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 2014

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 2014. 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

- In the first half of 2014, the market of coal mining machines remained gloomy without any signs of recovery. While encountering challenges for the industry, the Group actively geared up its business transformation by introducing a series of non-coal products. During the period under review, the Company actively expanded its business into non-coal energy equipment sector with gas station as its penetration into the natural gas machinery sector, and successfully launched prototype for bulky sale in this year. Meanwhile, the non-coal mining transport equipment realized sales revenue of approximately RMB237.7 million, accounting for approximately 16.5% to the total sales revenue for the six months ended 30 June 2014. The spare parts and service realized sales revenue of approximately RMB288.8 million, accounting for approximately 20% to the total sales revenue. The business transformation strategy of the Group has achieved initial success. In addition, in order to meet the development needs of the Company, our park originally located in Yansaihu will be relocated to Xihe. The Company has entered into an agreement with the local government, pursuant to which, the land parcel of 215,000 sq.m. that originally located in Yansaihu will be repurchased by the local government at the market price which will generate a non-recurring income of approximately RMB605 million.

- For the six months ended 30 June 2014, the selling and distribution expenses decreased by approximately 24.4% to approximately RMB163.9 million as compared with the same period of 2013 (six months ended 30 June 2013: approximately RMB217.0 million). For the six months ended 30 June 2014, the ratio of the Group's selling and distribution costs to revenue decreased by approximately 1.7 percent point to approximately 11.3% as compared to the same period in 2013 (six months ended 30 June 2013: approximately 13.0%). The decrease was mainly due to the substantial decrease in marketing expenses resulting from the control of selling expenses.

- For the six months ended 30 June 2014, the R&D expenses of the Group were approximately RMB73.6 million (six months ended 30 June 2013: approximately RMB82.9 million). In the first half of 2014, the ratio of R&D expenses to revenue was approximately 5.1%, which was close to the ratio of approximately 5.0% in the corresponding period of 2013. The R&D expenses were mainly used for the non-coal energy equipment, particularly the development of natural gas machinery and constant upgrade of CCMU in order to cope with the sluggish market.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**1,444,328**	1,663,239
Cost of sales		**(895,176)**	(1,026,884)
Gross profit		**549,152**	636,355
Other income and gains	*4*	**98,082**	98,147
Selling and distribution expenses		**(163,925)**	(216,971)
Administrative expenses		**(162,783)**	(175,976)
Other operating expenses		**(61,952)**	(5,370)
Operating profit		**258,574**	336,185
Finance costs	*6*	**(14,386)**	(5,551)
Profit before tax	*5*	**244,188**	330,634
Income tax expense	*7*	**(37,607)**	(35,528)
PROFIT FOR THE PERIOD		**206,581**	295,106
Attributable to:			
Owners of the parent		**203,285**	295,064
Non-controlling interests		**3,296**	42
		206,581	295,106
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*9*	**0.07**	0.10
Diluted (RMB)	*9*	**0.07**	0.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**206,581**	295,106
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net gain on available-for-sale investments	–	95,145
Income tax effect	–	(15,699)
	–	79,446
Exchange differences on translation of foreign operations	**524**	472
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**524**	79,918
OTHER COMPREHENSIVE INCOME, NET OF TAX	**524**	79,918
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**207,105**	375,024
Attributable to:		
Owners of the parent	**203,809**	374,982
Non-controlling interests	**3,296**	42
	207,105	375,024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,175,092**	2,151,073
Prepaid land lease payments		**460,387**	466,145
Intangible assets		**88,881**	101,789
Available-for-sale investment		**10,636**	10,636
Non-current prepayments		**207,100**	209,647
Deferred tax assets		**160,657**	159,456
Total non-current assets		**3,102,753**	3,098,746
CURRENT ASSETS			
Inventories	*10*	**883,510**	691,337
Trade receivables	*11*	**3,387,943**	2,715,876
Bills receivable	*11*	**369,660**	659,198
Prepayments, deposits and other receivables		**401,082**	287,746
Due from immediate holding company		–	184,947
Investment deposits		**300,000**	300,000
Time deposits		–	126,934
Pledged deposits		**47,916**	106,757
Cash and cash equivalents		**352,879**	330,404
		5,742,990	5,403,199
Non-current assets classified as held for sale		**210,706**	210,706
Total current assets		**5,953,696**	5,613,905

	Notes	**30 June 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade and bills payable	*12*	**1,220,698**	867,681
Other payables and accruals		**761,145**	749,811
Interest-bearing bank borrowings		**448,967**	676,974
Tax payable		**110,581**	83,991
Provision for warranties		**48,017**	43,682
Government grants		**15,561**	19,980
Total current liabilities		**2,604,969**	2,442,119
NET CURRENT ASSETS		**3,348,727**	3,171,786
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,451,480**	6,270,532
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**8,392**	5,343
Government grants		**406,532**	437,686
Total non-current liabilities		**414,924**	443,029
Net assets		**6,036,556**	5,827,503
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*13*	**264,366**	264,366
Reserves		**5,700,141**	5,494,384
		5,964,507	5,758,750
Non-controlling interests		**72,049**	68,753
Total equity		**6,036,556**	5,827,503

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 No.25, 16 Kaifa Road, 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 ("BVI"), respectively.

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2014 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 2013.

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 2013, 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 10, IFRS 12 and IAS27 Amendments	Amendments to IFRS 10, IFRS 12 and IAS27 – *Investment entities*
IAS32 Amendments	Amendments to IAS32 – *Offsetting Financial Assets and Financial Liabilities*
IAS36 Amendments	Amendments to IAS36 – *Recoverable amount disclosures for non-financial assets*
IAS39 Amendments	Amendments to IAS39 – *Novation of derivatives and continuation of hedge accounting*
IFRIC 21	IFRIC 21 – *Levies*

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

2.3 Issued But not Yet Effective IFRSs

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

IFRS 9	*Financial Instruments*[4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[4]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[1]
IFRS 14	*Regulatory Deferred Accounts*[3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments*: *Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements Project	*Annual Improvements to HKFRSs 2010-2012 Cycle*[2] *Annual Improvements to HKFRSs 2011-2013 Cycle*[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

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

3. Operating Segment Information

During the six months ended 30 June 2014, 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 RMB351,164,000 (six months ended 30 June 2013: approximately RMB430,776,000) 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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**1,423,571**	1,638,024
Rendering of services	**20,757**	25,215
	1,444,328	1,663,239
Other income and gains		
Interest income	**9,547**	9,219
Profit from sale of scrap materials	**16,056**	21,397
Government grants	**66,519**	65,795
Others	**5,960**	1,736
	98,082	98,147

5. Profit before Tax

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**879,782**	1,009,292
Cost of services provided	**15,394**	17,592
Depreciation	**51,284**	62,254
Amortisation of land lease prepayments	**5,758**	5,436
Amortisation of intangible assets	**12,908**	13,254
Auditors' remuneration	**980**	1,000
Provision for warranties, net*	**17,227**	974
Research and development costs**	**73,605**	82,891
Minimum lease payments under operating leases:		
Dormitories for staff	**38**	455
Warehouses	**2,024**	1,945
Office equipment	**–**	177
	2,062	2,577
Employee benefit expenses:		
Wages and salaries	**124,647**	127,534
Share-based payment	**1,948**	1,171
Pension scheme contributions	**15,403**	17,277
Other staff welfare	**7,597**	10,579
	149,595	156,561
Foreign exchange differences, net***	**1,266**	702
Impairment of trade receivables***	**60,459**	4,098
Impairment of other receivables***	**–**	233
Write-down/(write-back) of inventories to net realisable value#	**3,197**	(2,718)
Loss on disposal of items of property, plant and equipment***	**227**	337

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

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

*** *Included in "Other operating expenses" in the interim condensed consolidated statement of profit or loss.*

\# *Included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.*

6. Finance Costs

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on discounted bills	**503**	3,376
Interest on interest-bearing bank borrowings	**13,350**	2,109
Interest on documentary bills	**533**	66
	14,386	5,551

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 2014. The Group's principal operating company, Sany Heavy Equipment Co., Ltd. (三一重型裝備有限公司) prepaid CIT at a rate of 15% for the period ended 30 June 2014 as Sany Heavy Equipment Co., Ltd. has applied for the reexamination of the high technology enterprise accreditation.

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**35,759**	34,598
Deferred	**1,848**	930
Total tax charge for the period	**37,607**	35,528

8. Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2014 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (six months ended 30 June 2013: 3,086,611,744) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2014 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 2014 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 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**451,854**	336,013
Work in progress	**167,157**	117,079
Finished goods	**276,881**	248,243
	895,892	701,335
Provision	**(12,382)**	(9,998)
	883,510	691,337

11. **Trade and Bills Receivable**

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**3,531,380**	2,799,257
Impairment	**(143,437)**	(83,381)
Trade receivables, net	**3,387,943**	2,715,876
Bills receivable	**369,660**	659,198

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. At 30 June 2014, the Group had certain concentrations of credit risk as 32% (2013: 32%) of the Group's trade receivables were due from the Group's largest customer, including a group of entities which are known to be under common control with that customer. 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 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 60 days	**760,360**	659,430
61 to 90 days	**230,290**	308,090
91 to 180 days	**415,819**	693,590
181 to 365 days	**1,250,259**	874,202
Over 365 days	**731,215**	180,564
	3,387,943	2,715,876

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**83,381**	42,077
Impairment losses recognised	**88,914**	73,226
Impairment losses reversed	**(28,455)**	(30,605)
Amount written off as uncollectible	**(403)**	(1,317)
At 30 June 2014/31 December 2013	**143,437**	83,381

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**3,023,823**	2,523,841
Past due but not impaired:		
Within 180 days past due	**257,128**	89,455
181 to 365 days past due	**58,998**	63,046
Over 365 days past due	**47,994**	39,534
Total	**3,387,943**	2,715,876

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 2014 *RMB'000* (Unaudited)	31 December 2013 *RMB'000* (Audited)
Within 6 months	**301,506**	548,494
Over 6 months	**68,154**	110,704
	369,660	659,198

Included in the balances of bills receivable are amounts of approximately RMB89,804,000 as at 30 June 2014 (31 December 2013: RMB10,840,000) which was pledged to secure the issuance of bills payable.

Included in the bills receivable was an amount of RMB78,435,000 as at 30 June 2014 (31 December 2013: RMB26,400,000) endorsed to a fellow subsidiary for purchasing raw materials by the group.

Transfer of financial assets that are not derecognised in their entirety

At 30 June 2014, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "Endorsed Bills") with a carrying amount of RMB78,435,000 (31 December 2013: RMB17,202,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group retained substantial risks and rewards, which include default risks, relating to those Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB78,435,000 (31 December 2013: RMB17,202,000) as at 30 June 2014.

Transfer of financial assets that are derecognised in their entirety

At 30 June 2014, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB249,810,000 (31 December 2013: RMB133,433,000). The Derecognised Bills had a maturity of one to six months as at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default payments (the "Continuing Involvement"). In the opinion of the directors, as at 30 June 2014 the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the non-discounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

12. Trade and Bills 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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 30 days	**295,610**	487,452
31 to 90 days	**505,837**	208,828
91 to 180 days	**321,514**	136,865
181 to 365 days	**67,652**	26,425
Over 365 days	**30,085**	8,111
	1,220,698	867,681

Included in the trade and bills payable was an amount of RMB159,052,000 as at 30 June 2014 (31 December 2013: RMB69,454,000) 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 180 days. The carrying amounts of the trade and bills payable approximate to their fair values.

The bills payable are all due within 209 days.

13. Share Capital

	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Authorised:		
5,000,000,000 ordinary shares (31 December 2013: 5,000,000,000 ordinary shares) of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
3,041,025,000 ordinary shares (31 December 2013: 3,041,025,000 ordinary shares) of HK$0.10 each	**304,103**	304,103
Equivalent to RMB'000	**264,366**	264,366

14. Commitments

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

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Contracted, but not provided for:		
Buildings	**139,279**	193,694
Plant and machinery	**43,243**	34,463
	182,522	228,157
Authorised, but not provided for:		
Capital contributions payable to jointly-controlled entity	**8,287**	–

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2014, the market of coal mining machines remained gloomy without any signs of recovery. While encountering challenges for the industry, the Group actively geared up its business transformation by introducing a series of non-coal products. During the period under review, the Group actively expanded its business into non-coal energy equipment sector with gas station as its penetration into the natural gas machinery sector. The Group had successfully launched prototype and bulk sales will commence within this year. Meanwhile, the non-coal mining transport equipment realized sales revenue of approximately RMB237.7 million, accounting for approximately 16.5% to the total sales revenue for the six months ended 30 June 2014. The spare parts and service realized sales revenue of approximately RMB288.8 million, accounting for approximately 20% to the total sales revenue. The business transformation strategy of the Group has achieved initial success. In addition, in order to meet the development needs of the Company, our park originally located in Yansaihu will be relocated to Xihe. The Company has entered into an agreement with the local government, pursuant to which, the land parcel of 215,000 sq.m. that originally located in Yansaihu will be repurchased by the local government at the market price which will generate a non-recurring income of approximately RMB605 million.

BUSINESS REVIEW AND PROSPECTS

Major products

With the ongoing transformation, the Group divided its products into three categories, namely the coal mining business, which includes roadheaders (all types of soft rock, hard rock roadheader, EBS630 mining roadheader and drilling machinery) and CCMU (coal mining machines (shearer), hydraulic support system, scraper conveyor (Armored-Face Conveyer) and centralized control system); the non-coal-related business, which includes mining transport equipment (mechanical drive off-highway dump truck, electric drive off-highway dump truck, articulated truck and underground coal mining vehicle) and other new model products (continuous mining machinery and concrete pump for coal mines); and other non-coal-related business (parts and services).

Development of new products

By virtue of its strong research and development ("R&D") ability, the Group launched various new products in view of market demand and actively developed new sources of profit growth. During the period under review, through bold innovation, the Group successfully launched the EBS630 mining roadheader, the first China-made non-coal mining roadheader, which was successfully applied in the mining of salt mine; the Group launched the ZRB400 emulsifier security system full set equipment, using five core technologies which guaranteed the excellent quality of that machine model and filled the gap of lacking supply of emulsifier security system full set equipment in China in the past; the Group also execelled the traditional idea of the industry and launched the two-arm drilling machinery and exploitation roadheaders (掘進前探架棚機), staying always at the technological innovation forefront of the industry; and the remote control viewable system and dust removal system for roadheaders have helped solve the distressful difficulties persisted in the industry for so long. At the same time, the new source of profit of the Group – the coal mine transportation vehicles were also upgraded, with the launch of the SRT95 tonne model operating at high latitudes and low temperatures, the SRT95C and SRT55D upgrade models and are well recognized by clients.

Research and development capability

The Group considered R&D as one of its most important competitive strengths, adequately developed and utilized international niche technological resources, strived for providing products with higher quality-price ratios for clients and looked for new sources of profits. During the period under review, the Group made remarkable achievements in its R&D, the thin coal seam highly reliable fully automatic controlling technology effectively enhanced the competitiveness of the intelligent thin coal seam integrated mining full set of equipment, reduced the number of workers and labour efforts on the working planes of thin coal seams; the efficiency of removing respirable dust new model roadheaders has been significantly enhanced, effectively removing dust even in tunnels with high gas content. During a ceremony of the Group, it carried out a demonstration of geared cutting and dust removal on the site with the dust removal efficiency of over 90%, which was generally recognized by the visiting clients. Meanwhile, the launching of new models of coal mine transportation vehicles also laid a solid foundation for the performance growth of the Group in the future.

Production and manufacturing

Currently, the Group has eight plants 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. The Group focused on enhancement of processing techniques and assembly techniques, adopted various measures to cut production costs, and continued to push forward cost reduction projects in R&D and all business systems. In the first half of the year, an aggregate of 149 projects were created.

Also, the construction of the testing beds and testing zones of the testing base of the Group in the new industrial park were successively completed, which included the mechanically-driven loading testing zone, the fatigue and structural testing zone, electricity and gas testing zone, integrated loading testing bed, emulsifier hydraulic pump testing bed, integrated loading testing bed for multi-frequency devices etc. These testing beds or testing zones are of the highest standard in the industry which will guarantee the credibility of products of the Group.

Marketing and service

The Group will adhere to its service philosophy of “All For Customers, All From Innovations”, and make every effort by providing first-class service and highly efficient response to meet customers’ needs and raise customers’ satisfaction and address any concerns of our customers. During a slow-growth period of the industry, the service mode should be transformed too, the Group planned to actively explore the after-sales markets of parts and integrated mining full set of equipment in order to bring new sources of profit growth while meeting customers’ demand.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2014, the Group recorded revenue of approximately RMB1,444.3 million, representing a decrease of approximately 13.2% as compared with the six months ended 30 June 2013. The main reasons for the decline were that: the demand for coal mining machinery dropped as compared with the previous year, also the prices of some roadheaders were lowered to promote product sales, resulting in a decrease in revenue attributable to conventional roadheaders of approximately 33.3%. Although the Group's revenue decreased for the six months ended 30 June 2014, the percentage of decrease in revenue was significantly lower than the percentage of decrease in revenue of 29.1% for the six months ended 30 June 2013 as compared with the six months ended 30 June 2012. Such improvement was mainly attributable to: (1) the results of the transformation strategy of the Group were significant. Sales of off-highway mining truck were outstanding revenue of which reached approximately RMB237.7 million, representing an increase of approximately 104.0% as compared with the same period last year, which was one of the driving forces of profit of the Group; and (2) the Group vigorously developed the after-sales market, resulting in the increase in sales revenue from spare parts and service by approximately 32.9% to approximately RMB288.8 million for the six months ended 30 June 2014, as compared to that for the six months ended 30 June 2013. With more new non-coal models coming into the stream, the product restructure of the Group has begun, and will continue to change.

Other income and gains

For the six months ended 30 June 2014, the Group's other income and gains was approximately RMB98.08 million (six months ended 30 June 2013: approximately RMB98.1 million), representing a decrease of approximately 0.1%, 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 2014, the Group's cost of sales decreased to approximately RMB895.2 million (six months ended 30 June 2013: approximately RMB1,026.9 million), representing a decrease of approximately 12.8% over the same period in 2013. The change was mainly due to the strict cost control measures.

Gross profit and gross margin

For the six months ended 30 June 2014, the Group's gross margin was approximately 38.0%, slightly decreased by approximately 0.3 percentage point as compared to the same period in 2013. Such a decrease was mainly due to a further increase in the proportion of revenue from CCMU and non-coal-related products which had a gross margin lower than that of traditional roadheader products. The Group has been gradually raising the gross profit margin of CCMU and non-coal-related products by continuously pushing forward the cost reduction projects in all production processes such as product R&D and design, processing technology, commercial procurement and manufacturing.

Profit margin before tax

For the six months ended 30 June 2014, the Group's profit margin before tax was approximately 16.9% which decreased by approximately 3 percentage points as compared to the corresponding period in 2013. Please refer to the paragraph "Gross profit and gross margin" above for the major reasons for the decline, however the profit margin before tax for the first half of 2014 increased by approximately 4.3 percentage points from the profit margin before tax of 12.6% for the year ended 31 December 2013. Such a change was mainly due to the Group's continuous cost control efforts.

Selling and distribution expenses

For the six months ended 30 June 2014, the selling and distribution expenses decreased by approximately 24.4% to approximately RMB163.9 million as compared with the same period of 2013 (six months ended 30 June 2013: approximately RMB217.0 million). For the six months ended 30 June 2014, the ratio of the Group's selling and distribution costs to revenue decreased by approximately 1.7 percentage points to approximately 11.3% as compared to the same period in 2013 (six months ended 30 June 2013: approximately 13.0%). The decrease was mainly due to the substantial decrease in marketing expenses resulting from the control of selling expenses.

Research and development expenses

For the six months ended 30 June 2014, the R&D expenses of the Group were approximately RMB73.6 million (six months ended 30 June 2013: approximately RMB82.9 million). In the first half of 2014, the ratio of R&D expenses to revenue was approximately 5.1%, which was close to the ratio of approximately 5.0% in the corresponding period of 2013. The R&D expenses were mainly used for the non-coal energy equipment, particularly the development of natural gas machinery and constant upgrade of CCMU in order to cope with the sluggish market.

Other administrative expenses

For the six months ended 30 June 2014, the Group's administrative expenses (excluding R&D expenses) were approximately RMB89.2 million (six months ended 30 June 2013: approximately RMB93.1 million), representing a decrease of approximately 4.2% from that of the corresponding period in 2013. The decrease was mainly due to the Group's tightening control over its administrative expenses.

Finance costs

For the six months ended 30 June 2014, the Group's finance costs were approximately RMB14.4 million (six months ended 30 June 2013: approximately RMB5.6 million), mainly because of the payment of interest on bank loans by the Group.

Taxation

For the six months ended 30 June 2014, the Group's effective tax rate was approximately 15.4% (six months ended 30 June 2013: effective tax rate was approximately 10.7%). The income tax increased from approximately RMB35.5 million for the six months ended 30 June 2013 to approximately RMB37.6 million for the six months ended 30 June 2014, of which the income tax for the current period was approximately RMB35.8 million (six months ended 30 June 2013: approximately RMB34.6 million) and the deferred income tax was approximately RMB1.8 million (six months ended 30 June 2013: RMB0.9 million). For a breakdown of the income tax, please refer to Note 7 to the financial statements.

Profit attributable to owners of the parent

For the six months ended 30 June 2014, the Group's profit attributable to owners of the parent decreased to approximately RMB203.3 million (six months ended 30 June 2013: approximately RMB295.1 million), representing a decrease of approximately 31.1%. For the main reason of the decrease, please refer to the above paragraphs titled "Revenue" and "Profit margin before tax".

Liquidity and financial resources

As of 30 June 2014, total current assets of the Group were approximately RMB5,953.7 million (as of 31 December 2013: RMB5,613.9 million). As of 30 June 2014, total current liabilities of the Group were approximately RMB2,605.0 million (as of 31 December 2013: RMB2,442.1 million). As of 30 June 2014, total assets of the Group were approximately RMB9,056.4 million (as of 31 December 2013: approximately RMB8,712.7 million), total liabilities were approximately RMB3,019.9 million (as of 31 December 2013: approximately RMB2,885.1 million). The assets to liabilities ratio was approximately 33.3% as of 30 June 2014 (as of 31 December 2013: 33.1%).

Trade and bills receivables

The Group's trade receivables and bills receivable as of 30 June 2014 recorded an increase of approximately 29.8% to RMB3,757.6 million as compared to the corresponding period of 2013. The increase was mainly due to: (1) the overall sluggish environment of the coal industry in China with coal prices continuing to fall, and banks then lifted the financing threshold for coal companies and coal miners which imposed severe challenges in funding on the coal industry; and (2) for maintaining a long-term strategic cooperation with high-quality state-owned customers, the Group intended to extend the credit period of certain state-owned customers with good reputation.

By improving the client credit rating evaluation mechanism, the Group divided the relevant departments into 12 trade receivable collection groups, and set up the overdue debt responsibility system of "one client one credit policy" and "one state-owned client one credit policy" to closely track the status of collection so that the receivable risks are minimized. The Group will continue to maintain its most rigid client credit approval standard to reduce the amount of bad debts to the minimum.

Cash flow

As of 30 June 2014, the cash and cash equivalents, investment deposits and time deposits with maturity of three months or more were approximately RMB652.9 million.

The cash flow of operating activities improved slightly in the first half of 2014. For the six months ended 30 June 2014, the net cash outflow from operating activities was approximately RMB30.3 million (six months ended 30 June 2013: the net cash outflow from operating activities was approximately RMB141.6 million).

For the six months ended 30 June 2014, the net cash inflow from investing activities was approximately RMB235.8 million (six months ended 30 June 2013: the net cash outflow from investing activities was approximately RMB411.0 million), mainly because of the amounts received from the immediate holding company.

For the six months ended 30 June 2014, the net cash outflow from financing activities was approximately RMB183.6 million (six months ended 30 June 2013: the net cash outflow from financing activities was approximately RMB94.6 million), it was mainly because the Group repaid bank loans in the amount of approximately RMB293.6 million.

As of 30 June 2014, the Group had sufficient cash and large amount of credit facility at banks that had not been utilized.

Turnover days

During the period under review, the turnover days of the inventory of the Group recorded a decrease from approximately 165.3 days as of 30 June 2013 to approximately 162.8 days as of 30 June 2014. Such improvement was mainly because the management of the Group devoted efforts to optimize the inventory management model, formulated production plans to cater for the market demand of different products.

Turnover days of trade receivables and bills receivables increased from approximately 287.7 days as of 30 June 2013 to approximately 465.0 days as of 30 June 2014. Please refer to the above paragraph titled "Trade and bills receivables" for the reasons of such change.

Turnover days of trade payable and bills payable increased from approximately 157.5 days as of 30 June 2013 to approximately 212.9 days as of 30 June 2014.

Contingent liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

Capital commitment

As at 30 June 2014, the contracted capital commitments of the Group which are not provided in the financial statements were approximately RMB190.8 million (31 December 2013: approximately RMB228.2 million), mainly used in the construction of new production plants.

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. In addition, the Group distributes year-end bonus as an encouragement to employees for their contribution and efforts. The remuneration of directors of the Group is determined with reference to their duties, responsibilities, experience and the prevailing market conditions etc.

Material acquisition and disposal

For the six months ended 30 June 2014, neither the Company nor its subsidiaries had any material acquisition or disposal.

Pledge of assets

As at 30 June 2014, the Group had pledged deposits and pledged bills with aggregate value of approximately RMB137.7 million (as at 30 June 2013: approximately RMB84.7 million), which were pledged for the purpose of obtaining bank facility granted to the Group.

Foreign exchange risk

As at 30 June 2014, the Group's cash and bank balances denominated in HK$ and US$ were equivalent to approximately RMB17.7 million. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

Social responsibility

The Group promotes good values of fraternity and mutual assistance and selfless contribution, it advocates more people to get involved in charity activities with love and care. On 3 August 2014, a severe earthquake of 6.5 magnitude occurred in Ludian county, Haotong city, Yunnan province, China, the Group and Sany Group Limited, rushed without delay to the rescue site to assist with the rescue. On 23 June 2014, the group committee of the Group arranged a charitable book donation activity "You donate, I read", with the help of volunteers of Shenyang, the donated books were sent to the "Loving Book Hut" in 20 primary schools in the rural area, this enabled students to be surrounded by more books they liked, and opened the door of knowledge to them. To enrich the leisure and culture life of staff, foster exchange and cooperation among employees, the Group arranged some activities such as the "Sany in My Eyes" photography and art contests, funny sports galas and ping pong matches etc. At the same time, 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, it also raised funds for staff requiring assistance and spread love and care to staff who are in need of support.

CORPORATE GOVERNANCE PRACTICES

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.

The Company has complied with the code provisions under 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 2014 to 30 June 2014.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTOR 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 review period, 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 throughout the six months ended 30 June 2014.

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 2014.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial results for the six months ended 30 June 2014 have not been audited or reviewed by the Company's external auditor.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company (for the year ended 31 December 2013, the Company repurchased 64,110,000 shares at a total amount of approximately HK$186.9 million).

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 six months ended 30 June 2014.

PUBLICATION OF INFORMATION ON THE WEBSITES

The interim report of the Company for the six months ended 30 June 2014 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, 29 August 2014

As at the date of this announcement, the executive Directors are Mr. Zhao Xiangzhang, Mr. Mao Zhongwu, 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.