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 2013

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 2013. 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 SUMMARY

- For the six months ended 30 June 2013, the sales revenue decreased by approximately 29.1% to approximately RMB1,663.2 million as compared to the six months ended 30 June 2012 albeit increased by approximately 28.4% from approximately RMB1,295.6 million for the second half year of 2012. The main reasons for the change were that: (1) the coal mining machinery manufacturing industry is still as challenging as that in the first half year of 2012, but some pickup was seen as compared to the most sluggish time in the second half year of 2012; (2) with more mature technology of combined coal mining unit ("CCMU"), the Group made significant improvements in its credibility and efficiency; and with products widely recognized by clients, sales revenue of CCMU increased approximately 33.4% as compared to the second half year of 2012; and (3) the revenue performance of the Group's off-highway mining truck was outstanding and the sales revenue of off-highway mining truck reached approximately RMB116.5 million, which was one of the profit driving force for the Group. Net profit amounted to approximately RMB295.1 million, decreased by approximately 39.2% as compared to the six months ended 30 June 2012 while significantly increased as compared to approximately RMB15.0 million in the second half year of 2012.

- For the six months ended 30 June 2013, the cost of sales of the Group decreased by approximately 26.3% to approximately RMB1,026.9 million as compared with the same period in 2012 (six months ended 30 June 2012: approximately RMB1,393.3 million). Especially, the cost of combined coal mining unit decreased significantly attributable to the cost control measures.

- In the first half year of 2013, the Group's profit margin before tax improved significantly as compared with the second half year of 2012. For the six months ended 30 June 2013, the Group's profit margin before tax was approximately 19.9%, representing a decrease of approximately 4.3 percent points as compared with the same period in 2012 and an increase of approximately 18.0 percentage points as compared with the second half year of 2012.

- The capital structure of the Group has been healthy compared to other competitors in the industry. As of 30 June 2013, current assets of the Group were approximately RMB5,199.3 million. As of 30 June 2013, current liabilities of the Group were approximately RMB2,197.5 million.

- As of 30 June 2013, total assets of the Group were approximately RMB8,468.6 million (as of 31 December 2012: approximately RMB7,979.2 million), total liabilities were approximately RMB2,654.2 million (as of 31 December 2012: approximately RMB2,283.6 million); and the asset-liability ratio was approximately 31.3% as of 30 June 2013.

- The cash position of the Group has always been strong. As at 30 June 2013, the cash and cash equivalents, investment deposits and time deposits with maturity of three months or more were approximately RMB656.2 million.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2013

	Notes	Six months ended 30 June **2013** *RMB'000* (Unaudited)	2012 *RMB'000* (Unaudited)
REVENUE	*4*	**1,663,239**	2,345,145
Cost of sales		**(1,026,884)**	(1,393,325)
Gross profit		**636,355**	951,820
Other income and gains	*4*	**98,147**	115,523
Selling and distribution expenses		**(216,971)**	(307,486)
Administrative expenses		**(175,976)**	(167,153)
Other operating expenses		**(5,370)**	(23,924)
Operating profit		**336,185**	568,780
Finance costs	*6*	**(5,551)**	(663)
Profit before tax	*5*	**330,634**	568,117
Income tax expense	*7*	**(35,528)**	(83,078)
PROFIT FOR THE PERIOD		**295,106**	485,039
Attributable to:			
Owners of the parent		**295,064**	484,121
Non-controlling interests		**42**	918
		295,106	485,039
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*9*	**0.10**	0.16
Diluted (RMB)	*9*	**0.10**	0.16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**295,106**	485,039
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net gain/(loss) on available-for-sale investments	**95,145**	(90,492)
Income tax effect	**(15,699)**	14,931
	79,446	(75,561)
Exchange differences on translation of foreign operations	**472**	916
Net other comprehensive income to be reclassified to profit or loss in subsequent period	**79,918**	(74,645)
OTHER COMPREHENSIVE INCOME, NET OF TAX	**79,918**	(74,645)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**375,024**	410,394
Attributable to:		
Owners of the parent	**374,982**	409,476
Non-controlling interests	**42**	918
	375,024	410,394

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	**30 June 2013** *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,291,244**	2,233,706
Prepaid land lease payments		**495,835**	501,271
Intangible assets		**114,697**	127,951
Available-for-sale investments		**10,636**	106,552
Non-current prepayments		**209,850**	226,057
Deferred tax assets		**147,054**	175,249
Total non-current assets		**3,269,316**	3,370,786
CURRENT ASSETS			
Inventories	*10*	**1,005,990**	859,988
Trade receivables	*11*	**2,389,577**	1,726,624
Bills receivable	*11*	**505,889**	607,338
Prepayments, deposits and other receivables		**369,612**	372,268
Due from immediate holding company		**187,375**	—
Investment deposits		**310,000**	—
Time deposits		**146,934**	100,000
Pledged deposits		**84,663**	93,640
Cash and cash equivalents		**199,280**	848,578
Total current assets		**5,199,320**	4,608,436

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payable	*12*	**1,049,611**	723,133
Other payables and accruals		**675,430**	703,830
Interest-bearing bank borrowings		**185,198**	188,523
Dividend payable		**156,571**	—
Tax payable		**81,898**	124,943
Provision for warranties		**32,188**	50,779
Government grants		**16,650**	18,288
Total current liabilities		**2,197,546**	1,809,496
NET CURRENT ASSETS		**3,001,774**	2,798,940
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,271,090**	6,169,726
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,494**	16,114
Government grants		**452,186**	457,954
Total non-current liabilities		**456,680**	474,068
Net assets		**5,814,410**	5,695,658
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*13*	**266,773**	269,509
Reserves		**5,480,813**	5,198,228
Proposed dividend	*8*	—	161,139
		5,747,586	5,628,876
Non-controlling interests		**66,824**	66,782
Total equity		**5,814,410**	5,695,658

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"), mining transport equipment (including underground and surface), spare parts and service in Mainland China.

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

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2013 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 2012.

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 2012, 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 IFRS1 *Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 – *Presentation of Items of Other Comprehensive Income*
IAS 19 (Revised)	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC Interpretation 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements Project	*Annual Improvements to IFRSs 2009 – 2011 Cycle*

The adoption of these new and revised IFRSs did not have any significant effect on the financial position or performance of the Group.

3. Operating Segment Information

During the six months ended 30 June 2013, the Group is principally engaged in the manufacture and sale of the heavy equipment including roadheader, CCMU, mining transport equipment (including underground and surface), spare parts and service. 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 RMB430,776,000 (six months ended 30 June 2012: approximately RMB553,651,000) 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:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**1,638,024**	2,329,454
Rendering of services	**25,215**	15,691
	1,663,239	2,345,145
Other income and gains		
Interest income	**9,219**	7,467
Profit from sale of scrap materials	**21,397**	45,657
Government grants	**65,795**	59,636
Others	**1,736**	2,763
	98,147	115,523

5. Profit before Tax

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**1,009,292**	1,384,148
Cost of services provided	**17,592**	9,177
Depreciation	**62,254**	53,120
Amortisation of land lease prepayments	**5,436**	5,455
Amortisation of intangible assets	**13,254**	591
Auditors' remuneration	**1,000**	1,200
Provision for warranties, net*	**974**	26,388
Research and development costs**	**82,891**	52,195
Minimum lease payments under operating leases:		
Dormitories for staff	**455**	239
Warehouses	**1,945**	2,740
Office equipment	**177**	—
	2,577	2,979
Employee benefit expenses:		
Wages and salaries	**127,534**	145,821
Share-based payment	**1,171**	—
Pension scheme contributions	**17,277**	17,145
Other staff welfare	**10,579**	11,907
	156,561	174,873
Foreign exchange differences, net***	**702**	7,239
Impairment of trade receivables***	**4,098**	14,941
Impairment of other receivables***	**233**	—
Write-down/(write-back) of inventories to net realisable value#	**(2,718)**	21,544
Loss on disposal of items of property, plant and equipment***	**337**	1,744

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

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

*** *Included in "Other operating 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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on discounted bills	**3,376**	—
Interest on interest-bearing bank borrowings	**2,109**	—
Interest on documentary bills	**66**	663
	5,551	663

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 2013.

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 2013.

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**34,598**	119,973
Deferred	**930**	(36,895)
Total tax charge for the period	**35,528**	83,078

8. Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 2013 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,086,611,744 (six months ended 30 June 2012: 3,112,500,000) in issue during the period, as adjusted to reflect the repurchase of 33,863,000 issued shares during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2013 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

10. Inventories

	30 June 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Raw materials	**465,906**	336,902
Work in progress	**219,608**	180,936
Finished goods	**327,421**	355,712
	1,012,935	873,550
Less: Provision	**(6,945)**	(13,562)
	1,005,990	859,988

11. Trade and Bills Receivable

	30 June 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Trade receivables	**2,435,136**	1,768,701
Less: Impairment	**(45,559)**	(42,077)
Trade receivables, net	**2,389,577**	1,726,624
Bills receivable	**505,889**	607,338

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, is as follows:

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 60 days	**1,513,593**	786,605
61 to 90 days	**118,259**	189,436
91 to 180 days	**199,025**	189,547
181 to 365 days	**250,119**	373,127
Over 365 days	**308,581**	187,909
	2,389,577	1,726,624

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

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January 2013/1 January 2012	**42,077**	34,121
Impairment losses recognised	**4,098**	11,587
Write-off	**(616)**	(3,631)
At 30 June 2013/31 December 2012	**45,559**	42,077

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

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**2,047,168**	1,548,490
Past due but not impaired:		
Within 180 days past due	**237,004**	137,055
181 to 365 days past due	**77,207**	33,528
Over 365 days past due	**28,198**	7,551
Total	**2,389,577**	1,726,624

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

The trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors 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:

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**314,034**	462,508
Over 6 months	**191,855**	144,830
	505,889	607,338

Included in the bills receivable was an amount of approximately RMB10,000,000 (31 December 2012: approximately RMB98,813,000) which was pledged to secure the issuance of bills payable.

Included in the bills receivable was an amount of RMB1,500,000 as at 30 June 2013 (31 December 2012: RMB9,000,000) received from a fellow subsidiary.

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 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**357,750**	194,859
31 to 90 days	**438,723**	181,633
91 to 180 days	**199,490**	161,383
181 to 365 days	**41,792**	172,467
Over 365 days	**11,856**	12,791
	1,049,611	723,133

Included in the trade and bills payable was an amount of RMB85,035,000 as at 30 June 2013 (31 December 2012: RMB4,100,000) payable to fellow subsidiaries for purchasing raw materials by the Group.

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 210 days.

13. Share Capital

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
Authorised:		
5,000,000,000 ordinary shares (31 December 2012: 5,000,000,000 ordinary shares) of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
3,071,272,000 ordinary shares (31 December 2012: 3,105,135,000 ordinary shares) of HK$0.10 each	**307,127**	310,514
Equivalent to RMB'000	**266,773**	269,509

In March 2013, the Company repurchased a total of 33,863,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited in cash consideration of HK$121,353,000 (equivalent to RMB98,061,000). The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK$3,386,000 (equivalent to RMB2,736,000) was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$117,967,000 (equivalent to RMB95,325,000) was charged to share premium.

14. Commitments

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

	30 June 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Contracted, but not provided for:		
Prepaid land lease payments	**—**	699
Buildings	**250,068**	251,423
Plant and machinery	**114,610**	144,718
	364,678	396,840

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2013, the sales revenue of the Group decreased by approximately 29.1% to approximately RMB1,663.2 million as compared to the six months ended 30 June 2012 albeit increased by approximately 28.4% from approximately RMB1,295.6 million for the second half year of 2012. The main reasons for the change were that: (1) the coal mining machinery manufacturing industry is still as challenging as that in the first half year of 2012, but some pickup was seen as compared to the most sluggish time in the second half year of 2012; (2) with more mature technology of CCMU the Group made significant improvements in its credibility and efficiency; and with products widely recognized by clients, sales revenue of CCMU increased approximately 33.4% as compared to the second half year of 2012; and (3) the revenue performance of the Group's off-highway mining truck was outstanding and the sales revenue of off-highway mining truck reached approximately RMB116.5 million, which was one of the profit driving force for the Group. Net profit amounted to approximately RMB295.1 million, decreased by approximately 39.2% as compared to the six months ended 30 June 2012 while significantly increased as compared to the net profit of approximately RMB15.0 million in the second half year of 2012.

BUSINESS REVIEW AND PROSPECTS

Major products

The products of the Group can primarily be categorized into roadheader, CCMU, coal mine transportation vehicle (including underground and surface), spare parts and services. The roadheader includes all types 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.

Development of new products

By virtue of its strong research and development ("R&D") ability, the group launched various new original products in view of market demands and actively expanded towards the non coal-related business. Through innovation, the Group successfully launched mining trucks and potash mining equipment as well as piloted the use of roadheaders in tunnel digging in certain regions during the period under review. These were highly recognized by clients and set a new direction for the development of excavation and mining equipment for the Group. Meanwhile, the R&D team of the Group is developing electric shovels, which will become a breakthrough for the Group in leading the development of the industry. The launch of new products will enable the Group to withstand the risk of a weakening market demand in coal mining machineries while bringing in new source of profit growth for the Group.

Research and development capability

The Group considered research and development as one of its most important strength. Through development and deployment of international leading technological resources, it is committed to establish a competitive research and development team so as to offer customers products that are of higher quality at a reasonable price. In the first half year of 2013, the Group launched light intelligent remote hydraulic support system – a revolutionary breakthrough in its hydraulic support products. The machine, which is significantly lighter than standard hydraulic support products, utilizes high strength steel plates and fully automated remote control which contributes to higher safety factor and efficiency. The Group successfully produced 400B coal mining machinery for thin coal seams. Jointly developed by Chinese and German R&D specialists of the Group, it is the coal mining machinery with the highest cutting power, lowest mining height, shortest machine length and highest automation level in China, as well as the first advance machinery with one on one inverter controllers. The Group successfully produced the 3rd generation roadheader with various new technologies incorporated into the product, such as the method of remote control and voice warning message etc, with a level of intelligent technology which is industry leading. Meanwhile, the production of SGZ630/400 scraper conveyors, the launch of ML400 continuous coal mining machine and prototype of SC20 shuttle cars all laid a solid foundation for the future performance of the Group.

During the first half year of 2013, the Group applied for 72 national patents, of which 32 items were patented inventions. The Group is reaching a new record high in pace with one patent application every 60 hours and one application for patented invention every 135 hours, becoming a role model for the industry.

Production and manufacturing

Currently, eight plants of the Group in the new industrial park located in the Economic and Technological Development Zone of Shenyang City with a total area of 629,000 sq.m. have successively completed. The Group focused on enhancement of processing technology and assembly technology in both the new and old industrial park with a view to further lower production cost and to enhance efficiency and product quality. The Group introduced the most advanced KUKA welding robots and Fronius twin-wire welding torch for welding main components of coal excavation and mining equipment. Not only did this ensure their stability in quality, but also significantly improved productivity. At the same time, the Group challenged conventional practices in the coal excavation and mining equipment manufacturing industry and assembled power boosting robotic arms into coal excavation and mining equipment. This greatly reduced labour intensiveness, enhanced the safety of operation as well as improved product quality.

The testing plant in the new industrial park has commenced operation. Various large test beds and laboratories, including a 1500KW high power test bed, outdoor testing site for roadheader, integrated test bed for scrapper conveyor, loading test bed for hydraulic servo, test bed for single geared cutting etc, have completed construction and commenced operation. All these testing facilities are of the highest standard in the industry which will guarantee the credibility of products from the Group.

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 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 six months ended 30 June 2013, the Group recorded revenue of approximately RMB1,663.2 million, representing a decline of approximately 29.1% over the same period in 2012 but an increase of approximately 28.4% as compared to approximately RMB1,295.6 million in the second half year of 2012. The main reasons for the change were that: (1) the coal mining machinery manufacturing industry is still as challenging as that in the first half year of 2012, but some pickup was seen as compared to the most sluggish time in the second half year of 2012; (2) with more mature technology of CCMU, the Group made significant improvements in its credibility and efficiency; and with products widely recognized by clients, sales revenue of CCMU increased approximately 33.4% as compared to the second half year of 2012; and (3) the revenue performance of the Group's off-highway mining truck was outstanding and the sales revenue of off-highway mining truck reached approximately RMB116.5 million, which was one of the profit driving force for the Group.

Other income and gains

For the six months ended 30 June 2013, the Group's other income and gains was approximately RMB98.1 million (six months ended 30 June 2012: approximately RMB115.5 million), representing a decrease of approximately 15.1%, mainly comprising of the government subsidy obtained for R&D and the profit from sales of scrap materials.

Cost of sales

For the six months ended 30 June 2013, the Group's cost of sales decreased to approximately RMB1,026.9 million (six months ended 30 June 2012: approximately RMB1,393.3 million) representing a decrease of approximately 26.3% over the same period in 2012. Especially, the cost of combined coal mining unit decreased significantly attributable to the cost control measures.

Gross profit and gross margin

For the six months ended 30 June 2013, the Group's gross margin was approximately 38.3%, slightly decreased by approximately 2.3 percentage points as compared to the same period in 2012. Such decrease was mainly due to further increase of the proportion of revenue of CCMU, with a gross margin lower than that of traditional roadheader products, to total revenue. Gross margin in the first half year of 2013 was approximately 38.3%, significantly increased around 9.2 percentage points as compared to approximately 29.1% recorded for the gross margin in the second half year of 2012, mainly due to the reduction of production cost through improvements in processing technology and production process, as well as further reduction on production cost for CCMU via the use of alternative raw materials.

Profit margin before tax

For the six months ended 30 June 2013, the Group's profit margin before tax was approximately 19.9% which decreased approximately 4.3 percentage points as compared to the corresponding period in 2012; which represented an increase of around 18.0 percentage points as compared with that of the second half year of 2012. The Group's profit margin before tax improved significantly in the first half year of 2013 as compared to the second half year of 2012.

Selling and distribution expenses

For the six months ended 30 June 2013, the selling and distribution expenses were approximately RMB217.0 million (six months ended 30 June 2012: approximately RMB307.5 million), representing a decrease of approximately 29.4% over the same period in 2012. For the six months ended 30 June 2013, the ratio of the Group's selling and distribution expenses to revenue was approximately 13.0%, basically remained the same as compared to the same period in 2012 (six months ended 30 June 2012: approximately 13.1%).

Research and development expenses

For the six months ended 30 June 2013, research and development expenses of the Group were approximately RMB82.9 million, and its ratio to revenue was approximately 5.0%, representing an increase of approximately 2.8 percentage points from approximately 2.2% in the corresponding period in year 2012. The research and development expenses were primarily for the expansion and acceleration of R&D on CCMU and non-coal product development to cope with the adverse market environment.

Other administrative expenses

For the six months ended 30 June 2013, the Group's administrative expenses excluding research and development expenses was approximately RMB93.1 million, representing a decrease of approximately 19.0% from that of the corresponding period in 2012. The decrease was mainly due to the strengthening of Group's control over its administrative expenses.

Finance costs

For the six months ended 30 June 2013, the Group's finance costs was approximately RMB5.6 million (six months ended 30 June 2012: approximately RMB0.7 million), mainly due to bank loans taken out by the Group during the period under review.

Taxation

For the six months ended 30 June 2013, the Group's effective tax rate was approximately 10.7% (six months ended 30 June 2012: effective tax rate was 14.6%). The income tax decreased from approximately RMB83.1 million for the six months ended 30 June 2012 to approximately RMB35.5 million for the six months ended 30 June 2013, of which the current income tax was approximately

RMB34.6 million (six months ended 30 June 2012: approximately RMB120.0 million) and deferred income tax was approximately RMB0.9 million (six months ended 30 June 2012: RMB36.9 million). The decrease in effective tax rate was mainly due to the tax refund received in the review period.

Profit attributable to owners of the parent

For the six months ended 30 June 2013, the Group's profit attributable to owners of the parent decreased to approximately RMB295.1 million (six months ended 30 June 2012: approximately RMB484.1 million), representing a decrease of approximately 39.0%, while the profit attributable to owners of the parent had a substantial growth as compared with that of the second half year of 2012, amounted to approximately RMB15.4 million.

Liquidity and financial resources

The capital structure of the Group has been healthy compared to other competitors in the industry. As of 30 June 2013, current assets of the Group were approximately RMB5,199.3 million. As of 30 June 2013, current liabilities of the Group were approximately RMB2,197.5 million.

As of 30 June 2013, total assets of the Group were approximately RMB8,468.6 million (as of 31 December 2012: approximately RMB7,979.2 million); total liabilities were approximately RMB2,654.2 million (as of 31 December 2012: approximately RMB2,283.6 million); and the gearing ratio was approximately 31.3% as of 30 June 2013.

As of 30 June 2013, the Group had only a small amount of bank borrowings and had a large amount of credit facility at banks that had not been utilized.

Trade and bills receivables

The Group's trade receivables and bills receivable as of 30 June 2013 recorded a slight increase of approximately 3.9% to RMB2,895.5 million as compared to the corresponding period of 2012. The increase was mainly due to the ratio of sales of CCMU and new products to overall sales revenue increasing to approximately 35.3%, representing an increase of approximately 10.2 percentage points compared to that of the corresponding period of 2012; and the debt collection period of combined coal mining unit and new products is longer that than of roadheader products. The Group has established risk control department to follow up on outstanding receivables, and set up overdue loan responsibility system, to closely monitor debt collection. The Group has consistently maintained the most stringent assessment criteria of the customers' credit standings so as to minimize the amount of bad debt.

Cash flow

The cash position of the Group has always been strong. As of 30 June 2013, the cash and cash equivalents, investment deposits and time deposits with maturity of three months or more were approximately RMB656.2 million.

The cash flow of operating activities improved slightly in the first half year of 2013. For the six months ended 30 June 2013, the net cash outflow from operating activities was approximately RMB141.6 million (six months ended 30 June 2012: the net cash outflow from operating activities was approximately RMB147.0 million).

For the six months ended 30 June 2013, the net cash outflow from investing activities was approximately RMB411.0 million (six months ended 30 June 2012: the net cash inflow from investing activities was approximately RMB228.2 million). The net cash outflow from investing activities was mainly for (1) the Group's capital expenditure amounted to approximately RMB63.2 million, representing a significant decrease as compared to approximately RMB525.8 million in the same period of 2012; and (2) the purchase of short-term financial products of approximately RMB310.0 million (in the corresponding period in 2012, a short-term financial products of approximately RMB535.7 million matured).

The Group maintained a low level of expenses of the net cash from financing activities in the first half year of 2013. For the six months ended 30 June 2013, the net cash outflow from financing activities was approximately RMB94.6 million (six months ended 30 June 2012: the net cash outflow from financing activities was approximately RMB139.7 million), and mainly for the repurchase of the Company shares.

Turnover days

During the review period, the turnover days of the inventory of the Group recorded an increase from approximately 115.4 days as of 30 June 2012 to approximately 165.3 days as of 30 June 2013. Such increase was mainly due to the rapid expansion of the production scale of CCMU and more reserves of the Group's raw material for the growing market demand in the future.

The turnover days of trade and bills receivables as of 30 June 2013 were approximately 287.7 days, representing an increase from approximately 201.0 days in the same period of 2012. Please refer to above paragraph titled "Trade and bills receivables" for the reasons of such increase.

As of 30 June 2013, 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 increased from approximately 111.1 days as of 30 June 2012 to approximately 157.5 days as of 30 June 2013.

During the review period, operation days of the Group increased from approximately 205.3 days as of 30 June 2012 to approximately 295.5 days as of 30 June 2013.

Contingent liabilities

As of 30 June 2013, the Group had no material contingent liabilities.

Capital commitment

As of 30 June 2013, the contracted or authorised but not contracted capital commitments of the Group which are not provided in the financial statements were approximately RMB364.7 million (31 December 2012: approximately RMB396.8 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 regular internal training, external training and correspondence courses for its staff according to their seniority with an aim to enhance their relevant skills as well as strengthen their loyalty to the Group. The Group focuses on trainings for strengthening research and development, marketing, servicing and manufacturing personnel, including specially formulated training program for hundreds of core R&D personnel, marketing and servicing training program, and international technical support training program, to strengthen the development of the Company's core R&D and marketing personnel.

Material acquisition and disposal

For the six months ended 30 June 2013, neither the Company nor its subsidiaries had material acquisitions or disposals.

Pledge of assets

As at 30 June 2013, the Group's pledged deposits and pledged bills with aggregate value of approximately RMB84.7 million (as at 31 December 2012: approximately RMB192.5 million), which were pledged for the purpose of obtaining the banking facility granted to the Group.

Foreign exchange risk

As at 30 June 2013, the Group's cash and bank balances denominated in HK$ and US$ were equivalent to approximately RMB60.0 million, and bank borrowings denominated in US$ amounted to approximately RMB185.2 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 contributions to economic and social development of the PRC. On 20 April 2013, a 7.0 magnitude earthquake occurred in Ya'an, Sichuan. The Group and its affiliate Sany Group Limited arrived the stricken area immediately to assist with the rescue. Meanwhile, the Group also treats the development of teenagers and children with utmost importance. On 22 June 2013, the Group's formed a team of volunteers who 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 "helping employee to 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.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

Except for the code provision A.2.1, the Company has complied with the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from 1 January 2013 to 30 June 2013. In accordance with code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Further, the division of responsibilities between the chairman and chief executive officer should be clearly established. The Board considers vesting the role of both the chairman of the Board and the managing Director in Mr. Zhao provides the Company with consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies. 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 Board comprises of experienced and quality calibers (including sufficient number of independent non-executive Director), balance between duty and right can be assured.

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 2013.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely 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 2013.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the six months ended 30 June 2013 the Company repurchased 33,863,000 shares through the Stock Exchange (six months ended 30 June 2012: nil) at a total amount of approximately HK$120.9 million (approximately RMB97.7 million) (six months ended 30 June 2012: nil). Such shares have been cancelled afterwards. Details of repurchase are as follows:

Month of repurchase	Number of ordinary share repurchased	Purchasing price for each share		Total amount of payment (excluding service charge)	
		Highest	**Lowest**		
		HK$	*HK$*	*HK$ Million*	*RMB Million*
March 2013	33,863,000	3.70	3.22	120.9	97.7

Save as disclosed above, for the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company.

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 2013.

PUBLICATION OF INFORMATION ON THE WEBSITES

The interim report of the Company for the six months ended 30 June 2013 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 www. sanyhe.com in due course.

By the Order of the Board
Sany Heavy Equipment International Holdings Company Limited
Zhao Xiangzhang
Chairman

Hong Kong, 27 August 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.