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 2012

FINANCIAL SUMMARY

- Turnover decreased from approximately RMB3,780.2 million in 2011 to approximately RMB3,640.7 million in 2012, representing a year-on-year slight decrease of approximately 3.7%.
- With the asset to liability ratio of approximately 28.6%, the capital structure of the Group remained sound and healthy. The Group still had a great amount of bank credit facilities that had not been utilized.
- Operational cash flow of the Group showed a significant improvement, the net cash inflow of the Group from operating activities was approximately RMB86.3 million.
- The basic earnings per ordinary share were approximately RMB0.16 Yuan in 2012.
- The Board proposed the payment of a final dividend of HK$6.4 cents per ordinary share of the Company, the dividend payout ratio increased to approximately 32.2% from approximately 18.2% of 2011.

The board of directors (the "**Board**") of Sany Heavy Equipment International Holdings Company Limited (the "**Company**") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, referred to as the "**Group**") for the year ended 31 December 2012, together with comparative figures for the preceding financial year ended 31 December 2011.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
REVENUE	*4*	**3,640,739**	3,780,183
Cost of sales		**(2,312,048)**	(2,254,484)
Gross profit		**1,328,691**	1,525,699
Other income and gains	*4*	**231,424**	217,130
Selling and distribution expenses		**(566,041)**	(465,253)
Administrative expenses		**(375,040)**	(382,015)
Other expenses	*5*	**(21,733)**	(11,213)
Finance costs	*6*	**(4,678)**	(4,679)
PROFIT BEFORE TAX	*5*	**592,623**	879,669
Income tax expense	*7*	**(92,589)**	(105,314)
PROFIT FOR THE YEAR		**500,034**	774,355
Attributable to:			
Owners of the parent		**499,532**	774,355
Non-controlling interests		**502**	–
		500,034	774,355
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB Yuan)	*9*	**0.16**	0.25
Diluted (RMB Yuan)	*9*	**0.16**	0.25

Details of the dividends payable and proposed for the year are disclosed in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**500,034**	774,355
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	**(95,145)**	–
Income tax effect	**15,699**	–
	(79,446)	–
Exchange differences on translation of foreign operations	**341**	(19,631)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(79,105)**	(19,631)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**420,929**	754,724
Attributable to:		
Owners of the parent	**420,427**	754,724
Non-controlling interests	**502**	–
	420,929	754,724

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,233,706**	1,656,800
Prepaid land lease payments		**501,271**	434,913
Intangible assets		**127,951**	42,774
Available-for-sale investments		**106,552**	–
Non-current prepayments		**226,057**	392,665
Deferred tax assets		**175,249**	113,458
Total non-current assets		**3,370,786**	2,640,610
CURRENT ASSETS			
Inventories	*10*	**859,988**	719,049
Trade receivables	*11*	**1,726,624**	1,526,352
Bills receivable	*11*	**607,338**	771,738
Prepayments, deposits and other receivables		**372,268**	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		**93,640**	55,431
Cash and cash equivalents		**848,578**	477,516
Total current assets		**4,608,436**	4,825,541
CURRENT LIABILITIES			
Trade and bills payables	*12*	**723,133**	737,992
Other payables and accruals		**703,830**	725,614
Interest-bearing bank borrowings		**188,523**	–
Due to a fellow subsidiary		–	134,405
Tax payable		**124,943**	99,944
Provision for warranties		**50,779**	47,583
Government grants		**18,288**	17,308
Total current liabilities		**1,809,496**	1,762,846
NET CURRENT ASSETS		**2,798,940**	3,062,695
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,169,726**	5,703,305

	Notes	**31 December 2012** **RMB'000**	31 December 2011 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**16,114**	–
Government grants		**457,954**	329,547
Total non-current liabilities		**474,068**	329,547
Net assets		**5,695,658**	5,373,758
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*13*	**269,509**	270,110
Reserves		**5,198,228**	4,962,484
Proposed final dividend	*8*	**161,139**	141,164
		5,628,876	5,373,758
Non-controlling interests		**66,782**	–
Total equity		**5,695,658**	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, Shenyang Economic and Technological Development Zone, Shenyang City, Liaoning Province, the People's Republic of China (the "PRC"). The Group is principally engaged in the manufacture and sale of roadheader, combined coal mining unit ("CCMU") and coal mine transportation vehicles (including underground and surface) in Mainland China.

In the opinion of the directors of the Company (the "Directors"), as at the date of this report, the 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 comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. 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 2012. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of Hong Kong 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 the revised IFRSs has had no significant financial 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.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: 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]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – 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 *Financial Instruments: Presentation – Offsetting Financial Assets And Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012[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

Further information about those IFRSs that are expected to be applicable to affect the Group is as follows:

The IFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group expects to adopt the amendments from 1 January 2013.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 (Revised), IAS 28 (Revised), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

The IAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

IAS 19 Amendments include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 Amendments from 1 January 2013.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements* to IFRSs 2009-2011 Cycle issued in May 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. The amendment that is expected to have a significant impact on the Group's policies is as follows:

IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

3. OPERATING SEGMENT INFORMATION

During the year, the Group is principally engaged in the manufacture and sale of heavy equipment including roadheaders, CCMU and coal mine transportation vehicles (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 RMB903,043,000 (2011: RMB666,047,000) 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 rendered, after allowances for returns and trade discounts.

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**3,590,135**	3,736,906
Rendering of services	**50,604**	43,277
	3,640,739	3,780,183
Other income		
Bank interest income	**5,048**	10,416
Profit from the sale of scrap materials	**67,715**	69,373
Government grants	**145,095**	83,304
Others	**5,000**	222
	222,858	163,315
Gains		
Gains from investment deposits	**8,566**	33,371
Exchange gains	**–**	20,444
	8,566	53,815
	231,424	217,130

5. PROFIT BEFORE TAX

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

		Group	
	Notes	**2012**	2011
		RMB'000	*RMB'000*
Cost of inventories sold		**2,272,601**	2,225,722
Cost of services provided		**39,447**	28,762
Depreciation		**110,526**	58,188
Amortisation of land lease prepayments		**11,148**	6,926
Auditors' remuneration		**2,280**	2,000
Provision for warranties*		**45,001**	61,961
Research and development costs**		**170,057**	185,800
Minimum lease payments under operating leases:			
Dormitories for staff		**323**	2,399
Warehouses		**6,888**	2,644
Office equipment		**515**	–
		7,726	5,043
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		**272,958**	304,090
Pension scheme contributions		**41,765**	41,994
Other staff welfare		**22,826**	19,591
		337,549	365,675
Foreign exchange differences, net***		**5,400**	–
Impairment of trade receivables	*11*	**11,587**	6,121
Impairment of other receivables		**662**	–
Provision against slow-moving and obsolete inventories****	*10*	**6,461**	4,198
Loss on disposal of items of property, plant and equipment		**4,084**	894

* Included in "Selling and distribution expenses" in the consolidated income statement.

** Included in "Administrative expenses" in the consolidated income statement.

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

**** Included in "Cost of sales" in the consolidated income statement.

6. FINANCE COSTS

	Group	
	2012	2011
	RMB'000	*RMB'000*
Interest on interest-bearing bank borrowings	**2,073**	–
Interest on documentary bills	**1,972**	–
Interest on discounted bills	**633**	4,679
	4,678	4,679

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 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 year ended 31 December 2012.

The Group's principal operating company, Sany Heavy Equipment Co., Ltd. (三一重型裝備有限公司)("Sany Heavy Equipment"), obtained the high technology enterprise accreditation and hence was subject to CIT at a rate of 15% in 2012.

	Group	
	2012	2011
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**122,621**	138,172
Deferred	**(30,032)**	(32,858)
Total tax charge for the year	**92,589**	105,314

A reconciliation of the income tax expense applicable to profit before tax using the statutory rate for the location in which the Company and 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:

	Group			
	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**592,623**		879,669	
Tax at the statutory tax rate	**148,156**	25.0	219,917	25.0
Entities subject to lower statutory income tax rates	**(61,247)**	(10.3)	(94,353)	(10.7)
Expenses not deductible for tax	**16,394**	2.7	8,419	1.0
Different tax rate when temporary difference is realised	**(12,863)**	(2.2)	109	0.0
Super-deduction of research and development costs	**(5,513)**	(0.9)	(17,064)	(1.9)
Income not subject to tax	**(12,646)**	(2.1)	(12,935)	(1.5)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**16,114**	2.7	**–**	–
Tax losses not recognised	**4,194**	0.7	1,221	0.1
Tax charge at the Group's effective tax rate	**92,589**	**15.6**	105,314	12.0

8. DIVIDEND

	2012	2011
	RMB'000	*RMB'000*
Proposed final – HK6.4 cents (2011: HK5.6 cents) per ordinary share	**161,139**	141,164

The final dividend of HK6.4 cents per share is subject to approval of the Company's shareholders at the forthcoming annual general meeting.

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 year ended 31 December 2012 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,109,994,137 (2011: 3,112,500,000) in issue during the year, as adjusted to reflect the repurchase of 7,365,000 issued shares during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

10. INVENTORIES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Raw materials	**336,902**	247,018
Work in progress	**180,936**	235,589
Finished goods	**355,712**	249,827
	873,550	732,434
Less: Provision against slow-moving and obsolete inventories	**(13,562)**	(13,385)
	859,988	719,049

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

		Group	
	Note	**2012**	2011
		RMB'000	*RMB'000*
At 1 January		**13,385**	10,920
Charge for the year	*5*	**6,461**	4,198
Amount written off		**(6,284)**	(1,733)
At 31 December		**13,562**	13,385

11. TRADE AND BILLS RECEIVABLES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**1,768,701**	1,560,473
Impairment	**(42,077)**	(34,121)
Trade receivables, net	**1,726,624**	1,526,352
Bills receivable	**607,338**	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 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. 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, is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 60 days	**786,605**	597,244
61 to 90 days	**189,436**	388,913
91 to 180 days	**189,547**	202,559
181 to 365 days	**373,127**	202,240
Over 1 year	**187,909**	135,396
	1,726,624	1,526,352

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

		Group	
	Note	**2012**	2011
		RMB'000	*RMB'000*
At 1 January		**34,121**	32,929
Impairment losses recognised	*5*	**11,587**	6,121
Amount written off as uncollectible		**(3,631)**	(4,929)
At 31 December		**42,077**	34,121

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB42,077,000 (2011: RMB34,121,000) with a carrying amount before provision of RMB42,077,000 (2011: RMB34,121,000).

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

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

			Past due but not impaired		
Group	**Total**	**Neither past due nor impaired**	**Within 180 days**	**181 to 365 days**	**Over 1 year**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2012	1,726,624	1,548,490	137,055	33,528	7,551
31 December 2011	1,526,352	1,416,170	100,985	6,135	3,062

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 of the Company 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:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 6 months	**462,508**	771,738
Over 6 months	**144,830**	–
	607,338	771,738

Included in the balances of bills receivable are amounts of approximately RMB98,813,000 (2011: RMB41,000,000) which were pledged to secure the issuance of bills payable.

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:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 30 days	**194,859**	247,812
31 to 90 days	**181,633**	236,512
91 to 180 days	**161,383**	225,104
181 days to 365 days	**172,467**	17,326
Over 1 year	**12,791**	11,238
	723,133	737,992

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

The bills payable are all due within 180 days.

13. SHARE CAPITAL

	2012	2011
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares (2011: 5,000,000,000 ordinary shares) of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
3,105,135,000 ordinary shares (2011: 3,112,500,000 ordinary shares) of HK$0.10 each	**310,514**	311,250
Equivalent to RMB'000	**269,509**	270,110

Pursuant to the resolution on repurchase mandate granted by the shareholders of the Company at the annual general meeting held on 18 May 2012, the Company repurchased and cancelled 7,365,000 issued shares at a consideration of RMB24,145,000. The issued share capital was decreased to HK$310,513,500 divided into 3,105,135,000 ordinary shares of HK$0.10 each.

MANAGEMENT DISCUSSION AND ANALYSIS

Businesses Review

Major products

The products of the Group are majorly categorized into roadheader, CCMU, coal mine transportation vehicle (including underground and surface), spare parts, 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 centralized control system; coal mine transportation vehicle 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

As a leading enterprise spearheading the industry's technological advances, the Group considered research and development as one of its most important competitive strengths, which is key for our provision of product differentiation to customers and sets us apart from other industry competitors. The Group offers products at a reasonable price that are of higher quality compared to its competitors in the same price range. During the year, the Group achieved remarkable achievements in its research and development ("R&D") and successively launched new product models that led the development direction of the industry, for example, the digital roadheader with 260KW cutting power, the 400B series thin-seams coal mining machines, the 1000 series coal mining machines, model ZF13000/22/35 top coal caving hydraulic support, model SGZ764/400 large inclined angle scraper conveyor, slot-width model 764 second-generation scraper conveyor, as well as the ML360 continuous mining machine. For the year ended 31 December 2012, the Group had obtained a total of 262 R&D patents, including 144 patented inventions and 14 patents applied for under international Patent Cooperation Treaty (PCT).

Production and manufacturing

Currently, four plants of the Group in the new industrial park located in the Economic and Technological Development Zone of Shenyang City have successively commenced production, in order to fulfill the market demands for coal mining machines in the future. The Group is also committed to enhancing production capability in the old production site at the Shenyang industrial park through equipment upgrade and optimization of production process.

Distribution 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 make every effort in meeting customers' needs and raising customers' satisfaction, to free customers away from worries. The Group's superior product quality, attentive after-sales service and efficient response have achieved a high degree of recognition from our customers.

Financial Review

Revenue

For the year ended 31 December 2012, the Group recorded revenue of approximately RMB3,640.7 million (2011: approximately RMB3,780.2 million), representing a slight decrease of approximately 3.7% as compared with the year ended 31 December 2011. The decrease was mainly attributable to the economic restructuring in China, which significantly dampened demand for coal mining machines from the second quarter of 2012 and led to the negative growth in sale revenue of the Group in 2012 (in particular the second half of the year).

Other income

For the year ended 31 December 2012, the Group's other income was approximately RMB231.4 million (2011: approximately RMB217.1 million), representing a year-on-year growth of approximately 6.6%. The growth was mainly attributable to government's grants to support R&D projects and establishment of industrial parks.

Cost of goods sales

For the year ended 31 December 2012, the Group's cost of sales was approximately RMB2,312.0 million (2011: approximately RMB2,254.5 million), representing an increase of approximately 2.6%. The increase was mainly due to the reason that the gross margin of hydraulic support products, the proportion of which to sales revenue increased significantly, could not be improved as expected.

Gross profit and gross margin

For the year ended 31 December 2012, the gross profit of the Group was approximately RMB1,328.7 million (2011: approximately RMB1,525.7 million), representing a year-on-year decline of approximately 12.9%. Gross margin was approximately 36.5% (2011: approximately 40.4%), representing a decrease of approximately 3.9 percent points year-on-year. The decrease was mainly due to the change in the product mix.

Profit margin before tax

For the year ended 31 December 2012, the Group's profit margin before tax was approximately 16.3%, which decreased by approximately 7.0 percent points as compared to the year ended 31 December 2011. The decrease was mainly due to (1) the decrease in sales income; (2) the increase in the sales income from negative profit margin products and (3) that the cost control management could not be adjusted timely.

Selling and distribution expenses

For the year ended 31 December 2012, the selling and distribution costs of the Group were approximately RMB566.0 million (2011: approximately RMB465.3 million), representing a year-on-year increase of approximately 21.6%. For the year ended 31 December 2012, the ratio of the Group's selling and distribution costs to revenue increased by approximately 3.2 percent point year-on-year to approximately 15.5%. The increase was mainly due to the reconstruction of the Group's sales network.

Research and development expenses

For the year ended 31 December 2012, research and development expenses of the Group were approximately RMB170.1 million, and its ratio to revenue was approximately 4.7%, representing a decrease of approximately 0.2 percent point from approximately 4.9% of 2011. The research and development expenses were mainly used for the Group's new product development.

Administrative expenses

For the year ended 31 December 2012, administrative expenses of the Group were approximately RMB375.0 million. The ratio of administrative expenses excluding research and development expenses to revenue increased by approximately 0.4 percent point to approximately 5.6% from approximately 5.2% of 2011. The increase was mainly due to the decrease in turnover of the Group and increase in expenses due to the set up of a new subsidiary.

Finance costs

For the year ended 31 December 2012, finance costs of the Group were approximately RMB4.7 million (2011: approximately RMB4.7 million).

Taxation

Sany Heavy Equipment, a wholly-owned subsidiary of the Group, is a National High New Technology Enterprise in Liaoning Province and is entitled to preferential tax treatments. The Group's effective tax rate in 2012 was approximately 15.6% (2011: effective tax rate approximately 12.0%). For details regarding income tax, please refer to note 7 to the financial statements.

Profit attributable to owners of the parent

For the year ended 31 December 2012, the Group's profit attributable to owners of the parent was approximately RMB499.5 million (2011: approximately RMB774.4 million), representing a year-on-year decline of approximately 35.5%. For the main reasons of the decrease, please refer to the above paragraph titled "Profit margin before tax".

Liquidity and financial resources

As at 31 December 2012, current assets of the Group were approximately RMB4,608.4 million (31 December 2011: approximately RMB4,825.5 million). As at 31 December 2012, current liabilities of the Group were approximately RMB1,809.5 million (31 December 2011: approximately RMB1,762.8 million).

As at 31 December 2012, total assets of the Group were approximately RMB7,979.2 million (31 December 2011: approximately RMB7,466.2 million), and total liabilities were approximately RMB2,283.6 million (31 December 2011: approximately RMB2,092.4 million). As at 31 December 2012, the asset to liability ratio of the Group was approximately 28.6% (31 December 2011: approximately 28.0%). As at 31 December 2012, the Group had only a small amount of bank borrowings.

As at 31 December 2012, the Group had sufficient cash and a large amount of credit facility at banks that had not been utilized.

Trade and bills receivables

As at 31 December 2012, the Group's trade and bills receivables were approximately RMB2,334.0 million, representing an increase of approximately 1.6% from approximately RMB2,298.1 million as at 31 December 2011, of which trade receivables were approximately RMB1,726.6 million, representing an increase of approximately 13.1% from approximately RMB1,526.4 million as at 31 December 2011 and bills receivable were approximately RMB607.3 million, representing a decrease of approximately 21.3% from approximately RMB771.7 million as at 31 December 2011. The increase was mainly due to that the Group extended the credit period of trade receivables of certain high-quality long-term customers with good reputation. The Group had also established a specific department to carry out the strict control of outstanding receivables and follow up on debt collection to minimise the credit risk.

Cash flow

As compared with the beginning of this year, cash and cash equivalents of the Group increased by approximately RMB371.1 million to approximately RMB848.6 million. The cash and cash equivalents of the Group and time deposits with maturity of three months or more were approximately RMB948.6 million in total.

The cash flow of operating activities of the Group improved significantly during the year. For the year ended 31 December 2012, the net cash inflow of the Group from operating activities was approximately RMB86.3 million (2011: net cash outflow of approximately RMB219.6 million).

For the year ended 31 December 2012, the net cash inflow of the Group from investing activities was approximately RMB237.8 million (2011: net cash inflow of approximately RMB111.7 million).

For the year ended 31 December 2012, the net cash inflow of the Group from financing activities was approximately RMB46.6 million (2011: net cash outflow of approximately RMB157.5 million).

Turnover days

The Group's average turnover days of inventory were approximately 126.8 days in 2012, representing an increase of approximately 35.5 days from 91.3 days in 2011, mainly because more raw materials and finished products were reserved according to the forecast of the management on the future market demand.

The turnover days of trade and bills receivables in 2012 were approximately 236.0 days, representing an increase of approximately 66.0 days from approximately 170.0 days in 2011. Please refer to above paragraph titled "Trade and bills receivables" for the reasons of such increase.

Turnover days of trade and bills payables increased by approximately 33.1 days from approximately 82.2 days in 2011 to approximately 115.3 days in 2012, mainly due to the strengthening of supply chain management by the Group.

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liability (2011: nil).

Capital commitment

As at 31 December 2012, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB396.8 million (31 December 2011: approximately RMB626.3 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.

In order to rapidly upgrade the research and development capability of R&D team, the Group provides R&D team with the opportunities of equipment operation, disassembly and maintenance, so as that employees have a more in-depth understanding of machinery. During the year, the Group strived to input significant human and material resources, thus R&D team can create superior design.

Material acquisition and disposal

For the year ended 31 December 2012, neither the Company nor its subsidiaries had material acquisitions or disposals.

Pledge of assets

As at 31 December 2012, pledged deposits and bills receivable with aggregate value of approximately RMB192.5 million (2011: approximately RMB96.4 million), which were for the purpose of obtaining the banking facility granted to the Group.

Foreign exchange risk

As at 31 December 2012, the Group's cash and bank balances denominated in HK$ and US$ were equivalent to approximately RMB201.1 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. The Group persisted in the principle of "enabling staff's success" by visiting staff with family difficulties and providing them with consolation money and items, while also raised funds for staff requiring assistance and spread love and care to staff who are in need of support.

DIVIDENDS

The Board recommends the payment of a final dividend of HK$6.4 cents per ordinary share for the year ended 31 December 2012. The proposed final dividend, if approved by the shareholders (the "**Shareholders**") in the forthcoming annual general meeting, will be paid in cash on or before Tuesday, 16 July 2013 to the Shareholders whose names appear on the register of members of the Company on Thursday, 4 July 2013.

CORPORATE GOVERNANCE

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and renamed it the Corporate Governance Code (the "New Code"). The New Code took effect on 1 April 2012.

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 following deviations from code provision A.2.1 of both the Old Code and the New Code and code provision A.6.7 of the New Code, during the period from 1 January 2012 to 31 March 2012, the Company has complied with the Old Code and the New Code for the period from 1 April 2012 to 31 December 2012.

1. Code Provision A.2.1

Under Provision A.2.1 of the code provisions of the Old Code and the New Code, the roles of chairman and chief executive officer shall be separated and shall not be performed by the same individual, while the chairman and chief executive officer of the Company shall be two distinct and separate positions. The Board is of the opinion that by appointing Mr. Zhao Xiangzhang to take up both roles of chairman of the Board and chief executive officer can ensure a consistent leadership of the Company which facilitates business decision-making as well as effective and efficient planning and execution of strategies, while ensuring effective supervision on the management. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, as the current Board is formed by experienced and highly qualified professionals (with sufficient number of members serving as independent non-executive Directors) who are capable of assuring the correct balance between the relevant functions and power.

2. Code Provision A.6.7

Under Provision A.6.7 of the code provisions of the New Code, the independent non-executive Directors and non-executive Directors of the Company shall attend general meetings of the Company. Mr. Xiang Wenbo, a non-executive Director of the Company, did not attend the annual general meeting of the Company held on 18 May 2012 due to another prior commitment.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 21 June 2013. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company 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 Tuesday, 18 June 2013 to Friday, 21 June 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on 21 June 2013, 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 Monday, 17 June 2013.

The register of members of the Company will be closed from Friday, 28 June 2013 to Thursday, 4 July 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 27 June 2013.

Subject to Shareholders' approval of the proposed final dividend at the annual general meeting to be held on Friday, 21 June 2013, the relevant dividends will be paid on or before Tuesday, 16 July 2013, to Shareholders whose names appear on the register of members of the Company on 4 July, 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

On 30 July 2012, the Company announced that its Directors had approved a plan to repurchase shares of the Company representing no more than 10% of the issued capital of the Company on the Stock Exchange in cash within the subsequent six months subject to the effectiveness of the repurchase mandate.

For the year ended 31 December 2012, the Company repurchased a total of 7,365,000 shares (2011: nil) on the Stock Exchange at an aggregate consideration of approximately HK$29.5 million (approximately RMB24.1 million) (2011: nil). All the repurchased shares were subsequently cancelled. Particulars of the repurchases are as follows:

Month	Number of ordinary shares repurchased	Purchase price per share		Aggregate consideration paid	
		Highest	Lowest		
		HK$	*HK$*	*HK$ million*	*RMB million*
August 2012	2,700,000	4.39	4.19	11.7	9.5
September 2012	4,665,000	3.99	3.67	17.8	14.6
Total	7,365,000			29.5	24.1

Except as disclosed above, during the year ended 31 December 2012, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Group's listed securities.

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 have complied with the Model Code for the year ended 31 December 2012.

AUDIT COMMITTEE

The 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 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 experience in accounting matters, was appointed as the chairman of the Audit Committee.

The Audit Committee has reviewed the consolidated financial statements of the Group for the full year ended 31 December 2012, including the accounting principles and standard practices adopted by the Group and selection and appointment of the external auditors.

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 2012.

PUBLICATION OF INFORMATION ON THE WEBSITES

The annual report of the Company for the year ended 31 December 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 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
Zhao Xiangzhang
Chairman

Hong Kong, 25 February 2013

As at the date of this announcement, the executive Directors are Mr. Zhao Xiangzhang, Mr. Mao Zhongwu, Mr. Kuang Canghao, Mr. Huang Xiangyang and Mr. Liu Weili, the non-executive Director is Mr. Xiang Wenbo, and the independent non-executive Directors are Dr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung.