong. However, the cash utilization is not effective. Therefore, the Group used part of the cash for investment during the first half of 2012. As for 30 June 2012, the cash and cash equivalents of the Group and time deposits with maturity of three months or more were approximately RMB519.8 million.

The cash flow of operating activities improved significantly in the first half of 2012, the expenses of net cash from operating activities decreased substantially. For six months ended 30 June 2012, the net cash from operating activities were approximately negative RMB147.0 million (for the six months ended 30 June 2011, the net cash from operating activities were approximately negative RMB364.4 million).

For the six months ended 30 June 2012, the net cash from investing activities were approximately positive RMB228.2 million (for the six months ended 30 June 2011, the net cash from investing activities were approximately positive RMB498.9 million).

The Group maintained a low level of expenses of the net cash from financing activities in the first half of 2012. For the six months ended 30 June 2012, the net cash from financing activities were approximately negative RMB139.7 million (for the six months ended 30 June 2011, the net cash from financing activities were approximately negative RMB126.9 million), and the fund was used for the payment of dividend in 2011.

Turnover days

During the review period, the turnover days of the Group recorded a slight increase from approximately 179.0 days as of 30 June 2011 to approximately 205.3 days as of 30 June 2012.

During the review period, the average turnover days of inventory increased from approximately 99.0 days as of 30 June 2011 to approximately 115.4 days as of 30 June 2012. Such increase was mainly due to the expansion of the production scale of the integrated products and the Group's reserve of more raw materials to meet the production needs.

The Group has consistently maintained the most stringent assessment criteria of the customers' credit standings so as to minimize the amount of bad debt. Turnover days of trade and bills receivable increased from approximately 165.5 days as of 30 June 2011 to approximately 201.0 days as of 30 June 2012 mainly due to (1) the impact of the significant growth of sales in the first half of 2012 and the seasonal factors affecting the collection of receivables; and (2) the increase in the proportion of sales to major customers to strengthen the business relationship with major customers,

As of 30 June 2012, 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 increased from approximately 85.5 days as of 30 June 2011 to approximately 111.1 days as of 30 June 2012.

Contingent liabilities

As of 30 June 2012, the Group had no significant contingent liabilities.

Capital commitment

As of 30 June 2012, the contracted or authorised but not contracted capital commitments of the Group which are not provided in the financial statements were approximately RMB511.8 million (as of 30 June 2011: approximately RMB745.5 million), mainly used in the construction of new production regions.

Employees and remuneration policy

The Group is committed to training and developing talents. Accordingly, it provides internal training, external training and correspondence courses for its staff according to their seniority and regularly with an aim in enhancing their relevant skills as well as strengthening their loyalty. In addition, the Group paid year-end bonuses to staffs 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.

In order to rapidly enhance the skills of the research and development personnel, the Group offered them opportunities to participate in the operation, disassembly and maintenance of machineries so that they can have a better understanding of machineries. In the first half of 2012, the Group invested a lot of manpower and resources for training the research and development personnel so that they can create more innovative designs.

In the first half of 2012, the Group invested approximately RMB2.0 million in training.

Material acquisition and disposal

For the six months ended 30 June 2012, the Company's subsidiaries and associates had no material acquisitions or disposals.

Pledge of assets

As at 30 June 2012, the Company had deposits and bills receivable of an aggregate value of approximately RMB97.7 million (As at 31 December 2011: approximately RMB96.4 million), which were pledged for the purpose of obtaining the banking facility granted to the Group.

Foreign exchange risk

As at 30 June 2012, the Group's foreign currencies were exchanged to RMB amounting to approximately RMB10.2 million. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

Social responsibility

The Group promotes that "Contribution to the country is more important than the profit of an enterprise" and fulfills its social responsibility by making notable contribution to economic and social development. Meanwhile, the Group treats the development of teenagers and children with utmost importance. On the Children's Day on 1 June 2012, the Group's staff volunteer team paid a visit to a children's asylum and donated necessities such as clothes, toys and books to the children.

CORPORATE GOVERNANCE

During the period from 1 January 2012 to 31 March 2012, the Company had complied with the code provisions of the former Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"); and during the period from 1 April 2012 to 30 June 2012, the Company had complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in that Appendix.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the 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 six months ended 30 June 2012.

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 is consisted of three members, namely Dr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung, all of whom are independent non-executive Directors. Dr. 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 2012.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012.

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 2012. 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 2012.

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 period ended 30 June 2012.

PUBLICATION OF INFORMATION ON THE WEBSITES

The interim report of the Company for the six months ended 30 June 2012 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 of Hong Kong Limited 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
Mao Zhongwu
Chairman

Hong Kong, 14 August 2012

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